
Joyce Campagna Lambert

Louisiana State University and Agricultural & Mechanical College

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A CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY.
The Louisiana State University and Agricultural and Mechanical College, Ph.D., 1973
Accounting

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A CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY

A Dissertation

Submitted to the Graduate Faculty of the Louisiana State University and Agricultural and Mechanical College in partial fulfillment of the requirements for the degree of Doctor of Philosophy

in

The Department of Accounting

by

Joyce Campagna Lambert
B.S., Louisiana State University, 1968
M.S., Louisiana State University, 1970
August, 1973
ACKNOWLEDGMENTS

This writer gratefully acknowledges the assistance of her committee: Dr. William E. Swyers, Dr. Daniel G. Kyle, Dr. O. Jeff Harris, Dr. Fred R. Endsley, and Dr. Clarence L. Dunn, chairman. In addition this writer acknowledges the assistance of Dr. S. Lee Richardson, who served on the committee for most of its duration.

A number of other people contributed to the successful completion of this study. Dr. James W. Pattillo was especially helpful in establishing contacts with the National Association of Accountants. Dr. Roger L. Burford assisted in establishing the statistical procedure for the questionnaire. This writer acknowledges the cooperation of the National Association of Accountants, Mr. William M. Young, Jr., Executive Director, and Mr. James D. Collier, Director of Publications and Chapter Services. Finally, this writer acknowledges the assistance of the Bureau of Business Research at the University of Nebraska-Lincoln.
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ABSTRACT

The rise of any profession is marked by the development of a code of ethics. The public accounting sector of the accounting profession has developed a code of professional ethics. But to date the industrial accounting section has not developed a code of professional conduct. Accordingly, the objectives of this study are fourfold: (1) to establish a need for a code of professional conduct for accountants in industry, (2) to provide a philosophical base for this code from the field of ethics, (3) to develop the elements of this code of professional conduct, and (4) to survey industrial accountants for their opinions on the code developed in this study.

This study began with a search for a philosophical base. Various selected schools of ethical thought were surveyed. The ethics of St. Thomas Aquinas was selected as the ethical foundation for the code developed in this study, thereby accomplishing objective two.

A discussion of the field of management accounting, along with the ultimate responsibility of the accountant, followed. The call for the professionalization of management accounting and the resultant need for a code of ethics were discussed, fulfilling objective one. Several ethical problems of industrial accountants
were analyzed in the Thomistic framework which served as models for applying other problems to the ethical philosophy of St. Thomas Aquinas. Ethical problems of industrial accountants include broad principles; the relation of the accountant to the firm; the relation of the accountant to other employees; the relation of the accountant to the stockholders, the public, and the government; the relation with other accountants; and technical standards. Technical standards include such topics as supplying relevant information, providing a system of accounting control, interpreting accounting information, promoting goal congruence, reporting fraud, measuring performance, choosing accounting principles, complying with authoritative pronouncements, communicating financial information, fulfilling the full disclosure standard, signing reports, indicating responsibility, and keeping adequate records.

The code of professional conduct for accountants in industry was presented, accomplishing the third objective. The code was submitted in questionnaire form to a systematic, random sample of members of the National Association of Accountants (NAA), thereby completing the fourth objective of this study. The sample was stratified from selected categories and consisted of 2,885 NAA members. Responses totaling 1,264 were received, for a 43.81% response rate. This response permitted the results presented in this study to be representative of the selected categories of NAA members, at the time the questionnaire was completed, with a 90%
degree of confidence, + 2% precision, with a .2 estimated error rate. The need for a code of professional conduct for accountants in industry was indicated by 1,045 respondents (82.67%). The code as a whole as developed in this study was accepted by 999 respondents (79.04%).

The code of professional conduct for accountants in industry is viewed by this writer as attempting to present a clearer definition of the ethical responsibilities of industrial accountants and as protecting the accountant by alerting him to the nature of these ethical responsibilities. The code developed in this study would have to be adopted and enforced by a certified group, such as certified management accountants, to be an effective code of professional conduct.
Chapter 1

INTRODUCTION

The rise of any profession is marked by the development of a code of ethics. The public accounting sector of the accounting profession has developed a code of professional ethics. But to date the industrial accounting sector has not developed a code of professional conduct.

Early Development of Industrial Accounting in the United States

Industrial accounting as it is known today gained importance in the late nineteenth century. Frederick Taylor and the scientific management era pioneered work in setting standards, variance analysis, and other areas which today are considered an integral part of industrial accounting. World War I with its tremendous increase in industrial output focused attention on industrial accounting. Cost accountants operated in the area of the financial accountant and the industrial engineer.¹

The depression of the early 1930's forced businesses to evaluate many of their internal operations. Those functions which were considered unessential were eliminated, and emphasis was placed

on the necessary elements of business operations. Industrial accounting survived, and a greater appreciation for industrial accounting and its uses resulted from this era. World War II and the subsequent years gave further impetus to industrial accounting.\(^2\)

Simultaneous with these developments in industrial accounting, events occurred which caused the rise of the accounting profession. The accounting profession responded to the demands of business developments arising from the industrial revolution. Other events included the new corporate form of business organization, the influence of income taxation, the requirements of the era of combinations, the demands of foreign investors, and the demands of governmental bodies.\(^3\)

The emphasis on external auditing by CPAs and their attest function has overshadowed the role of the industrial accountant. The increasing legal liability of CPAs has been discussed in the accounting literature, but little attention has been focused on the concomitant responsibilities of the industrial accountant. C. W. Andersen in *The Australian Accountant* observed:

> It is surprising therefore that, in the numerous articles published on the celebrated Bar Chris Case in the U.S.A., no reference has been made to the fact that the

\(^2\)Ibid., p. 64.

treasurer and chief financial officer of the company was convicted, along with the directors and auditors, for false and misleading statements in a prospectus filed with the S.E.C. 4

The accounting literature in the U.S. and the educational system of colleges and universities generally neglect the role of the industrial accountant. Emphasis in the accounting curriculum traditionally has been placed on preparing students for public accounting and the C.P.A. exam. Industrial accounting is not attracting the young, aggressive student because he feels there are greater challenges and opportunities in other areas. 5

Another area in which public accounting has progressed further than industrial accounting concerns codes of professional conduct. Codes of conduct for public accountants have been carefully developed and updated by professional societies. Little attention, though, has been given to the need for formulating principles of conduct to guide the accountant not in public practice. 6

The Nature of the Problem

The overall problem of this study is to determine a code of professional conduct for industrial accountants. As a prerequisite


to this determination, the need for a code of professional conduct must be justified.

Justification of the need for a code of professional conduct for accountants in industry takes on four forms. First, a literature search has revealed that the United States is behind other English-speaking countries in recognizing the need for ethical rules for industrial accountants.

C. W. Andersen in The Australian Accountant recognized that not only are increasing responsibilities being placed on the corporate accountant by legislation, but he also has ethical responsibilities as well.\(^7\) A. W. Graham in "Professional Ethics in New Zealand" stated that even though their Society's Code of Ethics is practically oriented to the accountants in public practice, theoretically the Society's code applies equally to all members whether in public practice or not.\(^8\)

Second, private correspondence between this researcher and Commissioner James J. Needham of the Securities and Exchange Commission (SEC) has revealed current efforts by both the SEC and the Financial Executives Institute (FEI) in this direction. A letter received from Commissioner Needham, dated January 31, 1972, stated that current efforts are under way by the SEC staff to construct a


code of ethics for accountants in industry. Needham stated that the FEI was also working on a similar project.

The third justification for the need for a code of ethics concerns the efforts of many countries. Private correspondence between this researcher and the societies of other English-speaking countries revealed that other countries are attempting to apply codes of ethics developed for public accountants in public practice to public accountants in industry. Recently the American Institute of Certified Public Accountants (AICPA) restated its code of professional ethics. This restated code applies some of its provisions to members in industry. Despite these efforts, no code exists for non-public accountants in industry.

Fourth, a questionnaire, to be explained later, presents the opinions of the respondents regarding the need for a code of professional conduct for accountants in industry.

The Scope of This Study

This study is oriented to industrial accountants in publicly-held firms in the United States. Practical considerations necessitated the restrictions placed on the scope of this study.

Definition of Industrial Accountant

The diversity of employment in the accounting field covers:

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public practice, industrial, governmental, and other areas. A code of ethics exists for CPAs in public practice. But accountants in the United States in industry today have no such formalized code. This study is limited to developing a code of professional conduct for accountants in industry.

Industrial accountants may include any number of classes from the bookkeeper to the chief financial officer, whether CPAs or not. This range presents definitional problems for limiting the term "industrial accountant." A code of professional conduct developed for industrial accountants must define the members or classes of persons to be affected by it. The problem of defining who is an industrial accountant, or who is considered an industrial accountant for this study, is resolved arbitrarily by definition by this writer with prime consideration given to administrative problems involved in such a code.

**Definition by Title**

An industrial accountant could be classified as the chief financial officer of a company. But this classification is rejected because the job description of a "chief financial officer" varies from one firm to the next. In addition there exists terminology problems with this classification. Is the controller or the vice president of financial affairs the "chief financial officer"? The answer to this question depends on numerous factors, one of which is the classification according to the organizational chart, if one exists.
Should one consider the chief financial officer of General Motors on the same level as the chief financial officer of a firm whose volume of sales is $50,000? Another problem is how would the chief financial officer of a small company know of the existence of a code of professional conduct which purports to bind him? This latter problem implies one of the administrative considerations involved in issuing a code of ethics.

**Definitions by Functions**

Another possible classification of industrial accountants could be by the functions performed: cost, financial, budgetary, and others. But this classification is also rejected because the functions of accountants vary. They vary in their relative importance to a particular firm and in the complexity of techniques or analyses employed. In addition the functions vary in the general agreement on the composition of activities under the subfields of cost, budgeting, and others. The accounting needs of corporations are constantly changing. Consequently, the functions of the industrial accountant must respond to this change.

**Definition by Organizational Membership**

Classification of industrial accountants by title and by functions has been rejected. The classification that has been accepted in this study is based on membership in accounting organizations or societies.

Membership in a professional accounting organization, such
as the National Association of Accountants (NAA), would be necessary to inform its members of a code of professional conduct, to generate pressures to conform to the code, and to enforce the code. Violations of the code would be handled by the organization. Appropriate actions for an offense would include admonishment, suspension, or expulsion from the group, along with loss of a license or certificate, if applicable.

This classification solves many of the problems of administering a code of professional conduct. Thus, the code of professional conduct developed in this study would be binding on accountants who join an organization which adopts the code.

Applicability to Governmental and Other Accountants

The fact that this study is limited to accountants in industry does not preclude the fact that accountants in governmental areas will benefit from this research effort. Certainly there are similarities between the work of industrial and governmental accountants, just as there exists similarities between the work of CPAs in public practice and industrial accountants. But the ethical code developed in this study is oriented primarily to industrial accountants, with special considerations given to the problems that are relevant to them.

Publicly-Held Firms

The extent of ownership differs between closely-held and publicly-held firms. Also organizational and procedural patterns
generally tend to be more formalized in publicly-held firms. Financial statements of publicly-held firms are generally distributed to a larger group of investors and other interested parties. The code of professional conduct developed in this study is oriented toward accountants in publicly-held firms.

Geographical Boundaries

This study is further limited to industrial accountants in the United States. There exists universal aspects of industrial accounting applicable world-wide. But the legal, political, social, and economic environments differ in various countries. As stated previously, varying efforts by other countries have been under way to explore the ethical responsibilities of accountants in industry. But administrative considerations were paramount in limiting this study to the United States.

Limitations of a Questionnaire

The questionnaire distributed as part of this study is subject to the limitations inherent in the questionnaire technique. These limits include, for example, respondents interpreting questions differently, definitional problems existing with the terminology used, and the possibility of a poor response rate. Among the advantages of a questionnaire are its ability to reach a wide geographical range of people and its ability to allow the respondents to answer the questions at their convenience.
Synonyms for Accountant and Code

The terms "accountant," "industrial accountant," "internal accountant," "accountant in industry," "management accountant," and "corporate accountant" are used interchangeably in this study. The phrases "code of professional conduct," "code of ethics," "code," and "code of professional ethics" are also used interchangeably. The difference between ethics and professional conduct is discussed in Chapter 3. Other terms used interchangeably in this study are described as they are introduced.

Objectives of This Study

The objectives of this study are fourfold:

(1) To establish a need for a code of professional conduct for accountants in industry,

(2) To provide a philosophical base for this code from the field of ethics,

(3) To develop the elements or rules of this code of professional conduct, and

(4) To survey industrial accountants for their opinions on the code developed in this study.

The development of a code of professional conduct is evolutionary. Once developed, its provisions must change as conditions warrant change. Therefore, a code of ethics is a dynamic instrument of professional advancement. In developing a code of ethics many opinions must be considered. Many efforts are needed to develop a code of ethics which contribute the thoughts of many researchers.
This study is one effort in this direction.

Most other efforts involving a code of ethics are not oriented from a philosophical base. This study hopes to contribute to the research in the area of ethics in accounting by providing an ethical foundation for the code developed in this study. The feedback obtained from the survey in this study provides the opinions of many industrial accountants. These opinions aid in the formulation and acceptance of a code.

The development of a code of ethics for accountants in industry will advance the professional stature of industrial accountants. The entire accounting profession in turn will benefit from the increased stature and the unification of industrial accountants. The professionalization of industrial accountants will promote the protection of the users of financial statements, as the accountant increases his emphasis on service to the users of these statements. This increased consumer protection will improve the image of the entire accounting profession.

**Research Methodology**

This study contains a theoretical and an empirical orientation. These two parts accomplish the four objectives of this study. The first objective is accomplished partly on a theoretical basis and partly on an empirical one. This objective of establishing a need for a code of professional conduct for accountants in industry is accomplished first through a literature search. The accounting literature of many countries expresses a need for a code
of ethics for accountants in industry. The establishment of a need for a code also has an empirical basis. The questionnaire mailed as part of this study explicitly asked respondents their opinions on the need for a code.

The second objective to provide a philosophical base for the code was accomplished by a literature search in the field of ethics. The results of this search are presented in Chapter 2.

In preparation for accomplishing the third objective of developing the rules of the code, the areas of business ethics and accounting ethics in particular were studied for relevance to the development of a code of ethics for industrial accountants. Library research was used to investigate the field of industrial accounting and the ethical problems of accountants in industry. These results are presented in Chapter 3. Codes of ethics of various selected organizations and professions were researched to aid in the determination of the form and content of a code of ethics for management accountants. Chapter 4 represents the accomplishment of this theoretical objective. It contains the "Code of Professional Conduct for Accountants in Industry."

The fourth objective of surveying industrial accountants for their opinions to the code developed in this study is an empirical one. This objective was accomplished as follows. The code developed in this study was submitted in questionnaire form to a sample of members of the National Association of Accountants (NAA) to obtain their opinions and reactions. The questionnaire along with the transmittal letters are presented in Appendix A.
The questionnaire was pretested by the faculty of the Department of Accounting at the University of Nebraska-Lincoln. A stratified, systematic random sample was provided by the National Association of Accountants according to this author's specifications. The sample was stratified among the following four categories of subscribers to *Management Accounting*, a monthly publication of NAA:

1. Secretaries and/or Treasurers, Controllers,
2. Chief Accountants,
3. Cost Accountants, Accountants, and Internal Auditors, and
4. Bookkeepers and Accounting Clerks.

There was a total of 31,751 names in all four categories. The sample of 2,885 was distributed among the categories as follows:

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<th>Category</th>
<th>Total</th>
<th>Sample</th>
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<td>(1)</td>
<td>15,925</td>
<td>1,447</td>
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<td>(3)</td>
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<td>924</td>
</tr>
<tr>
<td>(4)</td>
<td>298</td>
<td>27</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>31,751</strong></td>
<td><strong>2,885</strong></td>
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A systematic random sample was used. Burford has pointed out that the characteristics and results of systematic random samples are very similar to those of simple random samples. Systematic samples are easier to select because it is not necessary to assign serial numbers to the elements in the universe.10

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The sample was selected with a random start from the first eleven names in each of the four categories. Then every eleventh name was selected. The questionnaire was mailed January 19, 1973. A follow-up questionnaire was mailed March 9, 1972. The questionnaires were mailed as bulk-rate mail. This mailing process accounts for the time span between the first and second mail outs. All useable responses received on or before April 23, 1973, were included in the results which were processed by a computer program. The total responses were 1,264; the response rate was 43.81%. A 90% confidence level, 2% precision with a .2 average error rate was attained.11 The results of the questionnaire are presented in Chapter 5.

Preview to This Study

In Chapter 2 various selected schools of ethics are discussed. An ethical school of thought is selected as a philosophical foundation for the code developed in this study. A discussion of the field of industrial accounting along with the ethical problems of an accountant in industry is presented in Chapter 3. The ethical problems discussed in Chapter 3 are the basis for the code of professional conduct presented in Chapter 4. A questionnaire was submitted to accountants in industry containing the code developed in this study. The results of this questionnaire are

11This writer gratefully acknowledges Dr. Roger L. Burford of Louisiana State University, Professor of Quantitative Methods, for his assistance in establishing the statistical procedure for this study.
presented in Chapter 5. Summary and concluding remarks are presented in Chapter 6. Appendix A contains the questionnaire and transmittal letters. Appendix B contains the results of the questionnaire classified by selected job categories.
Chapter 2

AN ETHICAL FOUNDATION FOR A CODE OF PROFESSIONAL CONDUCT

In this chapter the search for a code of professional conduct for accountants in industry from a philosophical base is begun. The field of ethics is explored to discover an ethical philosophy to serve as a foundation for the code to be developed in a later chapter.

Selected definitions of ethics are presented in this chapter. Next there is a discussion of selected schools of ethical thought. The ethics of St. Thomas Aquinas is assumed to serve as the ethical foundation for the code of professional conduct for accountants in industry. Then various parts of Thomistic ethics which are relevant to this study are examined. Finally, the relation of Thomistic ethics to this study is discussed.

Selected Definitions of Ethics

Ethics is a branch of philosophy. The study of ethics concerns the actions of human beings. It considers an individual in a decision-making environment. Ethics deals with such terms as "right," "wrong," "good," "bad," "moral," and "immoral." The following review of selected definitions of ethics is provided to aid one's understanding of the subject matter of ethics.
Paul J. Glenn in his book Ethics: A Class Manual in Moral Philosophy stated:

Ethics employs the marvellous faculty of human reason upon the supremely important question of what an upright life is and must be. . . .

Ethics furnishes the norm by which relations among men (juridical, political, professional, social) are regulated. It shows what such relations must be, and indicates the reasons that require them to be so. Thus, Ethics is fundamental to the sciences of Law, Medicine, Political Economy, Sociology, etc.¹

Everett W. Lord in The Fundamentals of Business Ethics defined ethics as the science of conduct: "... a study of right and wrong in human relations."²

William Lillie in An Introduction to Ethics stated: "We may define ethics as the normative science of the conduct of human beings living in societies—a science which judges this conduct to be right or wring, to be good or bad, or in some similar way."³

Vernon J. Bourke in Ethics: A Textbook in Moral Philosophy stated: "Ethics may be defined as the systematic study of human actions from the point of view of their rightness or wrongness as means for the achievement of ultimate happiness."⁴


The Encyclopedia of Philosophy discussed ethics as follows:

The term "ethics" is used in three different but related ways, signifying (1) a general pattern or "way of life," (2) a set of rules of conduct or "moral code," and (3) inquiry about ways of life and rules of conduct. In the first sense we speak of Buddhist or Christian ethics; in the second sense, we speak of professional ethics and of unethical behavior. In the third sense, ethics is a branch of philosophy that is frequently given the special name of metaethics.⁵

From these definitions one can see that ethics involves the following common elements: (1) human acts and (2) "good" or "right" versus "bad" or "wrong." The second part of these definitions of ethics causes a great definitional problem, which has been the subject of the thoughts and efforts of many men throughout the centuries.

Good/bad, right/wrong are vague terms, the essence of which involves developing a criterion or standard by which to judge "what is good" or "what is evil." Once a standard is developed the terms "good," "evil," "right," and "wrong" become clearer.

A synthesis of the various definitions of ethics given above is used for this study. Ethics is "the study of human acts and the norm(s) for determining their rightness or wrongness." In the following section a discussion of selected schools of ethical thought is given.

Selected Schools of Ethical Thought

There are many schools of ethical thought. Because so many

varied schools exist, it is necessary in developing a code of ethics to state the ethical philosophy on which the code is based. This section, therefore, contains a brief discussion of selected schools of ethical philosophy. The respective standard of morality for the various schools is discussed. As a general rule, the ethical philosophies of these schools vary in their depth of analysis and their concreteness of application. Some give as their criterion or standard of morality, happiness; others, pleasure; and still others, duty. Some believe the individual is the relevant focus; others, society as a whole.

Obviously one must select from the many schools with conflicting standards of morality the one which will guide his behavior. In other words, one must assume an ethical philosophy and use its norm as the criterion for judging human actions. The following schools of ethical thought are briefly summarized: Ayer, Bentham, Butler, Dewey, Hobbes, Hume, Kant, Mill, Moore, and St. Thomas Aquinas.6

The Philosophy of A. J. Ayer

Ayer's philosophy has been termed "ethical skepticism," "value nihilism," "emotive theory of ethics," and "logical positivism." According to Ayer, moral concepts and judgments are pseudo-concepts and are unanalyzable. They express a feeling, attitude, or emotion. They lack any cognitive meaning. Expressions of moral judgments are merely ejaculatory, statements of one's emotions. Stating: "You acted wrongly in stealing the money" adds nothing to the factual content of the statement: "You stole the money." Ethical judgments are neither true nor false and cannot be validated. In effect, ethics are nonexistent.

In contrast to Ayer's philosophy that ethics do not exist, Bentham is known for his utilitarian philosophy.

The Philosophy of Jerry Bentham

Bentham's philosophy has been termed "utilitarianism," "egoistic hedonism," "psychological hedonism," and "quantitative hedonism." Bentham believes that nature has endowed man with two masters: pleasure and pain. Man is motivated to seek pleasure and avoid pain. Bentham saw pleasure as that which could measured quantitatively. There exists seven measures or standards of pleasure:

1. intensity,
2. duration,
3. certainty--its likeliness of occurrence,
4. propinquity--its nearness at hand,
5. fecundity--its chance of being followed by other pleasures,
(6) purity--its chance of not being followed by pain, and
(7) extent--the number of persons who are affected by it.

Bentham developed his hedonistic calculus to measure pleasure quantitatively. Bentham believed that all pleasures were of equal worth and differed only in amount. He would say that if all other things were equal, and if one pleasure was more intense than another, then one should choose the more intense pleasure. Similarly for the other measures, the net result being the right course of action because it would be the most pleasurable one.

Bentham stated: "Everyone to count for one, nobody for more than one." This dictum considers everyone an equal. An action should bring happiness to the greatest number of people. In determining a course of action, one should choose the one that will give the greatest happiness for the greatest number of people. Bentham saw sanctions being imposed on man so that it would be painful in the long run to disregard the public welfare. Therefore, private and public welfare tended to combine.

If one were perplexed as to which course of action to follow, one would:

... consider the courses of action open to you; discover the pleasures and pains involved in each course, considering each person who may be affected by the action, and counting yourself only as one; then the alternative that promises the greatest balance of pleasure over pain, or the smallest balance

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of pain will be the right action, and this is what you ought to do.\textsuperscript{8}

Mayer and Ross gave a more detailed account of this process. They quoted Bentham in explaining his calculus. Considering the pleasure and/or pain on each of the seven scales, one should sum:

\begin{quote}
\ldots all the values of all the pleasures on the one side, and those of all the pains on the other. The balance, if it be on the side of pleasure, will give the good tendency of the act upon the whole, with respect to the interests of that \textit{individual} person, if on the side of pain, the bad tendency of it upon the whole. Take an account of the \textit{number} of persons whose interests appear to be concerned; and repeat the above process with respect to each. Sum up the numbers expressive of the degrees of \textit{good} tendency, which the act has, with respect to each individual, in regard to whom the tendency of it is \textit{good} upon the whole: do this again with respect to each individual, in regard to whom the tendency of it is \textit{bad} upon the whole. Take the balance; which, if on the side of \textit{pleasure}, will give the general \textit{good} tendency of the act, with respect to the total number or community of individuals concerned; if on the side of pain, the general \textit{evil} tendency, with respect to the same community.\textsuperscript{9}
\end{quote}

Bentham's philosophy judges an act by reference to its actual consequences, not the intended results. A virtuous action is a correct calculation, one that will give the maximum amount of pleasure for the greatest number. Now the discussion switches from Bentham's complex calculus to Butler's supreme principle of conscience to determine the good or evil of an act.

\textbf{The Philosophy of Joseph Butler}

Butler's philosophy has been termed "classical intuitionism."


According to Butler, basic principles and value judgments are intuitive or self-evident, and therefore they do not need to be justified by argument.

One must look at an act in relation to the whole system of which it is a part to determine its rightness or wrongness. Conscience is the final criterion of morality.

Virtue is acting according to one's nature; vice against one's nature. Broad in discussing Butler's philosophy stated that the ideal human nature consists in subordinating particular impulses to self-love and benevolence. Self-love and benevolence are in turn subordinated to the supreme principle of conscience.10

In contrast to Butler's supreme principle of conscience, Dewey does not believe in one single principle of morality.

The Philosophy of John Dewey

Dewey denies the existence of a single principle of morality which applies to every moral situation. Moral situations are unique. He advocates the use of the scientific method to investigate each moral situation. Inquiry into the conditions that create right and wrong and the consequences of each situation would be called for. This inquiry is intelligence. Each person is morally responsible corresponding to his degree of intelligence and learning.

For proper value judgments one must consider the total situation, the relations of means to ends. If the means are

unacceptable, then the end is consequently considered bad. A bad person is one who no matter how good he has been is beginning to grow less good. A good person is one who no matter how morally bad he has been is becoming better. Morality implies growth. In a broader sense morals is education. Morality is social. Improvement in individuals cannot be done by the person alone. Educational and political institutions are needed.

From Dewey's emphasis on intelligence and education, the next philosophy considers Hobbes' ethics of power.

The Philosophy of Thomas Hobbes

Hobbes' philosophy has been called "the ethics of power" and "ethical egoism." According to Hobbes, man in his natural state is in a continuous war with each other.

There are two basic natural laws. The first, termed the "Right of Nature," entitles man to preserve himself at all costs. The second natural law, termed the "Law of Nature," prevents man from doing anything that may prove to be destructive to his life. In the natural state the law of the jungle prevails. Might makes right. Nothing can be considered unjust. Hobbes stated that man, for the sake of his own peace and safety, must voluntarily resign his "Right of Nature" and accept a social contract. This social contract is an agreement among men to be governed by another man or an assembly of men. This social contract is conducive to social coexistence and personal survival. This social contract, which man accepts as
society becomes more complex, is in effect the Golden Rule.\textsuperscript{11}

The following section contains a discussion of Hume's ethics based on the sentiment of social approval.

The Philosophy of David Hume

Hume's philosophy has been called the "ethics of sentiment." Nearly all persons feel at some time the emotion of approval or disapproval. According to Hume, those sentiments possessing social content are morally significant. Personal sentiments of individuals are ignored; the sentiments of society as a whole are important. Sentiments of humanity must be felt in common to be used as a foundation of ethics based on approbation. If morality were not a matter of sentiment, then a tree that falls and kills a person would be regarded as an immoral tree.

Things that are directly or indirectly pleasant or conducive to pleasure to their owners or others evoke the emotion of approval. Social approval determines right action. The criterion of morality is social opinion.

Hume's philosophy is similar to the saying: "When in Rome do as the Romans do." All societies may not have the same sentiments about certain actions. An action may be moral in one society and immoral in another.

Hume's ethics is based on social approval; Kant's ethics is based on a sense of duty.

\textsuperscript{11}Sahakian, op. cit., pp. 392-398.
The Philosophy of Kant

According to Kant, a right action is one that is performed from a sense of duty. Moral laws are the same for every rational person. Moral law possesses an absolute character. This absolute character or categorical imperative is one's sense of duty. The categorical imperative is a priori and is inherent in every rational thinking creature. This categorical imperative or norm by which to judge moral actions is as follows: "Act only on that maxim through which you can at the same time will that it should become a universal law."12

A maxim of an act could be considered the major premise of a syllogism. The minor premise would be related to the act. Then the conclusion follows. Kant would test the rightness of the major premise by asking if it could be willed as a universal law binding on all men. If it cannot be universalized, then it is a wrong act.13 For example, the principle or maxim underlying stealing cannot be willed as a universal law; therefore, stealing is a morally bad act.

Some have termed Kant's philosophy as "formalism" and "ethical intuitionism." An intuitionist considers moral value as being inner. Motive is the all important criterion in judging moral action. Kant considers this motive as a sense of duty. He does not


look to results or consequences of an action as a utilitarian does. For Kant one should perform an action because he recognized the act as his duty and not for the reward or fear of punishment that would follow from the act.

In contrast to Kant's ethics of duty, Mill's philosophy is based on the utility principle.

The Philosophy of John Stuart Mill

Mill has been called a "utilitarian," "ethical universalist," and a "hedonist." For Mill, the criterion of morality is the utility principle or the greatest happiness principle. This principle cannot be proved; it is a first principle.

Happiness is intended pleasure and the absence of pain; unhappiness is pain or the lack of pleasure. An action is right if it will produce the greatest amount of pleasure or the least amount of displeasure for the greatest number of people. Mill differs from Bentham's quantitative hedonism. Mill recognized qualitative as well as quantitative differences in pleasure. There exists differences in the kinds of pleasure as well as in amounts. A minute pleasure of quality is more desirable than a sizeable pleasure of inferior quality. It is better, according to Mill, to be a miserable man than a happy pig.

A type of democratic majority would determine the more pleasurable actions. If one pleasure is preferred over another by all or almost all of those who have experienced both, then the preferred pleasure has a higher quality and is the right pleasure to choose.
All individuals have an equal right to happiness. In this regard Mill incorporates Bentham's dictum: "Everybody to count for one, nobody for more than one."^14

Mill believes in two sanctions to bind one's obedience. External sanctions consist of the hope of favor and the fear of disfavor from one's fellow man or from the Ruler of the Universe. The internal sanction is in effect one's conscience.

Mill's ethics is utilitarian. The next philosophy to be discussed is also utilitarian. Moore has been called an "ideal utilitarian."

The Philosophy of G. E. Moore

Moore's philosophy has been termed "ethical realism" and "ideal utilitarianism." Good is an ultimate term and is undefinable. An action is right or wrong depending on its total actual consequences. An act is right if, of all courses of action open to the agent, it produces the best results. One must select the best possible means to the best possible end. One's motive for doing an act does not influence its rightness. One's motive, though, can allow one to be worthy of praise or blame. If one intends an act to produce the best result, but it does not; then one acted wrongly but would be morally praiseworthy for his intention.

Ideal utilitarianism differs from Kant's philosophy. It is right for an ideal utilitarian to tell a lie if it will produce the

14Sahakian, op. cit., p. 110.
best results. The last philosophy to be discussed is that of St. Thomas Aquinas.

The Philosophy of St. Thomas Aquinas

The following table briefly summarizes St. Thomas Aquinas' philosophy. From the table one can see how St. Thomas integrates religion and ethics into his philosophy.

<table>
<thead>
<tr>
<th>Philosophy</th>
<th>Standard of Morality of Human Acts</th>
<th>Virtues</th>
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</thead>
<tbody>
<tr>
<td>Religion</td>
<td>Eternal Law</td>
<td>Faith</td>
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<td></td>
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<td>Hope</td>
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<td>Charity</td>
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<tr>
<td>Ethics</td>
<td>Human Reason</td>
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<td></td>
<td></td>
<td>Temperance</td>
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<td>Fortitude</td>
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<tr>
<td></td>
<td></td>
<td>Justice</td>
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</tbody>
</table>

Source: Original.

St. Thomas believes that the ultimate end of man is happiness. This ultimate happiness can only be satisfied by God in the beatific vision of God. Individual human actions are teleological, for some end. Man acts for or toward an end or for several ends in each action. This end is synonymous with the good. A real or perceived good motivates human actions.
A human action is a voluntary action. It proceeds from man's free will. It is contrasted with an involuntary act, termed an "act of man," which is outside the realm of ethics. A human act possesses three determinates of morality: the object, the end of the act, and the other circumstances surrounding the act. These three elements of the act must be viewed to determine the morality of the act.

The ultimate standard or norm of morality is eternal law. This standard is invariable. Eternal law is a system of Divine government. It is God's wisdom ruling the world. The proximate standard of morality is human reason. It is through human reason that God's eternal law is made known to man. Human reason is the first principle of all human acts. Reason dictates that some things are to be sought and some things are to be avoided. The first principle of practical reason is that: "Good is to be done and pursued, and evil is to be avoided."¹⁵

Thus the ultimate standard of morality is eternal law, and the proximate standard of morality is human reason. This proximate standard of morality is one which is more concrete and can be used to guide man's actions in daily life. In Thomistic philosophy when one states that the standard of morality is reason, it is understood that this standard is in conformity with the ultimate standard, eternal law. From the proximate standard of morality one may define

other terms. Good or right or moral is that which complies with reason. Bad, wrong, or evil is that which does not comply with reason.

St. Thomas further expands his philosophy by describing virtues. Theological virtues may be defined as "... good operative habits of the rational potencies of the human soul, infused in man by God alone, directing human acts immediately to God as an End, and serving as the principle of right action in relation to man's supernatural End." St. Thomas describes three theological virtues: faith, hope, and charity.

Faith concerns truths which cannot be known by purely natural reasoning. Hope looks forward and firmly maintains one's aspirations for eternal life with God. Charity concerns loving God for His own sake and loving rational creatures as participants in society. Theological virtues are infused by God; cardinal virtues are ones which man can possess through his own actions.

Human virtues are habits of doing good as defined by reason. The four cardinal virtues are prudence, temperance, fortitude, and justice. Prudence is a habit of the intellect, and it enables man to reason so that he will act rightly. The virtue of temperance involves the habit of moderation. Feelings, emotions, or affections toward physical things are included in this virtue.

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16 Bourke, op. cit., pp. 266-267.

17 Ibid., p. 271.
Threats occur to one's physical well-being. These difficulties are known through man's sense perceptions. Fortitude is the habit enabling one to firmly and reasonably handle physical danger. Justice applies to all man's voluntary dealings with other people. It concerns the rightness of man's external actions. It is through St. Thomas' concept of justice that he develops his concept of law.

Thomistic ethics judges the rightness of a human act by the standard of human reason. Man acts rightly by carrying out the virtues of prudence, temperance, fortitude, and justice.

Now that various schools of ethical thought have been briefly summarized, the assumption of the ethical school which is used as the base for a code of professional conduct for accountants in industry is discussed in the next section.

The Assumption of Thomistic Philosophy

From the various schools of ethical thought described above, one can see that there are many conflicting views and conflicting standards of morality. Some schools view the individual as the relevant focus of morality; others view society as a whole.

When one acts, he bases his behavior on some principle of action. He may or may not be conscious of the principle behind his actions. In guiding his behavior, one either develops his own school of ethical thought or he selects from the many conflicting schools of ethical philosophy. In other words, one must assume an ethical philosophy and follow its norm as the criterion for judging human actions. So in developing a code of ethics to guide the
behavior of accountants in industry, one must assume an ethical philosophy as a base.

This study assumes Thomistic ethics. Of the various schools researched the ethical philosophy of St. Thomas Aquinas was selected. St. Thomas has been credited not only as being a clear and original thinker but also as a great synthesizer. Newman stated that the originality of Aquinas is due in part to a construction of "... a purely philosophical synthesis in which Platonic, Aristotelian, Neo-Platonic and Christian ideas coalesce into a unified system."18

Many parts of Thomistic ethics are relevant to the development of a code of ethics for industrial accountants. A moral act, an ethical act, or a human act are terms which are used interchangeably in this study. St. Thomas defines a human act. Understanding the nature of an ethical act is crucial to any code of ethics. One must understand the elements of a moral act before one can attempt to develop rules to regulate ethical behavior.

St. Thomas' standard of morality is human reason. This standard is expanded through the cardinal virtues, which are more specific guides to behavior. The virtues of prudence and justice have particular relevance for this study. Prudence involves the decision process of each individual. St. Thomas uses the practical syllogism as a format for the logic involved in a moral decision. Justice involves a person's relations with others. Since an

accountant in industry deals mainly with others: his employer, his fellow workers, and others; the virtue of justice can guide these interrelationships. Finally, Aquinas' concept of law, especially his discussion on human law, bears a direct parallel to a code of ethics for any organization. Law relates to governing the public as a code of ethics relates to governing a private group of individuals.

In the next section an expanded discussion of the relevant parts of St. Thomas' philosophy is given. The last section of this chapter relates pertinent parts of St. Thomas' philosophy to this study.

Discussion of Thomistic Philosophy

The philosophy of St. Thomas Aquinas can be broken down into two parts: religion and ethics. Referring to Table 1 on page 29, one can see this division. The ethics of St. Thomas conforms and agrees with his view of religion. For example, if a moral act is in conformity with human reason, the proximate standard of morality, then it is also in conformity with eternal law, the ultimate standard of morality. For the purposes of this study concentration is placed on the ethical part of St. Thomas' philosophy.

The following sections contain a more detailed explanation of the ethical segments of Thomistic philosophy that are considered relevant for this study. Thomistic ethics serves as the philosophical foundation for the chapters that follow. The discussion in the following sections on Thomistic ethics is mainly taken from translations.
There exists an important distinction in Thomistic philosophy regarding actions by humans. St. Thomas divides actions for moral consideration into human acts and acts of man. Acts of man are involuntary acts, or acts performed without deliberation. Examples of acts of man are digestion and stroking one's beard. Since acts of man are not controlled by man, they are excluded from the realm of moral consideration. The agent does not possess any moral responsibility for them.

For an act to be considered a human act it must be voluntary or proceed from one's own inclination. A human act is a willed act which proceeds from one's will with knowledge of the end which the agent is seeking. From these definitions of human acts and acts of man, one can see that most of the actions performed by man can be categorized as human acts. These human acts, since they are voluntary, possess the characteristic which forces the agent to make a moral decision or choice in performing each act. The agent makes an ethical value judgment in his decision to perform or not to perform the act.

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A human act can be divided into its three essential elements. These elements are called "the determinants of morality." The three determinants of morality are the act itself, the end of the act, and the other circumstances surrounding the act. All three elements must be considered and evaluated to determine the morality of any human act. A human act, an ethical act, and a moral act are used interchangeably in this study.

The Object or the Act Itself

The first determinant of morality is the object or the act itself. The object or the act is the deed done. An act derives its specific character or species from its object or objective. A human act receives its specific character from its object in relation to human reason. An act may be in agreement with reason, against reason, or not pertaining to reason. An act is in accord with reason and termed "good" if it is suitable to its nature. An act is evil or wrong if it is against the order of its nature. For example, people own certain possessions. It is in accordance with the nature of these possessions that they be used by their owners. So an act which takes what belongs to another is against the order of nature and against reason, and such an act is therefore evil or wrong.

If one considers only this first essential element of a human act, then some actions may be morally indifferent, that is, neither right nor wrong. For example, the act of picking up a twig may not have any moral implications. However, the lack of moral value is possible only when one considers this first element of a human act,
the act itself. A human act when evaluated from all three of its essential elements has moral implications. A human act is morally right or wrong. Every human act since it proceeds from deliberate reason must be either good or evil.

The End of the Act

The end of a human act is one's purpose or motive for performing the act. The intention which the agent wills to achieve by his action is the second determinate of morality. Willing the end of an act includes willing the means to that end. If different means are used to achieve the same end, then each act must be evaluated separately to determine its rightness or wrongness. In other words, the end does not justify the means.

The end of the act can be considered a circumstance of the act. Circumstances surrounding an act are discussed in the next section.

The Circumstances of the Act

Circumstances are defined by St. Thomas as: "... whatever conditions are outside the substance of an act, and yet in some way touch the human act." Circumstances touch an act in three ways: first, by touching the act itself; second, by touching the effect of the act; and, third, by touching the cause of the act.

A circumstance touches the act itself in two ways: first,

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through some measure, such as time or place, or, second, by qualifying the act itself, which includes how the act was done. A circumstance touches the effect of an act when one considers what is done. A circumstance touches the cause of the act by considering why it was done, who did it, about what was done, and by what means it was done. The questions "who," "what," "when," "where," "why," and "how" cover the main areas on which circumstances touch.

The most important circumstance, according to St. Thomas, involves the question "why." The reason an act is performed concerns the end of the act, the second determinant of morality. The second most important circumstance involves the question "what." What was done concerns the object or the act itself, the first determinate of morality. The other circumstances surrounding an act vary in importance in proportion to their closeness to these first two circumstances.

Circumstances can qualify the goodness of an act. However, not every circumstance changes the goodness of an act. Thus the circumstances which are not relevant to the morality of an act need not be discussed in evaluating the goodness or malice of an act. For example, the circumstance of time may not be relevant. Whether an act was committed at eight o'clock in the morning or three o'clock in the afternoon may not be relevant to determine the goodness or evil of the act. The discussion of this circumstance may consequently be omitted when it is not relevant. But all relevant circumstances affecting the morality of an act must be considered in determining the morality of an act.
For a human act to be good all three elements of the act: the object, the end, and the other circumstances, must be in conformity with reason and therefore good. But a human act is evil or wrong if any of the three elements is evil, that is, if any of the three elements is against reason. A moral act cannot be both good and evil.

To determine the goodness or evil of a human act, one must compare its essential elements to some standard. The Thomistic standard of morality is discussed next.

The Standard of Morality: Human Reason

The elements of a human act have been examined. To determine the total morality of the act, one must analyze these three elements of a human act against a standard of morality. St. Thomas proposes the following as the standard of morality or the rule to be used to determine the rightness or wrongness of an act:

Now in those things that are done by the will, the proximate rule is the human reason, while the supreme rule is the eternal law. When, therefore, a human act tends to the end according to the order of reason and of the eternal law, then that act is right; but when it turns aside from that rectitude, then it is said to be a sin. Now it is evident, from what has been said, that every voluntary act that turns aside from the order of reason and of the eternal law is evil, and that every good act is in accord with reason and the eternal law. Hence it follows that a human act is right or sinful by reason of its being good or evil.²¹

In Thomistic philosophy the ultimate standard of morality is eternal law. Eternal law, which is the ultimate source of all laws,

²¹Ibid., p. 360.
is God's will ruling the universe. Eternal law is the moral standard in the religious section of St. Thomas' philosophy. In his ethics the proximate standard of morality is human reason. The standard of human reason is always in accord with eternal law in judging an act right or wrong.

Reason, as the first principle of human acts, dictates that some things are to be shunned and some things are to be sought. The things to be shunned and sought vary by different degrees. Of things to be sought, some are to be sought more than others. The more any good is to be sought, the more the opposite evil is to be shunned.\(^22\) Reason insists that it is better to concentrate on pursuing particular goods rather than on avoiding particular evils. St. Thomas' first principle of practical reason is as follows: "Good is to be done and pursued, and evil is to be avoided."\(^23\)

Reason directs human acts by use of a syllogism. A syllogism takes a universal proposition based on reason and proceeds to a conclusion. The practical syllogism is explained in a later section.

The goodness of an act is determined by its conformity with human reason. An act is evil or wrong if it goes against reason. Gilson in *Moral Values and the Moral Life* explains St. Thomas' view of goodness and reason. Human or good actions are ones in which their object is suitable for the nature of man. And the nature of


\(^{23}\)Grisez, loc. cit.
man is in reason. An act is called "human" or "moral" insofar as it obeys reason.\textsuperscript{24} In moral acts, to follow reason denotes being guided in the direction of the end which reason establishes and to employ the means which are in accord with the nature of this end. So the goodness of a willed act depends substantially on the goodness of its purpose or its end. The human act is a rational act. Conformity to reason and eternal law determines its goodness as the standards of morality of the act.\textsuperscript{25}

St. Thomas' definition of reason given above is very general. It states that some things are to be sought and some avoided. Reason dictates that man should use an object for its natural end or purpose.

Any being or entity has at least one purpose or reason for existence. This purpose fulfills the nature of this object. For example, the purpose of food is to be eaten to prevent starvation and death. So when an act is in accordance with its nature, it is being used or pursued in accordance with its reason for existence. If it is in accordance with its nature, then it is in accordance with reason, the standard of morality.

St. Thomas' definition of good given above is defined in terms of reason. Good, right, and moral are used interchangeably in this study. Evil, wrong, and immoral are also interchanged.

Human reason is the standard of morality to guide human


\textsuperscript{25}Ibid., pp. 82, 87, and 90.
actions. Virtues are habits of good actions by which one carries out this standard of morality. One of these is the virtue of prudence.

Prudence

Of the four cardinal virtues: prudence, temperance, fortitude, and justice; two have relevance for this study. They are prudence and justice.

Prudence is right reason applied to action. Prudence determines the means to attain the end of an act. The means to an end are many and varied. Prudence is a habit by which one reasons to the right conclusions in moral decisions. It applies universal principles to particular conclusions in practical matters. The use of the practical syllogism with which prudence is concerned is discussed in the next section.

Conscience is a tool of prudence. As a dictate of reason, conscience applies knowledge to action. Prudence concerns only one individual and his moral actions. Prudence does not concern one person's relation with others, which is the realm of justice.

The Practical Syllogism

The practical syllogism is an analytical tool one uses in making a moral choice. The syllogism involves at least three statements: a major premise, a minor premise, and a conclusion. The major premise is some universal proposition telling one to do and pursue good and to avoid evil.

Prudence determines the means to the general end of doing
good. The minor premise deals with particulars. It applies the universal proposition to the particular case at hand. The minor premise involves a statement of fact. Through prudence one reasons to a right conclusion in the syllogism.

St. Thomas gave the following example of the use of the practical syllogism:

**Universal Proposition:** It is wrong to kill one's father.

**Particular Proposition:** This man is my father.

**Singular Proposition:** It is wrong to kill this man.

Ignorance of either of these two propositions: the universal principle, which is a rule of reason, or, the particular proposition; could lead one to kill one's father.26

**Justice**

Justice is one of the four cardinal virtues. Justice is based on the term "just." "Just" means right, and right implies a relation among men or things. A relation concerns the manner in which one thing is connected to another thing. One primary relation is equality. Equality is a first principle in mathematics and as such is too basic to be defined. "One plus one equals two" is the starting point in the process of addition. Equality is also observed in a buying and selling contract. If someone buys something from another, one transfers to the other an amount of money equal to the value of the object transferred.27

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26Pegis, op. cit., p. 624.

27Bourke, op. cit., p. 327.
Justice, as defined by St. Thomas, is a habit where a man gives to each one his due or right by a constant and perpetual will. Justice must be done with a constant and perpetual will. It does not satisfy the conditions of justice that one wishes to observe justice in some particular matter for the time being and not in other matters. Justice must be observed at all times and in all cases.28

Justice directs man in his relations with other men. There are two types of interrelationships among men. The first type includes one's relation with another individual. The second type concerns one's relation with others in general, as regarding the common good of the community. Law also directs to the common good.

Law29

The concept of law plays an important role in St. Thomas' philosophy of morality. He defines laws as: "... an ordinance of reason for the common good, made by him who has care of the community, and promulgated."30


29The discussion in these sections on law has been taken mainly from translations of St. Thomas' discussion of law in his Summa Theologica. One translation of Aquinas' discussion on law is contained in Anton C. Pegis (ed.), Basic Writings of Saint Thomas Aquinas, Vol. 2 (New York: Random House, 1945), pp. 742-978.

The Kinds of Law

The table on this page helps explain the typology of law according to a Thomistic scheme. Laws can be classified according to their immediate author. Divine law has God as its author. The author of human law could be the Church or the State. Law classed according to their duration could be termed "eternal" or "temporal." Laws can be promulgated or made known in two ways: internally or externally. Man intrinsically apprehends natural law. Natural law is eternal law as apprehended by human reason. The second manner in which law is made known is by positive laws. These laws are pronounced by a positive act of a legislator. Laws enacted by Congress are examples of positive laws.

<table>
<thead>
<tr>
<th>Classification</th>
<th>Subclasses</th>
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<tbody>
<tr>
<td>Their Immediate Author</td>
<td>1. Divine - God</td>
</tr>
<tr>
<td></td>
<td>2. Human - Church or State</td>
</tr>
<tr>
<td>Their Duration</td>
<td>1. Temporal</td>
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<tr>
<td></td>
<td>2. Eternal</td>
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<tr>
<td>Their Manner of Promulgation</td>
<td>1. Natural</td>
</tr>
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<td></td>
<td>2. Positive</td>
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Source:

The Essence of Law

Law is a rule and measure of actions in which man is induced to act or restrained from acting. The rule and measure of human acts is reason. Reason is the first principle of human acts, since it belongs to reason to direct to the end. There are two types of reason: speculative and practical. Speculative reason deals with those things which must be understood. Practical reason deals with those things which must be done, for example, human actions.

In addition to requiring that law pertain to reason, Aquinas stated that law is always directed to the common good. The first principle in practical matters, which are the object of practical reason, is the last end. The last end of human life is happiness. So, law must consider the relation to universal happiness. Since universal happiness implies the common good, law is ordained to the common good. Any rule is law as far as it regards the common good. The common good is, in effect, a primitive term in St. Thomas' philosophy.

A law regards the order of the common good. To order anything to the common good belongs either to the whole people or to someone who is the ruler of the people. Therefore, not just any man can make laws, but only a person who is responsible for the care of the community. A law is in a person, not only as in the one that rules, but also by participation as in the one that is ruled.

In order that a law obtain the binding force which is proper to a law, it must be made known to the men who are to be ruled by it.
Law must be promulgated to its subjects.

The four essential elements of law are combined into the definition of law as "... an ordinance of reason for the common good, made by him who has care of the community, and promulgated."31

Every law aims at being obeyed by those who are subject to it. It is evident that the proper effect of law is to lead its subjects to their proper virtue. Since virtue is that which makes its subjects good, the proper effect of law is to lead its subjects to a way of life that is good. The intention of the lawgiver is fixed on true good, which is the common good.

Three types of law: eternal, natural, and human, are discussed in the following sections.

**Eternal Law**

St. Thomas gave as the ultimate standard of morality, eternal law. But for purposes of this study his proximate standard of morality, human reason, is considered more relevant. It is still important to understand Aquinas' concept of eternal law since human reason is based on eternal law.

Eternal law is the system of divine government. It is a type of divine wisdom directing all actions and movements. Eternal law is known to man as follows. A thing may be known in two ways: in itself and in its effect. For example, the effect of the sun is known by feeling the sun's rays. St. Thomas stated that no man can

31Ibid.
know eternal law in itself in this life, but every rational creature knows eternal law by its effect. Every knowledge of truth is a reflection and participation of the eternal law, which is the unchangeable truth. All men know the truth to a certain extent, at least as to the common principles of the natural law. By knowing any truth, one knows of eternal law.

Since eternal law is the plan of government by the Chief Governor, God, all plans of government by lesser governors must be derived from eternal law. Consequently, all laws, insofar as they reflect right reason, are derived from eternal law.

The next type of law to be discussed is natural law. Natural law is a bridge between eternal law and human law.

Natural Law

Natural law is something that is appointed by reason. The rules of natural law relate to practical reason as the first principles of demonstration relate to speculative reason. Both are self-evident principles.

The first indemonstrable principle of the speculative reason deals with things to be understood. It states that the same thing cannot be affirmed and denied at the same time. This principle is based on the notion of being and non-being, on which all other principles are based. A thing cannot exist and not exist at the same time. St. Thomas explained:

... Now as being is the first thing that falls under the apprehension absolutely, so good is the first thing that falls under the apprehension of the practical reason, which
is directed to action (since every agent acts for an end, which has the nature of good). Consequently, the first principle in practical reason is one founded on the nature of good, viz., that good is that which all things seek after. Hence this is the first precept of law, that good is to be done and promoted, and evil is to be avoided. All other precepts of the natural law are based upon this; so that all the things which the practical reason naturally apprehends as man's good belong to the natural law under the form of things to be done or avoided.32

Thus in any human act man is seeking after the good. He acts in pursuit of what he perceives as good. Even when a person commits a murder, the agent is still acting in pursuit of what he considers to be good. For various reasons a person's perception of what is good may have become distorted.

The good has the nature of an end. All those things to which man has a natural inclination are naturally apprehended by reason as being good. These good things are to be pursued. The contrary to good is evil. These things are objects of avoidance. Thus, the order of natural law is according to the order of natural inclinations.

Man has, first of all, an inclination to good in accordance with his common nature with all substances, namely, the preservation of its own being. By reason of this inclination, whatever is a means of preserving human life and of warding off its obstacles belongs to natural law. Second, man has an inclination to things that pertain more specially to him, according to the nature which he has in common with other animals. Examples are procreation and education of offspring. These things belong to natural law, which nature has taught

32Pegis, op. cit., p. 774.
to all animals. Third, there is in man an inclination to good according to the nature of his reason. Man has a natural inclination to know the truth about God, to live in society, to shun ignorance, and to avoid offending those with whom one has to live. These flow from the first principle of natural law: that good is to be done and pursued and evil is to be avoided.33

A change in law may happen in two ways: by addition and by subtraction. A change may occur in the natural law by addition. Addition leaves the previous law unaltered, but adds to this body as things which benefit human life are added or expanded. Subtraction, which would take away a common principle of natural law, cannot occur. Natural law is unchangeable in its first principles. A change may occur in the conclusions from first principles of natural law, but not in its first principles.34

Human Law

Man has a natural aptitude for virtue. However, its perfection must be acquired by man by means of some kind of training. Man needs to receive this training from another.

Some men are found to be depraved and prone to vice and not easily amenable to words. To live in society it is necessary that these men be restrained from evil by force and fear. This kind of training which compels through fear of punishment is the discipline

33Ibid., pp. 774-775.
34Ibid., p. 779.
of laws.

St. Thomas said that it is better for all things to be regulated by law than left to be decided by judges. It is easier to find a few wise men to frame laws than to find the many necessary to judge correctly in each single case. It is also easier for lawmakers to see what is right by considering many instances as a general law than it is for judges by considering each individual case. The third reason for general laws is that lawmakers judge in the abstract and consider future events. Judges consider present things which can be affected by emotions such as love, hatred, or some other inordinate desire which can influence their decisions.

The force of law depends on the extent of its justice. In human affairs a thing is said to be just from being right according to the rule of reason. The first rule of reason is the law of nature or natural law. Therefore, every human law has just so much of the nature of law as it is derived from the natural law. If it deflects from the natural law at any point, then it is no longer law but a perversion of law.

Variety in Human Law

A great variety of human affairs exists—customs, attitudes, and other experiences. Their meanings vary with different peoples around the world. Because of these differences, the general principles of natural law cannot be applied to all men in the same way. Consequently, a diversity of human laws arises among various people. Some crimes receive different degrees of punishment. Some actions
are excused by one society but are considered crimes in others.

A question arises as to whether the letter of the law must be observed in every case. The next section discusses this matter.

The Letter of the Law

Every law is directed to the common good and derives the force and nature of law accordingly. The lawgiver cannot have in mind every single case. He shapes the law according to what happens most frequently. He directs his attention to the common good. If a case arises where the observance of the law would be harmful to the general welfare, the law should not be observed. So the letter of the law may be put aside in some cases.

St. Thomas adds that not everyone has the right to decide what law may be set aside. Someone in authority must be the one to make such a decision for the common good. However, if the danger to the common good is so immediate that there is no time to seek the proper one in authority, then in such an emergency, others may dispense the law. Setting aside human law in certain cases occurs because laws are formed for the general case and do not consider every conceivable occurrence which may affect the general case.

Changes in Human Law

Human law is a dictate of reason which directs human acts. Changes in human law occur because of advances in human reason and because of changes in man. Changes on the part of reason occur because it is natural for human reason to advance gradually from the imperfect to the perfect. In the speculative sciences earlier
theories about the universe have been proven incorrect and discarded. The same happens in practical matters which is the realm of the practical reason. Some institutions are set up. If they later are determined to be against the common good, then they are discarded and replaced with ones that are in the general welfare.

The second change in human law occurs because of the changed condition of man, whose perfection toward virtue varies. For example, Augustine gave the example that if people have a sense of responsibility and moderation, it is right to enact a law to allow the people to choose their own rulers. But if, as time goes on, these people become corrupt and start selling their votes and entrusting the government to those who are not ruling for the common good, then the right to elect their public officials would be forfeited. The choice of public officials would be handed over to a few good men.35

All law proceeds from the reason and the will of the law-giver. Divine and natural law proceed from the reasonable will of God. Human law proceeds from the will of man regulated by human reason.

In practical matters human reason may be made manifest not only by speech but also by deeds. Law can be changes by actions, if they be repeated so as to make the action a custom. These external actions are assumed to be an outward manifestation of the inner thoughts of the people. For when a thing is done again and again, it seems to proceed from the deliberate judgment of reason. So

35Bigongiari, op. cit., p. 79.
custom has the force of law, abolishes law, and is the interpreter of law.

Natural law cannot be changed, as explained in a previous section. But human law can be changed.

Eternal, Natural, and Human Law

The natural law is a participation of the eternal law. It endures without change because of the unchangeableness and perfection of divine reason, the Author of nature. But the human reason is changeable and imperfect. Its law is subject to change. Natural law contains certain universal principles which are everlasting; human law contains certain rules which vary according to various conditions.

Law bridges the gap between the mind of God and the personal conscience.36 The difference between natural law and human law is that in natural law certain things are right and therefore commanded. In human law certain things are commanded and therefore right.37

The discussion of the concept of law completes the discussion of the parts of Thomistic ethics that are considered relevant to this study. The next section explains the relation of Thomistic ethics to a code of ethics for accountants in industry.


37Ibid., p. 128.
Relation of Thomistic Ethics to This Study

In order to develop a code of ethics one must understand the field of ethics. The nature of an ethical act and its relation to a standard of morality must be understood. Exploring the ethical literature, one finds many conflicting schools of ethical thought. Therefore, to base any study on an ethical philosophy, one must either choose among the many varied ethical schools or develop his own ethical philosophy. This study assumes Thomistic ethics.

Human Acts and the Standard of Morality

The basis of St. Thomas Aquinas' ethics develops from a human or moral act. He described a moral act as a voluntary action. One must evaluate the action itself, the end or purpose of the act, and the other circumstances surrounding the act to determine its morality. These three elements must be compared to the standard of morality. In Thomistic ethics this standard is human reason. An act is good or moral if all three of its elements are in accord with human reason. An action is evil or wrong if any one of its three elements is against reason.

From this definition of a moral act, one can see that the vast majority of actions performed by people have moral implications. An industrial accountant and his professional activities are no exceptions. The mere act of arriving one-half hour late for work has moral implications. When one looks at the act itself, one could say that being late for work deprives his employer of a full day's work and is contrary to justice. But one must look at all three elements
of a human act: the act itself, the end or purpose of the act, and any other circumstances that affect the morality of the act; before one can determine its rightness for the agent involved. So no conclusion can be drawn by only looking at the act itself.

This study considers ethical problems of industrial accountants. The total ethical act must be evaluated to determine its rightness for the agent. In evaluating ethical problems in this study, it is necessary to set up a general act and analyze this general act. In other words, it is not feasible to enumerate every conceivable circumstance that could occur. Therefore, the analysis is of a general nature. St. Thomas explains that laws are formed for general cases. Similarly, selected ethical problems of industrial accountants are discussed in a general case format with an analysis of relevant circumstances for the general case.

Prudence and the Practical Syllogism

An individual in making a moral decision analyzes each ethical act. He acts prudently when he applies right reason to his actions. He acts imprudently when he goes against reason. In making a decision, whether conscious of it or not, one uses the framework of the practical syllogism in making his choice of action. Several ethical problems of industrial accountants are analyzed through the framework of the practical syllogism in this study. Major and minor premises are identified, along with conclusions about the morality of the act. These examples serve as models for analyzing all ethical problems of accountants in industry.
Justice

The Thomistic concept of justice concerns one's relations with others. In any work environment one constantly comes in contact with other people: his employer, his fellow workers, and others. In professional activities one must consider, for example, one's relations to the public and to fellow accountants. The virtue justice can help guide these interrelationships. Justice requires that one give others what is due them.

For example, an industrial accountant has a duty, as is explained in the next chapter, to be loyal to his employer. He must not divulge confidential information to his employer's competitors. This action may be analyzed as follows:

(1) The act itself: Divulging confidential information.

(2) The end of the act: For the personal profit of the accountant.

(3) Other circumstances which affect the act: None.

This action is set up as a general case. No other circumstances are relevant to this general case. This act can be placed into the practical syllogism as follows:

(1) Major Premise: Justice involves giving another his due.

(2) Minor Premise: An industrial accountant owes to his employer a confidential relationship.

(3) Conclusion: It is wrong for an industrial accountant to divulge confidential information.

Thus by analyzing the ethical act using Thomistic ethics as the basis
of morality, one can conclude what action is right for the agent.

Law

St. Thomas defined law as an ordinance of reason for the common good, made by one who has care of the community, and made known to its subjects. Human law is one type of law. Law is formulated to guide men to lead virtuous lives.

A code of ethics is also designed to guide its members to acceptable behavior. It sets minimum standards of conduct for the common good of the profession. It is formulated by the members of a professional society. A code of ethics is made known to its subjects through publications which are disseminated to the members of the profession. From this discussion one can see that St. Thomas' concept of law bears a direct parallel to a code of ethics for an organization.

Only minor differences exist between the concept of law and a code of ethics. First, when St. Thomas spoke of the common good, he meant the general public. A code of ethics is developed to govern a private group of individuals. Its rules are not applicable to the general public.

A second minor difference occurs. Laws, according to St. Thomas, are formulated by those who have care of the community. In a democratic society laws are made by officials who are elected by the general public. A code of ethics of an organization is self-imposed by the membership of the organization. The code is generally formulated by a committee on ethics which is either elected by the
total membership or appointed by the elected officials of the organization. Therefore, laws are made by those who have care of the community, and a code of ethics is made by a committee for the general membership of an organization.

A code developed by a committee illustrates another point made by St. Thomas. He said that it is better for things to be regulated by laws. It is easier to find a few wise men to frame laws than the many people necessary to judge each single case.

A code of ethics is formed to guide the behavior of the members of a group. It helps to simplify decisions. The approved behavior patterns covering many ethical areas are contained in the rules of the code. By referring to the code, a member need not repeat an analysis for each ethical situation contained in the code. The individual can also use the code as a guide to situations not contained in the code. A code should result in more consistent ethical behavior among members. If many people analyze individual situations, a less consistent pattern of behavior may result.

The following concepts in Thomistic ethics are considered relevant to this study:

1. human acts and the standard of morality,
2. prudence and the practical syllogism,
3. justice, and
4. law.

Now that an ethical base for a code of ethics for accountants in industry has been established, the next chapter examines ethical problems of accountants in industry.
Chapter 3

ETHICAL PROBLEMS OF ACCOUNTANTS IN INDUSTRY

A discussion of the nature of industrial accounting begins this chapter. The development of a code of ethics is discussed. Finally ethical problems of accountants in industry are analyzed.

The Field of Industrial Accounting

Industrial accounting is beginning an era of professionalism. In this move toward professionalization attention is focused on industrial accountants and their relationship to the organization. Management accountants function in a wide range of activities. The question of what is the accountant's ultimate responsibility must be answered. Finally, industrial accounting must meet a number of criteria which mark a profession.

As was pointed out in Chapter 1, the classification of corporate accountants that is being used for this study is defined by organizational membership. A professional organization is necessary as an instrument for informing its members of the existence of a code of ethics. This organization can generate pressures on its members to conform to a code of ethics and thereby facilitate enforcement of the code. Any member of an organization which adopts a code of ethics is bound by that code. This study is oriented
toward a professional accounting organization such as the National Association of Accountants (NAA). The NAA has a broad range of members. Anyone interested in the activities of the NAA can become a member.¹

Definition of Industrial Accounting

The field of industrial accounting (or management accounting) is continually changing. As business grows the needs of its management grows. The types and composition of accounting information which must fill that need also changes.

Business firms have different capabilities for handling the financial informational needs of management. Some firms still process their accounting information manually. Others employ various computer complexes. Because of the great variety of business firms and their varying needs for financial information, it is impossible to cover specifically every firm in any description of industrial accounting. Consequently, only a generalized discussion of the field of management accounting as it exists today is given.

The third section of the June, 1963, issue of the NAA Bulletin is devoted to the field of management accounting. The definition of management accounting in this bulletin is based on the British definition. Management accounting assists management for policy-making and for the day-to-day operations of a firm. Management

accountants communicate and interpret the accounting data for the other members of management. Management accounting includes the participation by the accountant in the decisions of management and the accompanying responsibility for the results. The value of management accounting is derived from the improved decisions of management resulting from the accounting information. Management accounting includes reporting for external as well as internal purposes.[2]

This bulletin discussed the point that most definitions of management accounting stress the internal reporting function, stating:

> However, management's responsibility does not end with administering operations and reviewing the performance of its subordinates. Top management also has a responsibility to report to shareholders and creditors on the results of its stewardship. In addition, financial reports must be made to government agencies which administer tax laws and regulate various business operations.[3]

The bulletin continued: "In addition, during recent years the financial operations and results of large companies having widely diffused creditor and stockholder equities have come to be viewed as matters of public interest."[4]

The interest that management accountants have in external financial reporting can also be seen in the recent revisions of the Accounting Principles Board (APB) into the Financial Accounting Foundation. The Board of Trustees of the Foundation has nine

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members: the president of the American Institute of Certified Public Accountants (AICPA), four other CPAs, two financial executives, one financial analyst, and one accounting educator. These last four board members are selected from the following organizations: the Financial Executives Institute (FEI), the National Association of Accountants (NAA), the Financial Analysts Federation, and the American Accounting Association.

Further support for including external reporting as part of the field of management accounting is obtained from the new CMA exam. The Certificate in Management Accounting (CMA) exam started in November, 1972, included external reporting as one of the topics covered in the exam.

Thus, the external reporting function of accountants in industry is an important part of the field of management accounting, even though it is frequently underemphasized. The field of management accounting is very broad. The functions of accountants in industry as described in a later section shows the wide range of activities which can be included. The field of management accounting, as described in this study, includes essentially all accounting functions in an organization. The following section describes the accountant's place in the organization.

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Accountants and Organization Charts

Accountants in a business firm serve the firm in many ways. Accounting is a staff function. The accounting department fulfills an advisory role to the other departments in the firm. The head of the accounting department has line authority only over the members in his own department. The controller may also have functional authority over certain projects or other policies which involve his area of expertise.

The accounting department head generally is called the "controller" or "vice president of financial affairs." He is usually a member of top management which is directly responsible to the president of the corporation. The president and the board of directors are in turn directly responsible to the stockholders (owners) of the business firm.

An accountant or bookkeeper at the lowest level in an organization is directly responsible to his supervisor, who is in turn responsible to his superior. This pattern continues until the controller of the corporation is reached.

As firms become more complex, decentralization of the accounting function may occur. In this pattern each division has its own accounting department to serve its needs. The controller of each division may be directly responsible to the chief controller. In other decentralized plans the controller of each division may be responsible directly to the general manager in his division.

Accounting reports are prepared not only for stockholders but also for potential stockholders, creditors, and others including
the general public. Potential stockholders use financial statements in their investment decisions. Creditors rely on financial statements in determining the granting of funds. Others in the general public use financial statements in various ways. Some firms in the U.S. are so large that their activities affect not only the local community but also the whole nation. The financial conditions of such corporations are matters of public interest.

An ethical problem of an industrial accountant is discussed in a later section concerning conflicts between the desires of management and fair presentation of financial information for the users of external financial statements. To resolve this conflict the accountant must decide with whom does his ultimate responsibility rest.

Accountants perform a broad range of services for the organization. In the next section a discussion of these activities is presented.

Functions of Accountants in Industry

The functions of accountants in industry cover a spectrum of duties. Consequently, many authors describe industrial accounting differently. A description of industrial accounting by several selected authors follows. From these descriptions one can see the nature of management (industrial) accounting. One can also see the wide range of activities which can be considered in the field of management accounting.

Larry Killough in "Does Management Accounting Have A Theoretical Structure?" described the essence of management accounting
as the minimization of uncertainty surrounding decisions of management. Basic underlying concepts include: measurement, communications, information systems, planning, feedback, control, and cost behavior. This 1972 article considers the content of the field of management accounting as including:

1. Foundation knowledge
   a. Systems theory and accounting
   b. Communication, measurements, and information concepts
   c. Criteria development
   d. Feedback and control mechanisms
   e. Information systems
   f. Accounting for management planning and control
   g. Cost concepts and techniques

2. Cost determination for assets
   a. Job order and process costing
   b. Standard costing systems
   c. Direct vs. absorption costing
   d. By-product and joint-product costing
   e. Cost allocation practices
   f. Accounting for human resources

3. Planning
   a. Strategic planning
   b. Continuous planning
   c. Investment decisions
   d. Comprehensive budgets
   e. Cost-volume-profit analysis
   f. Problems of alternative choice

4. Management control
   a. Responsibility accounting
   b. Cost centers
   c. Investment centers
   d. Centralized vs. decentralized structures
   e. Goal congruence
   f. Transfer pricing
   g. Performance reporting
   h. Evaluation methods

5. Operating control
   a. Internal control
   b. Project control
   c. Inventory control

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Management accounting performs an essential function for the firm. This function involves recording and communicating the economic events in the firm, along with planning and controlling financial activities within the firm.

Neil Churchill and Myron Uretsky in a 1969 article described the purposes of management accounting as serving management by providing information for use in making managerial decisions and for control purposes. Areas which affect the management accountant are computer technology, analytical management models, management information systems, and the behavioral sciences. The management accountant prepares special analyses, consults on the financial implications of decisions, along with other activities. Accounting reports influence the behavior of the users of these reports.®

The duties of the controller, treasurer, and internal auditor are considered part of the field of industrial accounting. The Financial Executives Institute (FEI) in "Controllership and Treasurership Functions Defined by FEI" split financial management into two categories: controllership and treasurership. Under controllership the FEI listed the following functions: planning for control, reporting and interpreting, evaluating and consulting, tax administration, government reporting, protection of assets, and economic appraisal. Treasurership duties included provisions for capital, investor relations, short-term financing, banking and custody, credits and


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collections, investments, and insurance. In this study the activities of the treasurer as well as the controller are included in the field of management accounting.

The internal auditor performs accounting functions which are also part of industrial accounting. Internal auditing was described in the "Statement of Responsibilities of the Internal Auditor," which appeared in the September-October 1971 issue of The Internal Auditor. This statement stated: "Internal Auditing is an independent appraisal activity within an organization for the review of operations as a service to management. It is a managerial control which functions by measuring and evaluating the effectiveness of other controls."^10

The control aspect of internal auditing is further discussed in the objective and scope of this statement.

The objective of internal auditing is to assist all members of management in the effective discharge of their responsibilities, by furnishing them with analyses, appraisals, recommendations and pertinent comments concerning the activities reviewed. The internal auditor is concerned with any phase of business activity where he can be of service to management. This involves going beyond the accounting and financial records to obtain a full understanding of the operations under review. The attainment of this overall objective involves such activities as:
- Reviewing and appraising the soundness, adequacy, and application of accounting, financial, and other operating controls, and promoting effective control at reasonable cost.
- Ascertaining the extent of compliance with established policies, plans, and procedures.

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- Ascertaining the extent to which company assets are accounted for and safeguarded from losses of all kinds.
- Ascertaining the reliability of management data developed within the organization.
- Appraising the quality of performance in carrying out assigned responsibilities.
- Recommending operating improvements.\(^\text{11}\)

From this description of internal auditing, one can see the duties of the internal auditor and other accountants in the firm overlap. For example, assisting management by furnishing them with analyses is a duty of most all accountants in an organization. The overlapping duties of internal auditors, treasurers, controllers, and other accountants is one of the reasons for not restricting this study to any one category of accountants.

The various authors cited above show the wide variety of activities which can be included in management accounting. This wide range of activities previews the difficulty of developing a code of ethics for such a broad group. The functions of management accountants in this study are considered to include all these activities.

The field of industrial accounting in this study is considered in its broadest view. This broad view is taken because it would be nearly impossible to consistently split accounting functions by job titles.

The field of management accounting can probably best be summed up by the format of the examination for a Certificate in Management Accounting (CMA). The CMA exam is divided into the following four parts:

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Part I  Managerial Economics and Business Finance
       Economic Environment of Business
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\(^{11}\text{Ibid.}\)
From the above list one can see the nature of management accounting. These areas vary in importance in different business firms. They also change as the needs of management change. The range of industrial accounting includes the functions of the bookkeeper to the

12"Certificate in Management Accounting Established by NAA," op. cit., pp. 14 and 64.
chief financial officer. No survey of management accounting would be complete without examining an accountant's ultimate responsibility.

The Accountant's Ultimate Responsibility

The question regarding the accountant's ultimate responsibility can be viewed in different ways. Some would say that the accountant in industry is only responsible to his immediate superior, who represents the management of the firm. Others would say that the accountant's responsibility extends beyond management to the stockholders of the firm. Still a third view would state that an accountant is additionally responsible to the general public as users of the external financial statements of the firm.

The external auditor, the CPA, is responsible to the stockholders and the general public. But as C. W. Andersen pointed out in the Bar Chris case not only the auditors and directors were convicted, but also the chief financial officer of the company was convicted for false and misleading financial statements. The author of this study feels that to view the corporate accountant's responsibility as existing only to the management of a firm would be too limited a view. If the industrial accountant can be held legally responsible for false and misleading statements, one must conclude that the accountant is also considered ethically obligated to outsiders other than management.

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The author of this study views that the ultimate responsibility of any accountant is to present accounting information truthfully and fairly. Truth is a difficult word to define. Some might even consider the term a primitive, that is, undefinable. For this study the term "truth" means "in reasonable conformity with reality." In any activity which an accountant performs he should strive to report the facts as clearly as possible so they conform to the real essence of the situation. The term "fairly" is generally regarded in accounting terminology as congruent with the term "truthfully."

When one considers the ultimate responsibility to truth, then the relationship between the accountant and management can be explained. An accountant's responsibility is to report or analyze the facts with truth as his main objective. Should there occur a conflict between the desire of the management of the firm and the objective of fair and truthful reporting to the stockholders and the public, then the accountant appealing to his standard of truthfulness would be able to choose truthfulness to the stockholders as his decision course.

The field of management accounting has been examined. Next the criteria of a profession are examined to see if industrial accounting meets these criteria.

The Development of a Code of Professional Conduct

There exists in the literature a call for the professionalization of accountants in industry. The following section examines various elements of a profession. The call for professionalization of industrial accounting is expressed. The development of a code of professional conduct is a natural consequence of this desire for
professionalism. The difference between ethics and professional conduct is discussed.

Service to the Public—Earmark of a Profession

For industrial accounting to be called a profession, the criteria of a profession must be met, one of which is the element of public service. The extent to which the element of public service is present determines the extent to which a group can be considered a profession in the traditional sense of the word. The call to professionalization of management accounting discussed in a later section makes reference to the public service provided by all accountants.14 A parallel to some of the existing professions illustrates the element of public service in each.

The Medical Profession

The medical profession is considered one of the oldest, if not the oldest, of the professions. This profession serves the public by performing medical services to many patients. Patients select a doctor in whom they place their trust for relief of pain and other medical services. The doctor considers the patient as the focal point. "What is best for the patient" is his prime responsibility. Of course, if a patient had a communicable disease, then the doctor would have to take the necessary steps to protect the community.


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The internal accountant selects the "patient" for whom he serves. Typically, the internal accountant works for only one firm. His thoughts concern what is best for the corporation (always keeping within the bounds of his ideal of truth). He prepares reports and analyzes data in a manner which will best serve the needs of the corporation. In general he sees the objective of serving the corporation as congruent with the objective of serving the stockholders and consequently the public. From the above discussion one can see that the corporate accountant does not serve the public in the same direct manner as the medical doctor. In this respect the corporate accountant could never receive the degree of professional recognition as the physician.

The Legal Profession

The legal profession also can be compared to corporate accounting. The legal profession serves the public by performing services for many individuals involved in legal proceedings. The individual seeks a lawyer to represent him in court. The lawyer presumably acts with the best interests of his client in mind. Lawyers perform other services outside of court for clients, such as estate proceedings and tax matters.

Again the corporate accountant does not serve the public in the direct manner as do doctors and lawyers. The public does not seek out the corporate accountant to perform services. Nor does the industrial accountant have the multiplicity of clients as do doctors and lawyers. The corporate accountant typically has only one client, the corporation. The corporate accountant does not directly serve
the large numbers of the public as do doctors and lawyers. So industrial accounting may never achieve the degree of recognition as a profession that other professions have.

Certified Public Accountants

The parallel of certified public accountants illustrates the manner in which corporate accountants can receive professional recognition. Certified public accountants are one of the newest groups to receive professional recognition. Becoming a profession is an evolutionary process, one which takes a constant striving to achieve and maintain. CPAs perform various services. For purposes of this comparison, these services are divided into two parts: auditing and other services.

In performing the audit function, the CPA has the objective of evaluating the fairness of the presentation of the firm's financial statements. The firm is the CPA's direct client. Yet, it is the indirect clients, the third parties—the public as the users of the financial statements—whom the CPA keeps uppermost in his mind. The CPA has an ethical and legal responsibility to render an opinion on the fairness of the presentation of the firm's financial position to the public. CPAs achieve professional recognition to the extent to which they serve the public primarily through this audit function.

In other functions performed by the CPA the relationship to the public is much more diffuse. For example, he performs tax services for the client, with the client as the main beneficiary. Of course, the public benefits through the CPA's proper performance in tax matters, as all citizens benefit when others pay their legal
share of taxes. So the CPA receives professional recognition in accordance with the degree of public service he renders.

The corporate accountant performs functions that are similar to the CPA's. The primary difference in those activities leading up to the audit function is that the corporate accountant is employed by the firm and there exists an employer-employee relationship. The CPA, on the other hand, possesses an advisor-client relationship. The CPA has an independent relationship with the firm which the corporate accountant does not possess because the corporate accountant is generally considered part of the management team.

**Industrial Accountants**

Can the industrial accountant ever achieve professional recognition? Does he serve the public? This author thinks so.

The Public as Clients

The corporate accountant typically serves only one firm, whereas in other professions many clients are served. This fact alone does not deprive the industrial accountant of professional status. The accountant's prime responsibility, as discussed previously, is to present accounting information truthfully and fairly. In fulfilling this obligation to render truthful reporting, the industrial accountant plays a part in the external reporting function for which the CPA has achieved professional recognition. The industrial accountant is responsible for recording events and preparing the firm's financial statements. So indirectly the corporate accountant serves the public.
It should be remembered that the CPA's relationship to the public was indirect, yet professional recognition has been attained by CPAs. So, too, can the industrial accountant receive professional recognition through an indirect relationship with the public.

The corporate accountant is responsible, both ethically and legally, for financial statements which are not misleading. This was shown in the Bar Chris conviction of both the CPAs and the corporate accountant. Consequently, the corporate accountant possesses an indirect relationship with the public and can consider the public as their indirect clients in the external reporting function of industrial accountants.

The drive for professional recognition is a long and continuous struggle. The field of industrial accounting in its drive for professional recognition is in its infancy. It could be compared to the early 1900's for the CPA profession. To some degree the extent of public recognition corporate accountants receive will depend on the extent of recognition which CPAs receive.

Performing Learned Skills

Is not the corporate lawyer or the corporate physician considered a professional? These individuals serve a firm which they have selected. But their professional recognition stems from serving the public by upholding the ideals of their profession--by performing their duties with the skill and knowledge which only one who has undergone specialized training can possess. So the second way in which one can serve the public is by performing learned skills.
In this way the industrial accountant serves the public by performing accounting skills which are specialized and require education and training. Now that it has been established that the corporate accountant does serve the public, a brief look at other elements of a profession follows.

**Other Criteria of a Profession**

A representative list of the elements of a profession are as follows:

1. public service,
2. a code of ethics,
3. specialized knowledge and training,
4. professional organizations to promote advancement,
5. professional journals to disseminate knowledge, and
6. others.

Public service was discussed in the previous section. A code of ethics is the object of this study. Industrial accounting requires specialized knowledge. Professional organizations and journals exist. The NAA is one of these professional organizations; *Management Accounting* is a monthly publication of the NAA. Other organizations and periodicals exist in the field of industrial accounting. The following section documents the call in the literature for professionalization of industrial accounting.

**Professional Recognition Needed**

Earl F. Davis in "Professionalization of Private Accountants" stated: "The premise of this article is that if private accounting
is to compete for the better talent, it must sell the points it has and perhaps develop others, specifically professionalism."\textsuperscript{15}

Walter R. Flack in "Mutual Responsibilities of Certified Public Accountants and Federal Government Accountants" stated:

. . . . Only when one practices within standards, ethics, and general social principles, having the public good as his main objective, can he be said to be properly practicing a profession. Certainly this over-all boundary for accountants does not limit those who practice public accounting but includes also those who are employees of private firms and all agencies of the government.\textsuperscript{16}

Robert H. Cojeen continued the theme that both private and public accountants can be recognized as a profession. In "The Nonpublic Accountant Is Engaged in a Profession" he stated:

. . . . In the writer's opinion there is recognition of accounting (public or private) as a profession: (1) whenever the practitioner is qualified to provide a skilled, needed service, and provides such service to the best of his ability and (2) when the accountant has a professional attitude toward his work, self-development, and the rewards for his efforts.\textsuperscript{17}

Turning to the NAA's November, 1970, issue of Management Accounting, the "COMMENT" section stated: "We believe a program to 'professionalize' the field of management accounting is a desirable objective of NAA."\textsuperscript{18} In addition to this comment, one


\textsuperscript{16}Flack, loc. cit.


\textsuperscript{18}"Management Accounting: A Profession?" COMMENT Section, \textit{Management Accounting}, Vol. 52, No. 5 (November, 1970), p. 3.
of the objectives of the NAA as stated in the March, 1972, issue of Management Accounting follows: "To establish management accounting as a recognized profession by identifying the role of the management accountant, the underlying body of knowledge, and by outlining a course of study by which such knowledge can be acquired . . . . 19

The call to professionalization of management accounting has been documented. The development of a code of ethics is a natural result of the desire for professionalism. The recognized professions, such as medicine and law, possess codes of ethics for their members. For industrial accounting to be recognized as a profession, a code of ethics must be developed. Professional status is a goal which requires continual effort. And once generally recognized, it requires perpetual maintenance. The field of management accounting is beginning its climb on the mountain of professionalization.

The Difference Between Ethics and Professional Conduct

A review of codes of ethics of various organizations reveals rules in the codes that are not matters of a moral nature. Some rules deal with such matters as etiquette and customs. These rules aim to regulate members' behavior and do not involve the question of justice to one's fellow man. For example, the CPAs' code contains a rule prohibiting advertising. Interpretations of this rule

describe details of the appropriate manner to list one's name in a telephone directory and on business stationery. John L. Carey pointed out that the AICPA termed their code "Rules of Professional Conduct" and not "Rules of Ethics" because it contains both ethical principles and matters which only deal with professional courtesy. The code to be developed in this study is termed "A Code of Professional Conduct for Accountants in Industry." It contains both broad moral principles and pragmatic rules prescribing professional behavior.

Now that the field of industrial accounting has been described, along with the place of a code of ethics in the drive for professionalism, the next area to be examined concerns some of the ethical problems of accountants in industry.

Ethical Problems of Accountants in Industry

An awareness of the existence and nature of ethical responsibilities of an accountant in industry is needed. Accounting is not a static discipline. Consequently, an accountant's responsibilities are dynamic. Though this discussion of ethical problems is not intended to cover all possible areas, it is intended to provide a basic understanding of the nature of an accountant's responsibilities. This understanding should guide the accountant's actions in areas not covered in this discussion.

In discussing some of the following ethical problems, it will become apparent that some of the problems do not occur in every phase of an accountant's duties. Some problems occur, for example, only in the external reporting function of the corporate accountant and those activities which lead up to this reporting function. Some problems occur only in other phases of the work performed by accountants.

Ethical responsibilities vary in their applicability to accountants in industry according to the degree of responsibility the accountant holds in the firm. For example, a higher-level accountant, such as the controller, would by the nature of his duties be bound by more of the rules in a code of ethics (have more of the rules apply) than a lower-level accountant, such as a bookkeeper. The same is true of any code. To the extent that one's duties touch on the areas in a code, he is responsible to that extent for each area. For example, the rules in the CPAs' code that apply to auditing would not be relevant to those CPAs who only perform tax work.

The individual accountant only has control over his own actions. It is beyond his control what actions his superior performs. For example, an accountant may prepare a report disclosing a material fact that he feels is necessary for full disclosure. If his superior or top management chooses to eliminate this item of disclosure, then the first accountant is not responsible for their actions. He has fulfilled his ethical responsibilities by originally disclosing the fact to his superior. But there may come
a time when silently complying with others' actions which one considers unethical will force one to make an ethical decision regarding remaining with such a firm. In this extreme case one must consider whether he would want his name associated with such a firm. He must also consider whether legal action could be taken against him because of his knowledge of such actions.

The following section contains broad principles which should guide the accountant in dealing with ethical problems. These principles serve as a basis for the other ethical problems discussed in this chapter.

**Broad Principles**

Broad principles include reason, justice, prudence, truth, competence, loyalty, and a professional attitude.

**Reason**

An accountant should use reason as his guide in making ethical decisions. As discussed in Chapter 2, human reason is the Thomistic standard of morality. In any moral decision reason should guide one's choice in the correct course of action.

**Justice**

Justice is the hallmark of one's relations with his fellow man. It involves giving another his due. The professional accountant must act justly in relationships with others. As discussed in Chapter 2, justice governs one's relationships with his fellow man. It is the virtue which man should use as a guide in
his relations with his employer, his fellow employees, other accountants, the stockholders, the government, and the public. Justice is derived from the standard of morality, reason, and is consistent with it.

Prudence

Prudence was defined in Chapter 2 as right reason applied to action. Prudence is a habit by which one reasons to the right conclusions in moral decisions. It concerns the individual and his moral actions. An individual should apply prudence in arriving at his moral decisions.

Truth

An industrial accountant's prime responsibility is to present accounting information truthfully and fairly. An accountant strives to perform his work in a manner which truthfully, fairly, and accurately represents the facts of the situation or event. One's conscience guided by reason coupled with professional judgment should guide the accountant in performing his tasks. He should always be objective. He should never let other considerations such as personal financial gain sway his judgment from the course of truth.

Full disclosure of relevant, material facts is part of the responsibility to truthful reporting by which accountants are bound. As part of this requirement to truthful reporting, it may be necessary to disclose in written form additional material facts of a financial or nonfinancial nature. Footnotes to the financial statements or disclosure in other appropriate forms may be necessary when significant,
relevant information is not presented in the body of the financial statements.

**Competence**

The professional accountant should perform his work competently. Competence is an important, if not the most important, part of one's professional attitude. It is the basis for the development of technical standards of a profession. Competence is attained initially through training such as education and on-the-job training. Education must be continual. Reading professional journals, research, active participation in professional organizations, continuing education, professional courses and conferences, and other means are necessary for the accountant to assure those he serves that his work utilizes the latest knowledge and techniques available.

**Loyalty**

An accountant owes loyalty to his employer. Loyalty is part of the realm of justice, since it concerns dealings with others. It is a more specific application of the principle of justice. Both an employee and an employer have certain actions expected of each other that commonly accompany the employment agreement. An accountant is in a position of trust in an organization—more so than the average employee. An accountant by the nature of his work comes into contact with confidential data. He is trusted to maintain a confidential relationship with his employer. The concept of loyalty also embodies responsibilities of the employer to the employee. For
example, the employer cannot expect an employee to perform acts that are illegal. The concept of loyalty is a broad principle which is the basis covering such areas as confidential relationship and conflict of interest.

**Personal Qualities and Professional Attitude**

An industrial accountant should possess personal qualities such as character, integrity, honesty, and others which contribute to his professional attitude. These characteristics are traditionally associated with professional men. These character traits contribute to the improvement and growth of the individual, the accounting profession, and society in general. The professional accountant should strive to maintain and improve these personal traits. He should encourage those around him and those under him to possess these traits by his example.

**No Discreditable Acts**

An accountant should not perform acts which are discreditable to his employer or the accounting profession. Any violation of the principles of professional conduct would be considered a discreditable act. So in this sense this statement is redundant. But there are always areas which are not covered specifically by any enumerated principle. This statement serves as a "catch-all" principle.

**Relation of the Accountant to the Firm**

The firm should not be thought of as a nonentity. It is an organization of stockholders who entrust the financial assets they
have contributed to the firm to the management and board of directors. So when an accountant is performing his duties for management and/or the board of directors, he is also performing them for the stockholders of the firm. Some of the more important ethical problems concerning the accountant and the firm are the confidential relationship, conflicts of interest, and illegal practices.

Confidential Relationship

An accountant should maintain a confidential relationship with his employer. If obligated by law or legal proceedings to reveal facts, this relationship may be broken. Accountants possess this confidential relationship to the firm. This involves not revealing confidential information to others through his words or actions.

The accountant also has a responsibility to see to it that those under him understand the confidential relationship. He fulfills this obligation by explaining to his subordinates the nature of this confidential relationship. In selecting employees for his staff, whether they are fellow accountants or typists, he must be careful to choose individuals who possess the moral character required to keep this confidential relationship.

This confidential relationship holds even if the accountant terminates employment with a firm. An accountant may not reveal to another employer (nor should this other employer ask) confidential information of a previous employer. Breaking this confidential relationship not only violates the moral principles of loyalty and justice, but also encourages stealing employees of competing
firms. This practice is demoralizing to the firms involved and to business in general. Facts that are not of public record and are of a confidential nature must remain confidential. An accountant who would be tempted to reveal facts of a later employer would be wise not to switch to firms which would tempt him to violate this confidence.

The following is an illustration of an ethical situation which an accountant might face:

(1) The act itself: Divulging confidential information.
(2) The end of the act: Personal gain.
(3) Other relevant circumstances: None.

This act can be placed in the practical syllogism using Thomistic ethics as follows:

(1) Major Premise: Justice involves giving another his due.
(2) Minor Premise: An accountant owes to his employer a confidential relationship.
(3) Conclusion: It is wrong for an accountant to break this confidential relationship.

By analyzing this act using Thomistic ethics, one can arrive at the conclusion. It would be wrong for an accountant to break the confidential relationship with his employer by divulging confidential information.

Conflict of Interest

An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer. Before accepting employment with a firm, an accountant should reveal
all financial interests, direct and indirect, to his prospective employer. This would permit the employer to analyze this factor for conflict of interest before hiring the accountant. The employer may inform the accountant that he would have to divest himself of certain holdings before accepting employment. During employment the accountant must not acquire financial interests which could be considered in conflict with the interests of his firm. Periodic statements may be required of all employees for management to analyze this factor.

An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain. Confidential information is only for use in the business affairs of the firm. An accountant should not try to benefit by using this inside knowledge in a way that would conflict or appear to conflict with the interests of his employer or the profession. The use of inside information for personal gain is a breach of the confidential relationship and consequently conflicts with the interests of one's employer. An accountant should not accept any gifts or other items from suppliers, competitors, or others that could give the appearance of a conflict of interest.

An accountant should not own publicly-held stock in the firm in which he is employed. One reason for this follows. Lack of stock ownership is not intended as an attempt to make the accountant independent of the firm, for the management accountant is usually considered part of the management team. What must be considered in this issue is the appearance of conflict of interest to the public.
As industrial accounting moves toward professionalism, the public will scrutinize its standards and performance. It might be difficult to explain (1) how an accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain and (2) how an accountant might not sell or buy stock in his own company based on this knowledge.

Stock ownership is a common practice. It serves several purposes: as a fringe benefit, as an incentive to better performance, and as part of the total compensation package. But surely it might appear to the public that an accountant who owns a large portion of stock in the firm might not reveal relevant, material facts that could adversely affect his ownership. Or it might appear to the public that the accountant might trade in this stock in advance of public notification of these adverse facts.

This provision of not owning stock is not intended to cover a pension plan where a company buys its own stock and as part of a retirement plan distributes stock to an accountant. Upon retirement the individual is no longer an employee nor would he continue to have inside knowledge of the firm's activities. This provision is not intended to impugn accountants in publicly-held firms. But the appearance to the public of a conflict of interest must be considered in evaluating this area.

The following example illustrates another ethical situation and the use of Thomistic ethics:

(1) The act itself: An accountant accepting a gift from a supplier who installs accounting equipment.
(2) The end of the act: Personal gain.

(3) Other relevant circumstances surrounding the act:
   
   (a) The firm which installs accounting equipment promises personal adding machines to key accounting personnel as part of its promotional campaign.
   
   (b) Company policy prohibits employees from accepting gifts from suppliers.
   
   (c) Accepting the gift might bring adverse publicity to the accountant and the firm if made known to the public.

This act can be analyzed using Thomistic ethics in the syllogism as follows:

(1) Major Premise: An accountant should be loyal to his employer.

(2) Minor Premise: An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.

(3) Conclusion: It is wrong for an accountant to accept such a gift from a supplier.

Since company policy prohibits employees from accepting gifts from suppliers, it would be a breach of loyalty for an accountant to accept this gift. Also, the possibility of adverse publicity should lead the accountant to recognize that it would be wrong to accept such a gift.

An accountant faces many other ethical situations. He can
analyze each with the use of the syllogism as shown in previous examples. The use of the syllogism is not illustrated as each ethical situation is discussed in this study since it would become too repetitious to do so. These examples serve as models.

Illegal Practices

An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices. A decision must be made regarding employers whose activities are of such a nature as to involve illegal practices. Since an accountant's reputation is based on trust, an accountant who is employed by an entity involved in illegal practices places his reputation in danger. It is theoretically possible for an accountant to perform his responsibilities in such a situation. But by nature of his association with this employer, he places his reputation and consequently his professional image in doubt.

Another situation concerns an accountant employed by a firm which performs activities, though not specifically against the law, are of a dubious nature. "Dubious" includes those areas which though not against the letter of the law are against the spirit or intent of the law. It covers areas that if known would likely be subject to litigation. Of course, the accountant is not a lawyer nor a policeman. But an accountant must be prudent and decide whether he would want to have his name associated with a firm brought to court for such actions. An accountant must consider if legal action could be initiated against him since he had knowledge of such practices.
A little foresight in such a case may be worth hundreds of hours of hindsight. An accountant in this situation must consider if his association with this firm should be continued. It may be in the best interests of the accountant to resign from such a firm.

The above discussion of ethical problems of accountants and their firms is not all-inclusive. Other situations exist which the accountant must analyze prudently. The relation of the accountant to other employees in the firm follows.

Relation of the Accountant to Other Employees

The relationship of the accountant to other employees in the firm covers the confidential relationship, the flow of confidential data, and subordinates and acting on behalf of the accountant.

Confidential Relationship

An accountant is responsible for his subordinates understanding the confidential relationship. This responsibility involves explaining the nature of the confidential relationship to all subordinates including typists. The accountant must maintain his confidential relationship with the firm even when talking to fellow employees. He should not discuss confidential matters with other employees who have no need of it in the course of their employment. Even when discussing financial information with fellow employees who are directly concerned with a particular matter, the accountant must be prudent about such discussions. For example, he should not be careless by discussing such matters where outsiders might overhear confidential facts. Such an occurrence could be considered a
violation of the accountant's confidential relationship, even though it is violated indirectly. The accountant should be on guard to avoid such situation.

The accountant must also keep his confidential relationship to his fellow employees. In the course of his work the accountant has access to confidential records, such as salaries, bonuses, and performance reports of his fellow employees. The accountant must maintain this confidence and see to it that those in his employ understand this confidential relationship.

**Flow of Data**

The accountant must also maintain controls over the flow of confidential data from his department to other departments. Reports go to data processing, personnel, and other departments in the natural course of business. The accountant must make other department heads and their employees aware of the confidential nature of this information. Often other employees not directly in accounting departments do not realize their obligations in these situations. To fulfill this responsibility some coding system may be necessary which would stamp such documents as "confidential" to alert those who handle this information.

A company-wide policy should cover all departments concerning the disposal of confidential information. The accountant is responsible for care being exercised in the disposal of waste paper and computer runs containing confidential information within his department. Care should be exercised in this area. The use of a paper
shredder or some other means may be necessary to protect the confidential nature of the information.

**Subordinates Acting for the Accountant**

An accountant should not allow those under him to perform acts which he is not allowed to perform. It would be unethical for an accountant to encourage a subordinate to violate an ethical principle binding on the accountant, though not binding on the subordinate.

**Relation of the Accountant to the Stockholders**

An accountant's relationship to the stockholders of the firm includes reporting information truthfully and conflicts between the interests of management and the stockholders.

**Report Information Truthfully**

The accountant has a responsibility to the stockholders to perform his duties in all areas to the best of his ability with professional skill and knowledge. He has a responsibility to present truthfully and fairly financial information to the stockholders of the firm. He should strive to fulfill this responsibility to present information in a manner which can be easily understood by those not versed in technical accounting matters.

The accountant's responsibility to the stockholders permits the accountant if called on in legal proceedings to answer questions regarding confidential facts which he would not otherwise be allowed to reveal. The confidential relationship with the firm is ultimately
for the stockholders' benefit. If legal action were taken against
the firm's management, for example, for false and misleading state-
ments, the accountant would be fulfilling his responsibility to the
stockholders of the firm by answering questions touching on con-
fidential matters.

Conflicts

If there is a conflict between truthful reporting to the
stockholders and the desires of management, the accountant must
remember that his allegiance is to truthful reporting. He must
prepare reports and financial statements according to his prime
responsibility of truthful reporting. But he must remember that
financial statements are, in effect, performance reports on man-
agement to the stockholders. Interim financial statements that are
published but are not audited by the firm's CPAs depend on the
internal accountants and the management of the firm for their
creditability. The accountant is not responsible for the actions
of his superior or management. But if the conflict matter involved
is of such a serious nature, the accountant must access the
situation. For example, repeated omissions of significant, material
items necessary for full and fair disclosure could be a reason for the
accountant to consider resigning from the firm rather than having
his name associated with such a firm.

Relation of the Accountant to the Public

As discussed previously, an accountant can serve the public
in two ways: first, through truthful financial reporting, and
secondly, through performance of his specialized skills.

The accountant in industry has an indirect relationship with the public. This indirect relationship stems from the external reporting function of industrial accountants. The general public as users of financial statements may include potential stockholders or credit grantors. The public may only have a general interest in the firm. Some firms are so large that their activities affect a large number of people either directly or indirectly by influencing the courses of action of other firms. The accountant has a responsibility to present truthfully and fairly financial information to the public.

Relation of the Accountant to the Government

The accountant has a responsibility to present truthfully and fairly financial information to governmental agencies. He must make himself aware of what information and forms are required and file them as required. He should seek to report information in a clear and forthright manner. In this function he must remember that he is an advocate of his firm and not of the government. But the accountant should not "hide" relevant or material facts by confusing or sketchy explanations.

Relation With Other Accountants

An accountant's relation with other accountants can be divided into two areas: CPAs and other accountants.
With CPAs

The accountant should cooperate fully with the firm's CPAs. The financial statements are the representations of the management of the firm. The firm's management is responsible for their content. Conflicts may occur with the firm's management and the external CPAs.

The industrial accountant can fulfill his responsibilities in preparing reports by a truthful and fair presentation of the accounting information. If management chooses or insists on one generally accepted accounting alternative (whether recommended by the corporate accountant or not) and the firm's CPAs prefers another alternative, the decision here rests with the CPAs as to which type of opinion he will give on the financial statements of the firm. The CPA's courses of action in conflict situations are well developed by his professional organizations. The CPA can render an unqualified, qualified, adverse, or disclaimer of an opinion. The CPA can also withdraw from the engagement if the situation warrants this extreme action.

The firm's internal accountants and the external CPAs have a joint responsibility to present truthfully and fairly the financial condition of the firm in published financial statements. But conflict situations between them may occur. Honest differences of opinions can occur when there exists more than one generally accepted accounting alternative to report a situation. But as the accounting alternatives are narrowed and as full disclosure of the effects of
alternatives are required,\textsuperscript{21} these differences of opinions over alternatives should be reduced.

The internal accountant should cooperate with the firm's CPAs. Cooperation increases the effectiveness of the firm's CPAs, which is in the interests of both the firm and the CPAs. It also minimizes audit time and, consequently, audit fees.

The internal accountant does not possess the independence that the firm's CPAs possess. This independence is the backbone of external auditing. The internal accountant will never replace the external auditor because of the independence which external auditing requires.

Industrial accountants should join with CPAs to develop further accounting principles, to solve current accounting problems, to educate the public on accounting matters, and in other areas.

\textbf{Other Accountants}

An accountant should join with other accountants through professional organizations to develop further accounting research, principles, methods, procedures, and rules. He should actively participate in professional organizations and encourage other accountants to join and actively participate in them.

He should report violations of the code by his fellow accountants through the proper channels in professional

organizations. These channels will evolve as a code is adopted by professional organizations. An accountant should not publicly criticize other accountants in the performance of their work. It would be imprudent for an accountant without the proper authority to tell news media of a violation of the code. He should follow one of two avenues for violations depending on whether the other accountant is in his firm or in another firm.

If an accountant has a complaint and the other accountant involved is in his firm, the proper course of action may be to only report the matter to his superiors. It may be proper to report to both his superiors and the professional organization, or the accountant may handle the matter himself if he has the proper authority to do so. If the accountant who is the subject of the complaint is not in the same firm, the first accountant should present his complaint to the proper committee of the professional organization which handles such matters.

Problems of accountants in industry also include various technical questions. Technical standards are generally based on the principle of competence.

**Technical Standards**

The nature of the corporate accountant's job brings him into contact with many problems of a technical nature. This section discusses various areas of concern to accountants.

**Supplying Adequate Information**

An accountant has a responsibility to provide management
with adequate financial information for decision-making. Decision-making is the essence of a manager's job. This activity of supplying adequate financial information covers a broad range of areas. It includes the multitude of internal and external reports concerning all phases of the business firm's activity—production, sales, marketing, and others.

Standards of reporting within the firm may be set by management or the accountant or both. But these reports, since they do not circulate outside the firm, do not have to meet external reporting standards. In fact, many external reporting standards would not be appropriate for internal reports. For example, valuing an asset at its depreciated cost (book value) would not be relevant for a keep-or-replace decision. Internal reports should be stamped: "For Internal Use Only."

Adequate financial information includes analysis of relevant factors. It requires that the information requested be current and supplied to management in a timely manner. Part of this responsibility is fulfilled by an adequate information system in the firm. This system involves the inputs, the processing, and the outputs of information in an environment. It also includes feedback to the appropriate parties for continuous updating. Accounting information is only one part of a total information system. Other information should also be supplied to management from other departments such as production, marketing, and research and development.
System of Control

An accountant has a responsibility to insure an adequate system of accounting control. These controls are designed to safeguard the assets of the firm, insure the adequacy and reliability of its accounting data, promote operational efficiency, and provide for the adherence to prescribed managerial policies. This responsibility includes segregation of duties. A proper system of internal control should be maintained.

Suggestions for improvements in the control system should be encouraged from all employees. An accountant should report to his superiors any defects in the system of control.

Interpret Accounting Information

An accountant should interpret accounting information for management. The accountant should explain to management, when necessary, the reasoning behind different accounting methods for both internal and external reports. For example, accounting for incremental costs could significantly alter a decision to produce items to utilize excess capacity. Revenues over out-of-pocket expenses contribute to the overhead and profit of the firm. This incremental analysis shows a different result than a full-costing analysis would show. Another example of interpreting data concerns performance reports. In performance reports significant variances between budgeted amounts and actual amounts should be explained.
Goal Congruence

An accountant should promote goal congruence in accounting systems. Promoting goal congruence concerns motivating the individual to act in accord with the long run goals of the firm. Accounting systems should be set up to promote goal congruence. For example, standards should be based on reasonably attainable amounts and not unrealistically high ones. Reasonable standards tend to motivate individuals to achieve them. Unrealistically high standards tend to contribute to poor morale on the part of employees.

Reporting Fraud

An accountant should report fraud or the suspicion of fraud to his superiors. The phrase "suspicion of fraud" covers most incidences. One may suspect fraud and have evidence of a possible fraud, but proving that an actual fraud occurred is usually beyond the responsibility of the discoverer. "One is innocent until proven guilty" is a phrase which also applies to this area. Any suspicion of fraud should be reported to one's superior. Of course, if it is the superior who is under suspicion, then one must go to a higher level and report to one not involved in the fraud, so that the incident may be properly investigated.

Management must be informed whenever fraud or the possibility of fraud is discovered. Fraud implies a lack of adequate controls even though this may not necessarily be the case. Changes must be made to strengthen controls if they are found to be weak.
Measurement of Performance

An accountant should develop appropriate means for judging the performance of the firm's resources. These resources include both human and nonhuman resources. Techniques for measuring the performance of some employees are well advanced. For example, a salesman's performance is usually measured on the basis of his sales. Performance standards should be developed and updated as new techniques become available for all employees.

Nonhuman resources, such as equipment, are often purchased because of some expected rate of return on the dollar investment required for the resource. The performance of the resource, often measured by the actual rate of return, should be audited after use to compare with the expected return. Reasons for significant variances should be analyzed. Such feedback can improve future decision-making.

Choice of Accounting Principles

An accountant should observe generally accepted accounting principles. The accountant should choose accounting principles for external financial statements which truthfully and fairly present the firm's financial position. An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.

The internal accountant, along with the management of the firm, choose from among the acceptable alternatives the set of
generally accepted accounting principles to be followed. The corporate accountant, who possesses a full understanding of these various alternatives, should keep uppermost in mind his responsibility to truthful reporting. He should present fairly financial circumstances which are significant in selecting among alternatives. He should take the lead in explaining to management this responsibility and should not let other subordinate conditions sway his professional judgment.

The corporate accountant in pursuing his goal of truth blends the firm's objective in financial reporting into congruence with that of the external CPAs who audit the firm. The internal accountant has a responsibility to educate the management of the firm on their composite responsibility in preparing financial statements to the stockholders and the public. Honest differences of opinion can occur when there are a number of generally acceptable accounting alternatives. As accounting alternatives for similar events are narrowed, through the past work of the APB, the future work of the FASB, and the ongoing work of the SEC, these differences of opinion over alternatives should be reduced, as the number of acceptable alternatives are reduced.

**Communicating Financial Information**

The accountant should communicate financial information as clearly as possible. The manner in which information is presented has a bearing on the understandability of the message by the users. The internal accountant should consider these factors along with the behavioral aspects of the reported information. The internal
accountant should present financial information as clearly as possible. Graphs, charts, and other methods should be used where appropriate. Presentation of facts in a form which is purposely hard to comprehend is an offense against this responsibility.

The accountant must also consider factors, such as segment reporting, and decide how best to present this information. Professional organizations should provide guidance in these areas.

Full Disclosure

An accountant is responsible for full disclosure in the firm's published financial statements. In preparing financial statement which will be published, corporate accountants share a joint responsibility with the firm's CPAs. This joint responsibility is full disclosure of material items in the financial statements. An accountant in preparing financial statements violates this standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.

Besides the audited financial statements, most annual reports present schedules and graphs and other information of a financial nature which are not audited by the external CPAs. The internal accountant has a responsibility for full disclosure in developing and presenting this information. The fact that these schedules are not audited should be disclosed. The average reader might not understand that the CPA's report is limited to those statements enumerated in the audit report. Eventually some type
of report might be issued by the industrial accountant describing those schedules not audited by the firm's CPAs and describing the accounting policies used in arriving at the items in these schedules.

Similar responsibilities to those in annual reports hold for published interim reports. An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm. Since the interim financial statements are not audited by the firm's CPAs, this important fact should be disclosed on the face of the interim statements.

An accountant also has a responsibility to present truthfully and fairly financial information which is released to the press and other media. Of course, the accountant cannot be responsible for the actions of the media. The accountant's responsibility in this area concerns supplying to personnel in the firm who release such information complete coverage of the requested data. The data should meet the full disclosure standard for material items. Personnel responsible for releasing such information should understand the importance of properly presenting such data. But failure of other persons to properly report such data is beyond the responsibility of the individual accountant.

For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.
Advertising

Since a corporate accountant is usually employed full time by one firm, he does not obtain clients in the manner of other professional such as doctors and CPAs. Therefore, no standard on advertising is deemed necessary.

Signing Reports and Analyses

An accountant should sign any report or analysis prepared by him. A basic method of expressing one's responsibility for a report is by signing it. In addition to indicating responsibility for the report, signing it also provides a means for one to protect and prove his performance in a situation. It would indicate not only one's performance of required management reports, but it would also provide the evidence of fulfilling one's ethical and legal responsibilities. For example, should lawsuits occur for false and misleading financial statements, the accountant could substantiate his recommendations by reference to signed reports.

Indicating Responsibility

An accountant should clearly indicate his degree of responsibility for any signed work. Indicating one's responsibility may be understood by his signature. Coupled with one's name is one's job position. These may indicate one's degree of responsibility. Some reports are simply prepared based on conventional departmental sources. In such cases it may be unnecessary to indicate anything other than one's signature for preparing a report or analysis. But
in other cases one might want to state additional information. For example, one might want to indicate the report was prepared from data supplied by another department or indicate the sources used for the statistics. Specific standards for indicating one's responsibility may evolve later as necessary.

Indicating one's responsibility for a report may be important in some cases, especially if legal action were later taken against the firm. For example, an accountant may sign and submit financial statements to his superior. The report may be returned to the accountant with instructions to prepare the statement using an accounting alternative which the accountant feels would not be preferable in presenting the facts. Here the situation is not so extreme that the accountant would consider resigning over the matter. But it involves a material item and the accountant does not want to sign the report and indicate his acceptance of a method when he does not agree with the presentation. If the accountant submits a second report and signs it, this would indicate his agreement with the report. If he refuses to prepare the report, he could lose his job. In this type of situation this author feels that the accountant must indicate his responsibility for the report by some type of statement indicating his lack of total agreement over this material item. A statement, such as "This report was prepared in accordance with the instructions of Mr. (state name) with which I do not totally concur because of (state reasons)," would clearly indicate one's lack of total agreement.

Along with signing the report and indicating one's
responsibility, the report should also be dated. It should be dated on the day it was completed and submitted to one's superior or on the day it was completed and submitted to be typed. Dating would show whether the report was prepared in a timely manner. It could also be important if legal action were ever initiated against the firm.

Signing work as the preparer is designed to encourage the individual to perform the work with his highest degree of skill. Stating the division of responsibility assumed by the accountant encourages the preparer to fully understand the degree of responsibility for which he is accountable. It also may give the reader of the report a clearer understanding of what the report is designed to accomplish. For example, a sales forecast can be prepared in many ways. The accountant may project sales based on past data and current economic conditions. But the sales forecast may have been prepared by compiling sales estimates obtained from the company's salesmen. If the accountant clearly states his responsibility for the sales figures, the report recipient will have a better understanding of the nature of the sales forecast.

Keeping Records

An accountant should keep adequate records of the work prepared by him. Records or work papers would be support of not only the performance of required reports, but also evidence in lawsuits, should they occur. The accountant must have adequate records to defend himself, should complications develop. If he has signed all work prepared by himself and stated his responsibility for it, he
has evidence to substantiate his position in any situation. The legal responsibilities of all accountants are increasing. It is necessary to keep adequate records. One may be called to defend himself in court.

Signing reports, indicating one's responsibility, and keeping adequate records protect the accountant and provide evidence of having fulfilled one's ethical responsibilities.

**Summary**

In this chapter a discussion of accounting in industry was presented. It is the foundation chapter of this study of ethical problems for accountants in industry. The field of management accounting is described along with the functions of accountants in industry. The accountant's ultimate responsibility was discussed. The call for professionalization of management accounting and the consequent need for the development of a code of ethics, along with the criteria of a profession, were examined.

Then ethical problems of accountants in industry were presented. These ethical problems find a basis in the broad principles of reason, justice, prudence, truth, competence, loyalty, professional attitude, and no discreditable acts. The relation of the accountant to the firm covers the confidential relationship, conflicts of interest, and illegal practices. The relation of the accountant to other employees consists of the need to maintain the confidential relationship, maintaining controls over the flow of confidential data, and not allowing subordinates to perform unethical
acts on the accountant's behalf. Then the relation of the accountant to the stockholders, the public, the government, and other accountants followed.

Finally technical standards were outlined. They cover such topics as supplying adequate information, providing a system of accounting control, interpreting accounting information, promoting goal congruence, reporting fraud, measuring performance, choosing accounting principles, complying with authoritative pronouncements, communicating financial information, fulfilling the full disclosure standard, signing reports, indicating responsibility, and keeping adequate records.

Chapter 4 formulates these ethical problems into a code of professional conduct for accountants in industry. This code was submitted in questionnaire form to members of the NAA for their opinions and reactions. The results of the questionnaire are presented in Chapter 5.
Chapter 4

THE CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY

The code of professional conduct for accountants in industry is presented in this chapter. The code incorporates the discussion of Thomistic ethics from Chapter 2 and the ethical problems of accountants in industry from Chapter 3.

The development of a code of professional conduct for accountants in industry is one of the purposes of this study. The code in this chapter fulfills that task. This code was submitted in questionnaire form to a sample of NAA members. The research methodology of the questionnaire was discussed in Chapter 1. A copy of the questionnaire and transmittal letters are presented in Appendix A. The results of the questionnaire are presented in Chapter 5.
CODE OF PROFESSIONAL CONDUCT FOR
ACCOUNTANTS IN INDUSTRY

This code of professional conduct is a guide to acceptable behavior for accountants in industry. It is a mixture of ethical principles, pragmatic rules, and technical standards. The spirit of the rules in the code and not just the "letter of the law" should be observed. Other standards of professional conduct not specifically mentioned may exist.

Article 1: Broad Principles

1.1 An accountant should follow broad principles such as reason, justice, and prudence.

1.2 An accountant's prime responsibility is to present accounting information truthfully and fairly.

1.3 An accountant should perform his work competently, maintain a professional attitude, and be loyal to his employer.

1.4 An accountant should not perform acts which are discreditable to his employer or the accounting profession.

Article 2: Relation of the Accountant to the Firm

2.1 An accountant should maintain a confidential relationship with his employer.

2.11 An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts.

2.2 An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.

2.21 Before accepting employment with a firm, an accountant should reveal all direct and indirect financial interests to his prospective employer.

2.22 During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.
2.23 An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.

2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of a conflict of interest.

2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.

2.26 An accountant should not own publicly-held stock in the firm in which he is employed.

2.3 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.

Article 3: Relation of the Accountant to Other Employees

3.1 An accountant is responsible for his subordinates understanding the confidential relationship.

3.11 An accountant should not reveal confidential information to other employees who have no need of it in the course of their employment.

3.2 An accountant should maintain controls over the flow of confidential data from his department to other departments.

3.21 An accountant should make other department heads and their employees aware of the confidential nature of such information which flows through the firm.

3.22 An accountant is responsible for care being exercised in the disposal of waste paper, computer runs, and other outputs containing confidential information.

3.3 An accountant should not allow those under him to perform acts which he is not allowed to perform by the "Code of Professional Conduct for Accountants in Industry."

Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government

4.1 An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.
Article 5: Relation With Other Accountants

5.1 An accountant should cooperate with the firm's CPAs.

5.2 An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.

Article 6: Technical Standards

6.01 An accountant should provide management with relevant financial information for decision-making.

6.02 An accountant is responsible for an adequate system of accounting control.

6.03 An accountant should interpret accounting information for management.

6.04 An accountant should promote goal congruence in accounting systems.

6.05 An accountant should report fraud or the suspicion of fraud to his superiors.

6.06 An accountant should develop appropriate means for judging the performance of the firm's resources.

6.07 An accountant should observe generally accepted accounting principles.

6.08 An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.

6.09 An accountant should communicate financial information as clearly as possible.

6.10 An accountant is responsible for full disclosure in the firm's financial statements.

6.101 An accountant in preparing financial statements violates the full disclosure standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
6.102 An accountant has a responsibility for full disclosure of material facts in schedules, graphs, or other financial presentations in the firm's annual report.

6.103 An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm.

6.104 An accountant has a responsibility to present truthfully and fairly financial information which is released to the press and other media.

6.105 For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.

6.11 An accountant should sign any report or analysis prepared by him.

6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.

6.13 An accountant should keep adequate records of the work prepared by him.
Chapter 5

THE RESULTS OF THE QUESTIONNAIRE

This chapter presents the results of the questionnaire mailed to accountants in industry. As explained in Chapter 1, a stratified, systematic sample was submitted to 2,885 accountants in industry.

Confidence Level of the Results

The terms "universe" or "population" is the totality of the items under consideration. A sample is part of the population selected so that inferences can be made about the entire universe. The term "confidence" has been defined as a statement giving the probability that the true value of the population will be contained within the sample precision. Precision is the range of values (plus and minus) about the sample value which expects to contain the true value of the universe. The estimated error rate is the rate of error estimated to exist in the population (the true error rate is unknown) for the purpose of determining the sample size.¹

The response rate to the questionnaire was 43.81%, totaling


118
1,264 usable responses. A 90% confidence level, ± 2% precision, with an average error rate of .2 was attained. This means that one can assert with a 90% degree of confidence (± 2% precision, .2 average error rate) that the total results presented in this chapter (unless otherwise qualified) are representative of the 31,751 opinions at the time the questionnaire was completed of the following groups of NAA subscribers to *Management Accounting*:

1. Secretaries and/or Treasurers, Controllers,
2. Chief Accountants,
3. Cost Accountants, Accountants, Internal Auditors, and
4. Bookkeepers and Accounting Clerks.

**Job Classifications**

The responses were distributed among job titles as shown in Table 3.

<table>
<thead>
<tr>
<th>Classification</th>
<th>#</th>
<th>%</th>
<th>Classification</th>
<th>#</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountants</td>
<td>147</td>
<td>11.63</td>
<td>Internal Auditors</td>
<td>67</td>
<td>5.30</td>
</tr>
<tr>
<td>Accounting Clerks</td>
<td>2</td>
<td>0.16</td>
<td>Managers of Accounting</td>
<td>35</td>
<td>2.77</td>
</tr>
<tr>
<td>Bookkeepers</td>
<td>2</td>
<td>0.16</td>
<td>Secretaries and/or</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chief Accountants</td>
<td>172</td>
<td>13.61</td>
<td>Treasurers</td>
<td>150</td>
<td>11.87</td>
</tr>
<tr>
<td>Controllers</td>
<td>463</td>
<td>36.63</td>
<td>Others</td>
<td>80</td>
<td>6.33</td>
</tr>
<tr>
<td>Cost Accountants</td>
<td>101</td>
<td>7.99</td>
<td>No Response</td>
<td>14</td>
<td>1.10</td>
</tr>
<tr>
<td>Financial Vice Presidents</td>
<td>31</td>
<td>2.45</td>
<td>Totals</td>
<td>1,264</td>
<td>100.00</td>
</tr>
</tbody>
</table>
The respondents were also classified according to CPA status. There were 191 CPAs in the group with 1,041 non-CPAs (32 no responses), totaling 1,264 responses.

The Need for a Code

The question concerning the need for a code of professional conduct for accountants in industry was introduced by the following description of a code: "A code of professional conduct is a guide to acceptable behavior for members of a profession. It is a mixture of ethical principles, pragmatic rules, and technical standards."

The respondents overwhelmingly indicated by a vote of 1,045 (82.67%) that they felt there was a need for a code of professional conduct for accountants in industry. Only 108 (8.55%) respondents did not feel that there was a need for a code. Those having no opinion consisted of 78 (6.17%); a few respondents (33; 2.61%) did not answer the question. This response confirms the need for a code of professional conduct for accountants in industry. It agrees with the views expressed in the accounting literature regarding the need for the professionalization of industrial accounting.

The following sections present the responses to the question: "If a code were to be adopted, please circle your response to each of the rules listed below regarding inclusion in "A CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY."

---

2 The terms indicating "agreement" and "disagreement" used in this chapter represent the following: Agreement = Strongly Agree (1) and Agree (2) Disagreement = Disagree (4) and Strongly Disagree (5).
**Broad Principles**

The first article in the code regarded inclusion of broad principles. Table 4 on the next page shows the number and percentages of responses to the four rules enumerated in this area. As the results in Table 4 indicate, the great majority felt a need for the broad principles.

**Relation of the Accountant to the Firm**

The results of the second article on the relation of the accountant to the firm showed a great dispersion of answers. Table 5 on page 123 presents these views.

Article 2.1 and 2.11 on maintaining the confidential relationship met with significant agreement, 95.25% and 88.13%, respectively.

Article 2.2 on conflict of interest received a 82.36% favorable vote. The individual subrules under conflict of interest met with general disagreement. Article 2.21 on revealing financial interests to one's prospective employer received 63.45% disagreement. A majority of respondents (68.51%) on Article 2.22, regarding an accountant not acquiring financial interests conflicting with the interests of his employer, agreed with its inclusion in the code. Most respondents 65.66% agreed that an accountant should not use inside knowledge for personal gain (Article 2.23). An overwhelming majority (89.88%) favored Article 2.24 on not accepting gifts that could give the appearance of a conflict of interest. Article 2.25 was closely split receiving 47.47% disagreement and 43.43% agreement.
Table 4

Article 1: Broad Principles

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 An accountant should follow broad principles</td>
<td></td>
</tr>
<tr>
<td>such as reason, justice, and prudence.</td>
<td>#: 19 574 629 24 17 1</td>
</tr>
<tr>
<td></td>
<td>%: 1.50 45.41 49.76 1.90 1.35 0.08</td>
</tr>
<tr>
<td>1.2 An accountant's prime responsibility is to present accounting</td>
<td></td>
</tr>
<tr>
<td>information truthfully and fairly.</td>
<td>#: 11 693 509 15 33 3</td>
</tr>
<tr>
<td></td>
<td>%: 0.87 54.82 40.27 1.19 2.61 0.24</td>
</tr>
<tr>
<td>1.3 An accountant should perform his work competently, maintain a</td>
<td></td>
</tr>
<tr>
<td>professional attitude, and be loyal to his employer.</td>
<td>#: 12 720 495 26 10 1</td>
</tr>
<tr>
<td></td>
<td>%: 0.95 56.96 39.16 2.06 0.79 0.08</td>
</tr>
<tr>
<td>1.4 An accountant should not perform acts which are discreditable</td>
<td></td>
</tr>
<tr>
<td>to his employer or the accounting profession.</td>
<td>#: 12 822 406 17 6 1</td>
</tr>
<tr>
<td></td>
<td>%: 0.95 65.03 32.12 1.35 0.47 0.08</td>
</tr>
</tbody>
</table>

*Responses:
No Response = 0
Strongly Agree = 1
Agree = 2
No Opinion = 3
Disagree = 4
Strongly Disagree = 5
Table 5

Article 2: Relation of the Accountant to the Firm

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>2.1</td>
<td>An accountant should maintain a confidential relationship with his employer.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>2.11</td>
<td>An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>2.2</td>
<td>An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>2.21</td>
<td>Before accepting employment with a firm, an accountant should reveal all direct and indirect financial interests to his prospective employer.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>2.22</td>
<td>During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>2.23</td>
<td>An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
</tbody>
</table>
Table 5 (continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of conflict of interest.</td>
<td>#: 12 466 670 74 41 1</td>
</tr>
<tr>
<td>2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.</td>
<td>#: 12 165 384 103 487 113</td>
</tr>
<tr>
<td>2.26 An accountant should not own publicly-held stock in the firm in which he is employed.</td>
<td>#: 11 15 30 51 679 478</td>
</tr>
<tr>
<td>2.3 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.</td>
<td>#: 12 548 523 112 51 18</td>
</tr>
</tbody>
</table>

*Responses:  
No Response = 0  No Opinion = 3  
Strongly Agree = 1  Disagree = 4  
Agree = 2  Strongly Disagree = 5
An overwhelming disagreement (91.54%) was expressed on Article 2.26 regarding an accountant not owning publicly-held stock in the firm in which he is employed. This rule received the strongest disagreement in the entire code.

Article 2.3 on not associating with firms engaged in illegal or dubious practices received significant agreement of 84.73%. The relation of the accountant to the firm includes a confidential relationship, avoidance of conflicts of interest, and disassociation from firms engaged in illegal practices.

Relation of the Accountant to Other Employees

The results of Article 3, the relation of the accountant to other employees, is shown in Table 6. An overwhelming vote of agreement (93.51%) felt that an accountant is responsible for his subordinates understanding the nature of the confidential relationship (Article 3.1). Not revealing confidential information to other employees who have no need of it (Article 3.11) also received an overwhelming favorable response (96.91%).

All three rules concerning the flow of confidential data received strong agreement. Article 3.2 on maintaining controls over the flow to other departments received 97.31% agreement. Article 3.21 on making other department heads and their employees aware of the nature of confidential data received 78.48% agreement. Article 3.22 on the disposal of waste paper containing confidential information received 82.60% agreement.
Table 6

Article 3: Relation of the Accountant to Other Employees

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>3.1 An accountant is responsible for his subordinates understanding</td>
<td>#:</td>
</tr>
<tr>
<td>the confidential relationship.</td>
<td>%:</td>
</tr>
<tr>
<td>3.11 An accountant should not reveal confidential information to</td>
<td>#:</td>
</tr>
<tr>
<td>other employees who have no need of it in the course of their</td>
<td>%:</td>
</tr>
<tr>
<td>employment.</td>
<td></td>
</tr>
<tr>
<td>3.2 An accountant should maintain controls over the flow of</td>
<td>#:</td>
</tr>
<tr>
<td>confidential data from his department to other departments.</td>
<td>%:</td>
</tr>
<tr>
<td>3.21 An accountant should make other department heads and their</td>
<td>#:</td>
</tr>
<tr>
<td>employees aware of the confidential nature of such information</td>
<td>%:</td>
</tr>
<tr>
<td>which flows through the firm.</td>
<td></td>
</tr>
<tr>
<td>3.22 An accountant is responsible for care being exercised in</td>
<td>#:</td>
</tr>
<tr>
<td>the disposal of waste paper, computer runs, and other outputs</td>
<td>%:</td>
</tr>
<tr>
<td>containing confidential information.</td>
<td></td>
</tr>
<tr>
<td>3.3 An accountant should not allow those under him to perform acts</td>
<td>#:</td>
</tr>
<tr>
<td>which he is not allowed to perform by the &quot;Code of Professional</td>
<td>%:</td>
</tr>
<tr>
<td>Conduct for Accountants in Industry.&quot;</td>
<td></td>
</tr>
</tbody>
</table>

*Responses: No Response = 0; Strongly Agree = 1; Agree = 2; No Opinion = 3; Disagree = 4; Strongly Disagree = 5
Article 3.3 on not allowing subordinates to perform acts which the accountant is not permitted to perform by the code received overwhelmingly agreement (85.92%).

General agreement was reached on the relation of the accountant and other employees regarding the confidential relationship, the flow of confidential data, and not allowing subordinates to act for the accountant in violation of the code.

Relation of the Accountant to the Stockholders, the Public, and the Government

Table 7 shows the response to Article 4.1. Significant agreement (95.49%) was indicated regarding the accountant having a responsibility to present financial information truthfully and fairly to stockholders, the public, and governmental agencies.

Table 7

Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government

<table>
<thead>
<tr>
<th>Rule 4.1</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.</td>
<td>#: 10 587 620 24 17 6&lt;br&gt;%: 0.79 46.44 49.05 1.90 1.35 0.47</td>
</tr>
</tbody>
</table>

*Responses:  
No Response = 0  No Opinion = 3  
Strongly Agree = 1  Disagree = 4  
Agree = 2  Strongly Disagree = 5
Relation With Other Accountants

Article 5.1, as shown in Table 8 below, received 97.15% agreement. Only two votes disagreed with this article concerning the accountant cooperating with the firm's CPAs. Agreement of 72.47% was reached on not publicly criticizing fellow accountants (Article 5.2).

Table 8

Article 5: Relation With Other Accountants

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>5.1  An accountant should cooperate with the firm's CPAs.</td>
<td>#: 13 521 707 21 1 1</td>
</tr>
<tr>
<td></td>
<td>%: 1.03 41.22 55.93 1.66 0.08 0.08</td>
</tr>
<tr>
<td>5.2  An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.</td>
<td>#: 13 262 654 186 119 30</td>
</tr>
<tr>
<td></td>
<td>%: 1.03 20.73 51.74 14.72 9.41 2.37</td>
</tr>
</tbody>
</table>

*Responses:
No Response = 0
No Opinion = 3
Strongly Agree = 1
Disagree = 4
Agree = 2
Strongly Disagree = 5

Technical Standards

The results on the technical standards article are presented in Table 9 on the following pages. Providing management with relevant financial information for decision-making (Article 6.01)
Table 9

Article 6: Technical Standards

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>6.01</td>
<td>An accountant should provide management with relevant financial information for decision-making.</td>
</tr>
<tr>
<td></td>
<td>#: 9 693 559 3 0 0</td>
</tr>
<tr>
<td></td>
<td>%: 0.71 54.83 44.22 0.24 0.00 0.00</td>
</tr>
<tr>
<td>6.02</td>
<td>An accountant is responsible for an adequate system of accounting control.</td>
</tr>
<tr>
<td></td>
<td>#: 11 592 639 11 11 0</td>
</tr>
<tr>
<td></td>
<td>%: 0.87 46.84 50.55 0.87 0.87 0.00</td>
</tr>
<tr>
<td>6.03</td>
<td>An accountant should interpret accounting information for management.</td>
</tr>
<tr>
<td></td>
<td>#: 10 482 681 51 38 2</td>
</tr>
<tr>
<td></td>
<td>%: 0.79 38.13 53.88 4.03 3.01 0.16</td>
</tr>
<tr>
<td>6.04</td>
<td>An accountant should promote goal congruence in accounting systems.</td>
</tr>
<tr>
<td></td>
<td>#: 31 341 747 128 17 0</td>
</tr>
<tr>
<td></td>
<td>%: 2.45 26.98 59.10 10.13 1.34 0.00</td>
</tr>
<tr>
<td>6.05</td>
<td>An accountant should report fraud or the suspicion of fraud to his superiors.</td>
</tr>
<tr>
<td></td>
<td>#: 12 732 503 13 2 2</td>
</tr>
<tr>
<td></td>
<td>%: 0.95 57.91 39.79 1.03 0.16 0.16</td>
</tr>
<tr>
<td>6.06</td>
<td>An accountant should develop appropriate means for judging the performance of the firm's resources.</td>
</tr>
<tr>
<td></td>
<td>#: 16 395 738 89 26 0</td>
</tr>
<tr>
<td></td>
<td>%: 1.26 31.25 58.39 7.04 2.06 0.00</td>
</tr>
<tr>
<td>6.07</td>
<td>An accountant should observe generally accepted accounting principles.</td>
</tr>
<tr>
<td></td>
<td>#: 12 594 640 14 3 1</td>
</tr>
<tr>
<td></td>
<td>%: 0.95 46.99 50.63 1.11 0.24 0.08</td>
</tr>
</tbody>
</table>
Table 9 (continued)

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses*</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>6.08 An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.</td>
<td>#: 15 323 697 181 47 1</td>
</tr>
<tr>
<td>6.09 An accountant should communicate financial information as clearly as possible.</td>
<td>#: 10 615 633 6 0 0</td>
</tr>
<tr>
<td>6.10 An accountant is responsible for full disclosure in the firm's financial statements.</td>
<td>#: 29 282 671 123 141 18</td>
</tr>
<tr>
<td>6.101 An accountant in preparing financial statements violates the full disclosure standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.</td>
<td>#: 28 382 727 80 40 7</td>
</tr>
<tr>
<td>6.102 An accountant has a responsibility for full disclosure of material facts in schedules, graphs, or other financial presentations in the firm's annual report.</td>
<td>#: 32 275 706 113 125 13</td>
</tr>
<tr>
<td>6.103 An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm.</td>
<td>#: 31 259 632 153 171 18</td>
</tr>
<tr>
<td>Rule</td>
<td>Responses*</td>
</tr>
<tr>
<td>------</td>
<td>------------</td>
</tr>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>6.104 An accountant has a responsibility to present truthfully and fairly financial information which is released to the press and other media.</td>
<td>#: 28 309 715 115 86 11</td>
</tr>
<tr>
<td>6.105 For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.</td>
<td>#: 32 319 603 144 149 17</td>
</tr>
<tr>
<td>6.11 An accountant should sign any report or analysis prepared by him.</td>
<td>#: 28 292 699 135 98 12</td>
</tr>
<tr>
<td>6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.</td>
<td>#: 39 212 584 253 161 15</td>
</tr>
<tr>
<td>6.13 An accountant should keep adequate records of the work prepared by him.</td>
<td>#: 30 427 727 47 29 4</td>
</tr>
</tbody>
</table>

*Responses: No Response = 0; Strongly Agree = 1; Agree = 2; No Opinion = 3; Disagree = 4; Strongly Disagree = 5
received a 99.05% vote of agreement. This was the highest percentage of agreement of any rule in the code. No vote of disagreement was cast on this rule. The second technical standard (Article 6.02) of having an adequate system of accounting control met with a favorable response of 97.39%. A strong agreement (92.01%) was expressed on interpreting accounting information for management (Article 6.03). Promoting goal congruence in accounting systems (Article 6.04) received 86.08% agreement. A significant favorable response (97.70%) was expressed on reporting fraud (Article 6.05). Developing performance measures (Article 6.06) received agreement of 89.64%. Articles 6.07 and 6.08 received agreement of 97.62% and 80.69%, respectively. The former concerned observing generally accepted accounting principles; the latter concerned complying with Opinions of the APB and the FASB. Communicating financial information clearly received an overwhelming vote of agreement (98.74%). No votes were cast in disagreement with this rule (Article 6.09).

General agreement of 75.40% was reached on the accountant having a responsibility for full disclosure in financial statements (Article 6.10). Article 6.101 was, in effect, a definition of the term "full disclosure." This rule received 87.74% favorable vote. Extending this full disclosure responsibility to other parts of the annual report (Article 6.102) and to other published reports, such as interim financial statements (Article 6.103) and to information released to the media (Article 6.104) received agreement of 77.61% and 70.49% and 81.02%, respectively. Disclosure of the unaudited
by independent CPAs status of published reports (Article 6.105) received a 72.95% vote of agreement.

A favorable response (78.40%) was indicated for signing reports which the accountant prepares (Article 6.11). Indicating the degree of responsibility for signed reports (Article 6.12) received mild agreement of 62.97%, with 20.02% no opinions. This rule (Article 6.12) received the highest no opinion rate of the code. Keeping adequate records (Article 6.13) received an overwhelming vote of agreement (91.30%).

There was general agreement on all technical standards presented. This article on technical standards rounds out the code which started with broad principles and traced the accountant's relationship to the firm; to other employees; to the stockholders, the public, and the government; and to other accountants.

**Vote on the Code as a Whole**

A significant vote of 999 (79.04%) indicated acceptance of the code as a whole. Those voting against the proposed code as a whole consisted of 144 (11.39%). Those who would not vote on the acceptance of the code as a whole consisted of 74 (5.85%), with 47 (3.72%) no responses.

The need for a code of professional conduct for accountant in industry was established; the next step was the development of a code. It is significant that the code presented by this researcher was accepted by a majority of the respondents. This study is only one attempt at developing a code of professional conduct for
accountants in industry. Further discussion of the topics in
the code is needed, along with additional efforts by other
researchers.

Appendix B

Appendix B contains the responses to the questionnaire
grouped as follows:

(1) Controllers and Financial Vice Presidents--
Table 12,
(2) Chief Accountants and Managers of Accounting--
Table 13, and
(3) CPAs--Table 14.

It is important to note that the results in Appendix B do not
have the same degree of statistical confidence as the results
of the total responses presented in this chapter. These cate­
gorizations by selected job classes are presented to the reader
as a matter of interest.

Other Areas Suggested by Respondents

This section lists areas in which the respondents indi­
cated a need for additional rules of professional conduct. Some
areas were covered broadly in the code and were discussed in
Chapter 3. They are grouped here according to the articles in
the code.
Broad Principles

(1) The need for continuing education; improving one's knowledge; keeping current; actively promoting revisions of APB or FASB Opinions which do not present fairly financial condition.

(2) Utilization of tools and skills for furtherance of company objectives--profit improvement, for example.

(3) Civic/personal/social behavior: relation with subordinates, fellow employees, and outsiders who might have personal or business interests in one's firm.

(4) The exercise of diligence, objectivity, and honesty, and identifying improprieties that come to one's attention.

(5) Conflicts between loyalty and presenting information truthfully and fairly.

Relation to the Firm

(1) Conflicts between superior and the accountant regarding fairly presenting data in financial statements (if superior orders accountant to present information in a certain way) and the resulting economic loss from the accountant's refusal to follow superior's instructions and termination as a consequence.

(2) The employer should treat the accountant fairly, reasonably, and not infringe on the accountant's rights.

(3) Guarantee the right of appeal of the accountant to someone in the organization if directed to do an unethical act.

(4) The accountant should have privity to basic information, full access to management decisions, contracts, and agreements. The
accountant cannot financially react if he does not know that a product is obsolete or if inventory is over-valued.

Relation With Other Employees

(1) Relationship with technical authority.

(2) Educating users of accounting reports regarding the uses and limits of the reports; explain financial statements.

Relation to the Stockholders, the Public, and the Government

(1) Educate recipients of accounting reports; explain through the use of simple examples and illustrations of the effects of items on financial statements.

(2) Cooperate with all governmental agencies, especially the SEC, the IRS, and the Comptroller of the Currency.

Relation to Other Accountants

(1) Relationship in dealing with another accountant when the other accountant is employed by a company doing business with the first.

(2) Pirating accountants from other firms; CPA firms staffing their client's accounting departments with their CPAs.

(3) Not competing in salary; standard of wage earnings.

(4) Accepting a job of another accountant--relation of an accountant to the previous accountant regarding reasons why the other accountant left and having his permission to accept.
Technical Standards

(1) Information should be timely.

(2) Should initial any report or analysis.

(3) Reports or analyses should be dated.

(4) The use of estimates and projections.

(5) Consistency of accounting methods.

(6) Footnoting the standards and calculations used in accounting reports not set by the accountant.

(7) Obtaining written authority for material changes in accounting methods.

(8) Improving and innovating methods of presenting financial data.

(9) Disclosure of information should be limited to prevent giving competitors too much information; disclosure should be limited by necessity, constrained by materiality, and by the wishes of the owners and board of directors.

(10) Sign reports and footnote any exceptions or limitations on internal statements.

(11) Supply management with meaningful information whether it falls within generally accepted standards or not.

(12) Operational standards as well as financial; aid other departments in solving accounting questions; higher-level accountants have responsibilities that are geared to elements of management, such as organization, planning, structuring, staffing, motivating, and development of financial personnel; the accountant is part of the management team.
Miscellaneous

(1) Need a clearer definition of an industrial accountant's responsibility and authority.

(2) At what level of accountants is the code aimed? Who is an accountant?

(3) Accountant's responsibility regarding the legal requirements of published financial statements and reports.

(4) What actions if the code is violated?

(5) Some respondents felt that only the CPA is responsible for some items in the code, especially the rules on disclosure.

(6) Some respondents felt that the accountant is only responsible to the company, the Board of Directors, or to his superior, and that no other responsibility existed.

Cross Analyses

Some interesting cross analyses follow. It is important to note that the individual cross analyses in Tables 10 and 11 do not have the same degree of statistical confidence as the results of the total responses presented in this chapter. Table 10 contains the responses to the need for a code versus the vote on the code as a whole.

Of the 1,045 that voted for a need for a code and of the 999 that voted for the code developed in this study, 896 respondents voted for both of these. Of the 108 that voted against a need for a code and of the 144 that voted against the code as a whole, those that voted against both of these totaled 52.
Table 10*
The Need for a Code Versus the Vote on the Code as a Whole

<table>
<thead>
<tr>
<th>The Need for a Code of Professional Conduct</th>
<th>No</th>
<th>Yes</th>
<th>No</th>
<th>Opinion</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Vote on the Code as a Whole</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>No Response  #:</td>
<td>5</td>
<td>33</td>
<td>5</td>
<td>4</td>
<td>47</td>
</tr>
<tr>
<td>%:</td>
<td>0.40</td>
<td>2.61</td>
<td>0.40</td>
<td>0.31</td>
<td>3.72</td>
</tr>
<tr>
<td>For #:</td>
<td>23</td>
<td>896</td>
<td>40</td>
<td>40</td>
<td>999</td>
</tr>
<tr>
<td>%:</td>
<td>1.81</td>
<td>70.89</td>
<td>3.17</td>
<td>3.17</td>
<td>79.04</td>
</tr>
<tr>
<td>Against #:</td>
<td>4</td>
<td>78</td>
<td>52</td>
<td>10</td>
<td>144</td>
</tr>
<tr>
<td>%:</td>
<td>0.32</td>
<td>6.16</td>
<td>4.11</td>
<td>0.80</td>
<td>11.39</td>
</tr>
<tr>
<td>Would Not Vote #:</td>
<td>1</td>
<td>38</td>
<td>11</td>
<td>24</td>
<td>74</td>
</tr>
<tr>
<td>%:</td>
<td>0.08</td>
<td>3.01</td>
<td>0.87</td>
<td>1.89</td>
<td>5.85</td>
</tr>
<tr>
<td>Totals #:</td>
<td>33</td>
<td>1,045</td>
<td>108</td>
<td>78</td>
<td>1,264</td>
</tr>
<tr>
<td>%:</td>
<td>2.61</td>
<td>82.67</td>
<td>8.55</td>
<td>6.17</td>
<td>100.00</td>
</tr>
</tbody>
</table>

*Note that the individual cross analyses do not have the same degree of statistical confidence as the total results presented in this chapter.

Table 11 on the following page presents a cross analyses of the responses to Article 2.26 on the accountant not owning publicly-held stock in the firm in which he is employed and the responses on the vote on the code as a whole. This cross analysis is presented because Article 2.26 received the strongest vote of disagreement of the entire code.

It is interesting to note that the respondents who disagreed or strongly disagreed with Article 2.26 and who voted against acceptance of the code as a whole consisted of 136. (There were only 144 votes against the code as a whole.) It is also interesting to
note that 68 disagreed or strongly disagreed with Article 2.26 and would not vote on the code as a whole. (There were only 74 respondents who would not vote on the acceptance of the code as a whole.)

Of the 47 who did not respond to the question on the acceptance of the code as a whole, 43 disagreed or strongly disagreed with Article 2.26. However, these results must be balanced by the 910 who disagreed or strongly disagreed with Article 2.26 but who still voted for the acceptance of the code as a whole. So, no conclusions are drawn from this cross analysis.

Table 11*

<table>
<thead>
<tr>
<th>Article 2.26 Versus the Vote on the Code as a Whole</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Vote on the Code as a Whole</td>
</tr>
<tr>
<td>Response</td>
</tr>
<tr>
<td>-----------</td>
</tr>
<tr>
<td>No Response</td>
</tr>
<tr>
<td>%</td>
</tr>
<tr>
<td>For</td>
</tr>
<tr>
<td>%</td>
</tr>
<tr>
<td>Against</td>
</tr>
<tr>
<td>%</td>
</tr>
<tr>
<td>Would Not Vote</td>
</tr>
<tr>
<td>%</td>
</tr>
<tr>
<td>Totals</td>
</tr>
<tr>
<td>%</td>
</tr>
</tbody>
</table>

*Note that the individual cross analyses do not have the same degree of statistical confidence as the total results presented in this chapter.

**Responses: No Response = 0 No Opinion = 3
Strongly Agree = 1 Disagree = 4
Agree = 2 Strongly Disagree = 5
Respondents Summarize This Author's Intent

Three respondents perceived this author's purpose and intent of a code of professional conduct for accountants in industry.

One remarked:

The development of a code of ethics will be helpful. It will reaffirm proper conduct for those who are ethical in their profession. It will identify proper conduct for those who are not clear on the subject. However, the code will be of little value without the concomitant development of a code of sanctions and penalties.

One other respondent commented:

The problem for the management accountant is when there is a conflict between what the employer wants to disclose and what the accountant feels should be disclosed. Financial accounting standards and a "Code of Professional Conduct" have importance as a guide to the accountant but if a basic conflict remains with the employer he needs some form of protection against economic loss.

Top management, not the accountant, makes the final decision on what information is disclosed. The accountant can only be responsible for disclosing all the facts to his superiors.

Another respondent concluded:

My interpretation of the above question means that I feel responsible for full disclosure of the facts and I would retain work papers to support any disclosures, but, assuming that the financial statements were printed and certain disclosures were omitted by that part of management issuing the statement I would feel that my responsibility has been fulfilled and legal action could obtain my position by a review of my work papers.

Summary and concluding remarks of this author are presented in Chapter 6.
Chapter 6

SUMMARY AND CONCLUSIONS

A brief summary of this study is given in this chapter. Concluding remarks follow this summary, giving suggestions for the implementation of a code of professional conduct for accountants in industry.

Summary of This Study

The objectives of this study are fourfold: (1) to establish a need for a code of professional conduct for accountants in industry, (2) to provide a philosophical base for this code from the field of ethics, (3) to develop the elements of this code of professional conduct, and (4) to survey industrial accountants for their opinions on the code developed in this study.

This study began with a search for a philosophical base. Various selected schools of ethical thought were surveyed. The ethics of St. Thomas Aquinas was selected as the ethical foundation for the code developed in this study, thereby accomplishing objective two. Relevant parts of Thomistic ethics were discussed.

A discussion of the field of management accounting, along with the ultimate responsibility of the accountant, followed in Chapter 3. The prime responsibility of the accountant is to present accounting information truthfully and fairly. The call for the
professionalization of management accounting and the resultant need for a code of ethics were discussed, accomplishing objective one. Several ethical problems of industrial accountants were analyzed in the Thomistic framework which served as models for applying other problems to the ethical philosophy of St. Thomas Aquinas. Ethical problems concern broad principles such as reason, justice, prudence, truth, competence, loyalty, the professional attitude, and no discreditable acts. The relation of the accountant to the firm covers the confidential relationship, conflicts of interest, and illegal practices. The relation of the accountant to other employees concerns maintaining the confidential relationship with the firm, maintaining controls over the flow of confidential data, and prohibiting the accountant's subordinates from performing unethical acts on the accountant's behalf. The relation of the accountant to the stockholders, the public, and the government involves the accountant reporting financial information truthfully and fairly. The relation with other accountants includes cooperation with the firm's CPAs and not publicly criticizing other accountants. Finally, technical standards were discussed. These standards include such topics as supplying relevant information, providing a system of accounting control, interpreting accounting information, promoting goal congruence, reporting fraud, measuring performance, choosing accounting principles, complying with authoritative pronouncements, communicating financial information, fulfilling the full disclosure standard, signing reports, indicating responsibility, and keeping adequate records.
The code of professional conduct for accountants in industry was presented in Chapter 4, fulfilling the third objective. The code was submitted in questionnaire form to a sample of 2,885 subscribers to *Management Accounting*, a monthly publication of the National Association of Accountants (NAA), thereby completing the fourth objective. A systematic, random sample was selected from 31,751 NAA members, stratified among the following four categories: (1) Secretaries and/or Treasurers, Controllers, (2) Chief Accountants, (3) Cost Accountants, Accountants, Internal Auditors, and (4) Bookkeepers and Accounting Clerks. Responses totaling 1,264 were received, for a 43.81% response rate. This response permitted the results presented in Chapter 5 to be representative of these groups of NAA members, at the time the questionnaire was completed, with a 90% degree of confidence, +2% precision, with a .2 estimated error rate. The need for a code of professional conduct for accountants in industry was indicated by 1,045 respondents (82.67%). The code as a whole as developed in this study was accepted by 999 respondents (79.04%).

**Conclusions of This Study**

A code of professional conduct is a mixture of ethical principles, pragmatic rules, and technical standards. It is a guide to acceptable behavior for the members of a group. A number of important conclusions are drawn:

(1) An ethical philosophy must be selected as a foundation for a code of ethics.
(2) There exists a need to establish among accountants an awareness of their ethical responsibilities to their firms and the accounting profession.

(3) Concomitantly, there is a need for a clearer definition of these responsibilities.

(4) A code of ethics reflects in written form prevailing attitudes of the group developing a code.

(5) A code of professional conduct for accountants in industry can protect the accountant by alerting him to the nature of his ethical responsibilities.

(6) For the code developed in this study to be effective, it is necessary for the code to be adopted and enforced by a certified group, such as certified management accountants.

(7) Additional research is needed on the ethical problems of accountants in industry.

A Philosophical Base

The code of professional conduct developed in this study was rooted in the ethical philosophy of St. Thomas Aquinas. It is important to base a code of ethics on some ethical philosophy. This is necessary because some criterion or standard must be appealed to in order to determine appropriate behavior.

An Awareness of Ethical Responsibilities

The actions of accountants cover a broad field. Many of these actions have ethical implications. Accordingly, an accountant
must become aware of his ethical responsibilities to his firm and to the accounting profession. In a work environment ethical decisions must be made, and a criterion of ethical behavior must be used. An individual must determine what is his ethical standard of behavior and with whom does his ethical responsibilities rest.

Responsibilities of an Industrial Accountant

In addition to an awareness of ethical responsibilities, a clearer definition of what are an accountant's responsibilities and authority must evolve. His responsibilities to the firm in which he is employed and to the accounting profession must be clarified. An effort has been made in this study to define the industrial accountant's ethical responsibilities. The relation of industrial accountants to the firm's published financial statements must be established. Many legal ramifications abound which must be discussed and clarified. For example, what responsibilities do accountants have when there are conflicts with what management dictates?

Expression of the Views of a Group

Written codification of rules or laws of behavior indicates a degree of formalization within a society. For example, primitive societies may have unwritten laws for its members with corresponding sanctions. As society becomes more advanced and/or complex, the tendency is for these rules to become written.

In developing a code, a society is expressing its views regarding correct behavior. The fact that laws will be broken and
violators may escape punishment should not prevent a society from formally indicating as a whole group that the society is against certain types of behavior. In the United States murders are committed and some murderers escape punishment by society. But this is not a sufficient reason for failing to formulate laws forbidding murder. So it is with a group of individuals. As the group becomes more complex, it becomes necessary to write a code of acceptable behavior for its members. Any codification reflects existing, unwritten views governing behavior.

Protecting Accountants

As legal liabilities of CPAs increase, the legal liabilities of industrial accountants also increase. This author views the industrial accountant and the CPA as having a joint responsibility for truthful and fair presentation of accounting information in the firm's published financial statements. The code of professional conduct developed in this study, rather than enlarging the industrial accountant's responsibilities, merely clarified existing ethical responsibilities of the industrial accountant. By better defining these responsibilities, an industrial accountant can protect himself from legal liability by an awareness of these responsibilities and by keeping adequate records to support his work.

Adoption and Enforcement by a Certified Group

For a code to be effective, it must be promulgated to the individuals to be governed by it. Consequently, some type of organization or group is necessary to inform its members of the

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existence of such a code. This organization would develop a reasonable code for the common good of the group.

To have an effective code of professional conduct, the code must be enforced through the use of sanctions. But for a code to be enforced, it is necessary to have some organizational structure. In addition, this organization which is enforcing the code must have some power of sanctions to levy over violators. Sanctions may include admonishment, suspension, or expulsion from the group. But from a practical point of view, these three sanctions may be insufficient to prevent the abuse from recurring.

For example, if a CPA were only expelled from membership in a professional group but still allowed to practice public accounting, the CPA could continue to repeat the violation with no further sanction from the group. But the loss of the CPA certificate, thereby prohibiting one from practicing public accounting, does insure that one can no longer legally practice as a certified public accountant.

Correspondingly, for any industrial accounting society to optimally enforce its sanctions, a loss of some certificate is necessary to prevent the violator from practicing in the same capacity as prior to the violation. This loss of a certificate or license would also encourage other members to conform to the standards of behavior of the group.

This author views the current Certificate in Management Accounting (CMA) program as a realistic group which could adopt, implement, and enforce the code developed in this study. As the
CMA program gains wide acceptance, certain industrial accounting positions will require a CMA certificate. Loss of the CMA certificate would prevent one from practicing as a CMA in the future. The code adopted by the CMAs would filter down a firm's organizational chart to lower levels of accountants. Consequently, standards set at the top for CMAs would prevail throughout the accounting structure of the firm. For example, if a CMA were responsible for full disclosure of material facts in the firm's published financial statements, he would set this standard for subordinates to follow. A proper upward flow of accounting information must be established, so that relevant information can reach the CMA.

Areas for Additional Research

The development of a code of professional conduct for accountants in industry is a recent topic. It provides a large area for additional research. Further discussion and research is needed regarding ethical problems of accountants in industry. A better definition of the accountant-employer relationship is needed. The rights, duties, obligations, and responsibilities of both parties, the accountant and the employer, need to be further explored. A particular problem involves what practical alternative does the accountant have when he disagrees with the financial presentation which the management of the firm requests. The question of to whom is the accountant ultimately responsible must be resolved.
This ultimate responsibility must be appealed to in settling conflict situations. Another question concerns the external reporting function of industrial accountants. Does the industrial accountant share a joint responsibility with the firm's CPAs or is the accountant only to blindly follow management's directives?

Another problem area involves the definition of an accountant. For a code to be implemented, some boundaries must be established to determine what group or groups of accountants are to be bound by the code. Appropriate means for promulgating and enforcing the code must be established. Suggestions in these areas by other researchers can give guidance for the practical implementation of a code of professional conduct for accountants in industry.

Other aspects of the accountant's relationship to the firm should be analyzed. Accountants along with other employees and other departments share a responsibility in maintaining a confidential relationship. These interdepartmental relationships need to be analyzed. The relation of the accountant to the firm's CPAs involves a basic assumption, referred to above, regarding the accountant's ultimate responsibility. These areas along with the accountant's relation to the stockholders of the firm, the public, and governmental agencies involve legal ramifications.

Development of technical standards of industrial accountants is another area which is in need of greater analysis. The diversity of accounting functions is one reason for a wide range of technical standards. Internal reports, since they do not circulate outside the firm, do not have to meet the same standards as external
reports. It is mainly the firm's published financial statements which subject the accountant to legal liability.

The legal responsibilities of accountants in industry is in need of more explicit definition. For example, the legal obligations of industrial accountants regarding the firm's published financial statements must be established. The legal obligations of the superior-subordinate relationship need to be clarified. As the legal responsibilities of all accountants increase, a determination of these responsibilities is needed.

Finally, other efforts developing a code of professional conduct for accountants in industry from other perspectives by other researchers are needed. Codes developed should be submitted to industrial accountants for their opinions and reactions. The various codes developed can be refined and blended to form the actual code to guide accountants in industry. Once a code is adopted, it must continually be updated as conditions warrant change.
APPENDIX A

The Questionnaire

Appendix A presents the questionnaire mailed in this study. It contains a transmittal letter from this author, another transmittal letter from Mr. William M. Young, Jr., Executive Director of the National Association of Accountants, and the questionnaire itself.
Dear NAA Member:

WILL YOU HELP PROFESIONALIZE INDUSTRIAL ACCOUNTING?

The furtherance of accounting research is a goal common to all professional accountants. This letter and its accompanying questionnaire is part of that research effort. Your participation in the research project will be of great benefit not only to you but also to all accountants in industry and the accounting profession.

The professionalization of industrial accounting is a goal of the National Association of Accountants. The development of a code of ethics is part of this drive for professionalization. For my doctoral dissertation from Louisiana State University I have developed a "Code of Professional Conduct for Accountants in Industry." Naturally, I must come to you to get your reactions and opinions on this code. Completion of the enclosed questionnaire is your opportunity to voice your opinion on this vital topic.

Your individual responses to the questions will be kept confidential. The number on the questionnaire is for follow-up purposes only. A return, postage-paid envelope is enclosed for your convenience.

So, if you would do me a favor and take the time now from your busy schedule to complete this rather lengthy questionnaire and return it before February 15, 1973, I shall surely appreciate your time and effort.

Sincerely,

Joyce C. Lambert

Mrs. Joyce C. Lambert
November 22, 1972

Dear Member:

To my knowledge a study of this type of professional conduct of management accountants has not been made.

I am sure you will feel as I do that the results of this study will be of value to the association and the profession.

I hope you will be able to cooperate with LSU by completing the questionnaire and returning it in a timely manner.

Sincerely,

[Signature]

WMY: mvw
A QUESTIONNAIRE CONCERNING
A CODE OF PROFESSIONAL CONDUCT
FOR ACCOUNTANTS IN INDUSTRY

I. Job Title: Please check only one:
Accountant _________ Cost Accountant _________
Accounting Clerk _________ Internal Auditor _________
Bookkeeper _________ Financial Vice President _________
Chief Accountant _________ Secretary-Treasurer _________
Controller _________ Other (specify) _________

Do you hold a CPA certificate? Yes _________ No _________

II. A code of professional conduct is a guide to acceptable behavior for members of a profession. It is a mixture of ethical principles, pragmatic rules, and technical standards.

Do you think there is a need for a code of professional conduct for accountants in industry? Yes _________ No _________ No Opinion _________

III. If a code were to be adopted, please circle your response to each of the rules listed below regarding inclusion in "A CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY."

<table>
<thead>
<tr>
<th>Article 1: Broad Principles</th>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1 An accountant should follow broad principles such as reason, justice, and prudence.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>1.2 An accountant's prime responsibility is to present accounting information truthfully and fairly.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>1.3 An accountant should perform his work competently, maintain a professional attitude, and be loyal to his employer.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>1.4 An accountant should not perform acts which are discreditable to his employer or the accounting profession.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Article 2: Relation of the Accountant to the Firm

2.1 An accountant should maintain a confidential relationship with his employer. | 1 | 2 | 3 | 4 | 5 |

2.11 An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts. | 1 | 2 | 3 | 4 | 5 |

2.2 An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer. | 1 | 2 | 3 | 4 | 5 |

Reproduced with permission of the copyright owner. Further reproduction prohibited without permission.
2.21 Before accepting employment with a firm, an accountant should reveal all direct and indirect financial interests to his prospective employer.  

2.22 During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.  

2.23 An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.  

2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of a conflict of interest.  

2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.  

2.26 An accountant should not own publicly-held stock in the firm in which he is employed.  

2.3 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.  

Article 3: Relation of the Accountant to Other Employees  

3.1 An accountant is responsible for his subordinates understanding the confidential relationship.  

3.11 An accountant should not reveal confidential information to other employees who have no need of it in the course of their employment.  

3.2 An accountant should maintain controls over the flow of confidential data from his department to other departments.  

3.21 An accountant should make other department heads and their employees aware of the confidential nature of such information which flows through the firm.  

3.22 An accountant is responsible for care being exercised in the disposal of waste paper, computer runs, and other outputs containing confidential information.
3.3 An accountant should not allow those under him to perform acts which he is not allowed to perform by the "Code of Professional Conduct for Accountants in Industry."

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government

4.1 An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Article 5: Relation With Other Accountants

5.1 An accountant should cooperate with the firm's CPAs.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

5.2 An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
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<td>2</td>
<td>3</td>
<td>4</td>
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</tr>
</tbody>
</table>

Article 6: Technical Standards

6.01 An accountant should provide management with relevant financial information for decision-making.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.02 An accountant is responsible for an adequate system of accounting control.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.03 An accountant should interpret accounting information for management.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.04 An accountant should promote goal congruence in accounting systems.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.05 An accountant should report fraud or the suspicion of fraud to his superiors.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.06 An accountant should develop appropriate means for judging the performance of the firm's resources.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.07 An accountant should observe generally accepted accounting principles.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.08 An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

6.09 An accountant should communicate financial information as clearly as possible.

<table>
<thead>
<tr>
<th>Strongly Agree</th>
<th>Agree</th>
<th>No Opinion</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>No.</td>
<td>Strongly Agree</td>
<td>Agree</td>
<td>No Opinion</td>
<td>Disagree</td>
</tr>
<tr>
<td>-----</td>
<td>----------------</td>
<td>-------</td>
<td>------------</td>
<td>----------</td>
</tr>
</tbody>
</table>

6.10 An accountant is responsible for full disclosure in the firm's financial statements.  

6.101 An accountant in preparing financial statements violates the full disclosure standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.  

6.102 An accountant has a responsibility for full disclosure of material facts in schedules, graphs, or other financial presentations in the firm's annual report.  

6.103 An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm.  

6.104 An accountant has a responsibility to present truthfully and fairly financial information which is released to the press and other media.  

6.105 For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.  

6.11 An accountant should sign any report or analysis prepared by him.  

6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.  

6.13 An accountant should keep adequate records of the work prepared by him.  

IV. If the code in part III were submitted for a vote, how would you vote on the acceptance of this code as a whole? For ________ Against ________ Would Not Vote ________  

V. Please use the remainder of this page to list any other rules of professional conduct you feel should be part of a code of professional conduct for accountants in industry.
APPENDIX B

Responses of Selected Job Classifications

Appendix B presents the responses to the questionnaire from selected job categories. It is important to note that the results in Tables 12, 13, and 14 do not have the same degree of statistical confidence as the results of the total responses presented in Chapter 5. These tables are presented here as a matter of interest to the reader. Table 12 presents the responses of 494 Controllers (463) and/or Financial Vice Presidents (31). Table 13 presents the responses of 207 Chief Accountants (172) and/or Manager of Accounting (35). Table 14 presents the responses of 191 CPAs.
### Table 12*

Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Article 1: Broad Principles</th>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>1.1 An accountant should follow broad principles such as reason, justice, and prudence.</td>
<td>#: 6</td>
<td>223</td>
</tr>
<tr>
<td></td>
<td>%: 1.21</td>
<td>45.14</td>
</tr>
<tr>
<td>1.2 An accountant's prime responsibility is to present accounting information truthfully and fairly.</td>
<td>#: 4</td>
<td>258</td>
</tr>
<tr>
<td></td>
<td>%: 0.81</td>
<td>52.23</td>
</tr>
<tr>
<td>1.3 An accountant should perform his work competently, maintain a professional attitude, and be loyal to his employer.</td>
<td>#: 4</td>
<td>301</td>
</tr>
<tr>
<td></td>
<td>%: 0.81</td>
<td>60.93</td>
</tr>
<tr>
<td>1.4 An accountant should not perform acts which are discreditable to his employer or the accounting profession.</td>
<td>#: 3</td>
<td>331</td>
</tr>
<tr>
<td></td>
<td>%: 0.61</td>
<td>67.00</td>
</tr>
<tr>
<td>Article 2: Relation of the Accountant to the Firm</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 An accountant should maintain a confidential relationship with his employer.</td>
<td>#: 8</td>
<td>283</td>
</tr>
<tr>
<td></td>
<td>%: 1.62</td>
<td>57.29</td>
</tr>
<tr>
<td>2.11 An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts.</td>
<td>#: 5</td>
<td>180</td>
</tr>
<tr>
<td></td>
<td>%: 1.01</td>
<td>36.44</td>
</tr>
<tr>
<td>2.2 An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.</td>
<td>#: 7</td>
<td>166</td>
</tr>
<tr>
<td></td>
<td>%: 1.42</td>
<td>33.60</td>
</tr>
</tbody>
</table>
Table 12* (continued)

Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>2.21 Before accepting employment with a firm, an accountant should reveal all direct and indirect financial interests to his prospective employer.</td>
<td>#: 7 39 75 59 244 70 %: 1.42 7.90 15.18 11.94 49.39 14.17</td>
</tr>
<tr>
<td>2.22 During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.</td>
<td>#: 5 111 242 38 78 20 %: 1.01 22.47 48.99 7.69 15.79 4.05</td>
</tr>
<tr>
<td>2.23 An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.</td>
<td>#: 9 127 207 66 71 14 %: 1.82 25.71 41.90 13.36 14.37 2.84</td>
</tr>
<tr>
<td>2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of a conflict of interest.</td>
<td>#: 5 212 243 22 12 0 %: 1.01 42.92 49.19 4.45 2.43 0.00</td>
</tr>
<tr>
<td>2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.</td>
<td>#: 5 68 163 36 187 35 %: 1.01 13.76 33.00 7.29 37.85 7.09</td>
</tr>
<tr>
<td>2.26 An accountant should not own publicly-held stock in the firm in which he is employed.</td>
<td>#: 3 6 12 13 248 212 %: 0.61 1.21 2.43 2.63 50.20 42.92</td>
</tr>
<tr>
<td>2.3 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.</td>
<td>#: 4 211 204 41 26 8 %: 0.81 42.71 41.30 8.30 5.26 1.62</td>
</tr>
</tbody>
</table>
Table 12* (continued)

Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td>Article 3: Relation of the Accountant to Other Employees</td>
<td></td>
</tr>
<tr>
<td>3.1 An accountant is responsible for his subordinates understanding the confidential relationship.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>3.11 An accountant should not reveal confidential information to other employees who have no need of it in the course of their employment.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>3.2 An accountant should maintain controls over the flow of confidential data from his department to other departments.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>3.21 An accountant should make other department heads and their employees aware of the confidential nature of such information which flows through the firm.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>3.22 An accountant is responsible for care being exercised in the disposal of waste paper, computer runs, and other outputs containing confidential information.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>3.3 An accountant should not allow those under him to perform acts which he is not allowed to perform by the &quot;Code of Professional Conduct for Accountants in Industry.&quot;</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td>Rule</td>
<td>Responses***</td>
</tr>
<tr>
<td>----------------------------------------------------------------------</td>
<td>--------------</td>
</tr>
<tr>
<td>0 1 2 3 4 5</td>
<td></td>
</tr>
</tbody>
</table>

### Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government

4.1 An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.

<table>
<thead>
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<th>11</th>
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<td>%:</td>
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<td>47.16</td>
<td>2.22</td>
<td>1.42</td>
<td>0.61</td>
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### Article 5: Relation With Other Accountants

5.1 An accountant should cooperate with the firm's CPAs.

<table>
<thead>
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<th>#:</th>
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<th>274</th>
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<td>%:</td>
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<td>42.10</td>
<td>55.47</td>
<td>1.42</td>
<td>0.20</td>
<td>0.00</td>
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</table>

5.2 An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.

<table>
<thead>
<tr>
<th>#:</th>
<th>3</th>
<th>109</th>
<th>241</th>
<th>68</th>
<th>53</th>
<th>20</th>
</tr>
</thead>
<tbody>
<tr>
<td>%:</td>
<td>0.61</td>
<td>22.06</td>
<td>48.79</td>
<td>13.76</td>
<td>10.73</td>
<td>4.05</td>
</tr>
</tbody>
</table>

### Article 6: Technical Standards

6.01 An accountant should provide management with relevant financial information for decision-making.

<table>
<thead>
<tr>
<th>#:</th>
<th>2</th>
<th>287</th>
<th>205</th>
<th>0</th>
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<th>0</th>
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</thead>
<tbody>
<tr>
<td>%:</td>
<td>0.40</td>
<td>58.10</td>
<td>41.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

6.02 An accountant is responsible for an adequate system of accounting control.

<table>
<thead>
<tr>
<th>#:</th>
<th>3</th>
<th>247</th>
<th>241</th>
<th>1</th>
<th>2</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>%:</td>
<td>0.61</td>
<td>50.00</td>
<td>48.79</td>
<td>0.20</td>
<td>0.40</td>
<td>0.00</td>
</tr>
</tbody>
</table>

6.03 An accountant should interpret accounting information for management.

<table>
<thead>
<tr>
<th>#:</th>
<th>3</th>
<th>215</th>
<th>249</th>
<th>19</th>
<th>8</th>
<th>0</th>
</tr>
</thead>
<tbody>
<tr>
<td>%:</td>
<td>0.61</td>
<td>43.52</td>
<td>50.40</td>
<td>3.85</td>
<td>1.62</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Table 12* (continued)

Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>6.04 An accountant should promote goal congruence in accounting systems.</td>
<td>#:</td>
<td>11</td>
<td>155</td>
<td>288</td>
<td>37</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.22</td>
<td>31.38</td>
<td>58.30</td>
<td>7.49</td>
<td>0.61</td>
</tr>
<tr>
<td>6.05 An accountant should report fraud or the suspicion of fraud to his superiors.</td>
<td>#:</td>
<td>4</td>
<td>298</td>
<td>189</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>0.81</td>
<td>60.33</td>
<td>38.26</td>
<td>0.20</td>
<td>0.20</td>
</tr>
<tr>
<td>6.06 An accountant should develop appropriate means for judging the performance of the firm's resources.</td>
<td>#:</td>
<td>5</td>
<td>185</td>
<td>275</td>
<td>21</td>
<td>8</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>1.01</td>
<td>37.45</td>
<td>55.67</td>
<td>4.25</td>
<td>1.62</td>
</tr>
<tr>
<td>6.07 An accountant should observe generally accepted accounting principles.</td>
<td>#:</td>
<td>4</td>
<td>238</td>
<td>246</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>0.81</td>
<td>48.18</td>
<td>49.79</td>
<td>0.61</td>
<td>0.61</td>
</tr>
<tr>
<td>6.08 An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.</td>
<td>#:</td>
<td>4</td>
<td>131</td>
<td>264</td>
<td>75</td>
<td>20</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>0.81</td>
<td>26.52</td>
<td>53.44</td>
<td>15.18</td>
<td>4.05</td>
</tr>
<tr>
<td>6.09 An accountant should communicate financial information as clearly as possible.</td>
<td>#:</td>
<td>3</td>
<td>248</td>
<td>239</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>0.61</td>
<td>50.20</td>
<td>48.38</td>
<td>0.81</td>
<td>0.00</td>
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<tr>
<td>6.10 An accountant is responsible for full disclosure in the firm's financial statements.</td>
<td>#:</td>
<td>12</td>
<td>113</td>
<td>255</td>
<td>49</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.43</td>
<td>22.87</td>
<td>51.62</td>
<td>9.92</td>
<td>11.34</td>
</tr>
</tbody>
</table>
### Table 12* (continued)

**Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>6.101</strong> An accountant in preparing financial statements violates the full disclosure standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td><strong>6.102</strong> An accountant has a responsibility for full disclosure of material facts in schedules, graphs, or other financial presentations in the firm's annual report.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td><strong>6.103</strong> An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td><strong>6.104</strong> An accountant has a responsibility to present truthfully and fairly financial information which is released to the press and other media.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
<tr>
<td><strong>6.105</strong> For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.</td>
<td>#:</td>
</tr>
<tr>
<td></td>
<td>%:</td>
</tr>
</tbody>
</table>


Table 12* (continued)

Controllers and Financial Vice Presidents Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.11 An accountant should sign any report or analysis prepared by him.</td>
<td>#: 11 107 263 70 37 6</td>
</tr>
<tr>
<td></td>
<td>%: 2.23 21.66 53.24 14.17 7.49 1.21</td>
</tr>
<tr>
<td>6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.</td>
<td>#: 16 76 221 114 61 6</td>
</tr>
<tr>
<td></td>
<td>%: 3.24 15.38 44.74 23.08 12.35 1.21</td>
</tr>
<tr>
<td>6.13 An accountant should keep adequate records of the work prepared by him.</td>
<td>#: 12 157 289 21 14 1</td>
</tr>
<tr>
<td></td>
<td>%: 2.43 31.78 58.50 4.25 2.84 0.20</td>
</tr>
</tbody>
</table>

Do you hold a CPA certificate? Yes: 95; 19.23% No: 392; 79.35% No Response: 7; 1.42%

Do you think there is a need for a code of professional conduct for accountants in industry? Yes: 408; 82.59% No: 47; 9.51% No Opinion: 28; 5.67% No Response: 11; 2.23%

How would you vote on the acceptance of this code as a whole? For: 384; 77.73% Against: 69; 13.97% Would Not Vote: 22; 4.45% No Response: 19; 3.85%

*Note that the results in this table do not have the same statistical degree of confidence as the results presented in Chapter 5.

**Based on 494 Controllers and/or Financial Vice Presidents = 100.00%.

***Responses: No Response = 0; Strongly Agree = 1; Agree = 2; No Opinion = 3; Disagree = 4; Strongly Disagree = 5
Table 13*

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Article 1: Broad Principles</strong></td>
<td></td>
</tr>
<tr>
<td>1.1 An accountant should follow broad principles such as reason, justice, and prudence.</td>
<td>#: 5</td>
</tr>
<tr>
<td></td>
<td>%: 2.41</td>
</tr>
<tr>
<td>1.2 An accountant's prime responsibility is to present accounting information truthfully fairly.</td>
<td>#: 3</td>
</tr>
<tr>
<td></td>
<td>%: 1.45</td>
</tr>
<tr>
<td>1.3 An accountant should perform his work competently, maintain a professional attitude, and be loyal to his employer.</td>
<td>#: 4</td>
</tr>
<tr>
<td></td>
<td>%: 1.93</td>
</tr>
<tr>
<td>1.4 An accountant should not perform acts which are discreditable to his employer or the accounting profession.</td>
<td>#: 3</td>
</tr>
<tr>
<td></td>
<td>%: 1.45</td>
</tr>
<tr>
<td><strong>Article 2: Relation of the Accountant to the Firm</strong></td>
<td></td>
</tr>
<tr>
<td>2.1 An accountant should maintain a confidential relationship with his employer.</td>
<td>#: 4</td>
</tr>
<tr>
<td></td>
<td>%: 1.93</td>
</tr>
<tr>
<td>2.11 An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts.</td>
<td>#: 4</td>
</tr>
<tr>
<td></td>
<td>%: 1.93</td>
</tr>
<tr>
<td>2.2 An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.</td>
<td>#: 5</td>
</tr>
<tr>
<td></td>
<td>%: 2.41</td>
</tr>
</tbody>
</table>
Table 13* (continued)

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>2.21 Before accepting employment with a firm, an accountant should reveal all direct and indirect financial interests to his prospective employer.</td>
<td>#: 4 11 29 24 113 26</td>
</tr>
<tr>
<td></td>
<td>%: 1.93 5.31 14.01 11.60 54.59 12.56</td>
</tr>
<tr>
<td>2.22 During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.</td>
<td>#: 5 29 110 25 33 5</td>
</tr>
<tr>
<td></td>
<td>%: 2.42 14.01 53.14 12.07 15.94 2.42</td>
</tr>
<tr>
<td>2.23 An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.</td>
<td>#: 6 42 83 33 38 5</td>
</tr>
<tr>
<td></td>
<td>%: 2.90 20.29 40.10 15.94 18.36 2.41</td>
</tr>
<tr>
<td>2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of a conflict of interest.</td>
<td>#: 3 68 114 13 9 0</td>
</tr>
<tr>
<td></td>
<td>%: 1.45 32.85 55.07 6.28 4.35 0.00</td>
</tr>
<tr>
<td>2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.</td>
<td>#: 3 20 55 19 87 23</td>
</tr>
<tr>
<td></td>
<td>%: 1.45 9.66 26.57 9.18 42.03 11.11</td>
</tr>
<tr>
<td>2.26 An accountant should not own publicly-held stock in the firm in which he is employed.</td>
<td>#: 3 3 4 9 115 73</td>
</tr>
<tr>
<td></td>
<td>%: 1.45 1.45 1.93 4.35 55.55 35.27</td>
</tr>
<tr>
<td>2.27 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.</td>
<td>#: 4 87 84 21 7 4</td>
</tr>
<tr>
<td></td>
<td>%: 1.93 42.03 40.58 10.15 3.38 1.93</td>
</tr>
</tbody>
</table>
Table 13* (continued)

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

**Article 3: Relation of the Accountant to Other Employees**

3.1 An accountant is responsible for his subordinates understanding the confidential relationship.

| #: | 3 | 46 | 147 | 8 | 3 | 0 |
| %: | 1.45 | 22.22 | 71.01 | 3.87 | 1.45 | 0.00 |

3.11 An accountant should not reveal confidential information to other employees who have no need of it in the course of their employment.

| #: | 4 | 87 | 114 | 2 | 0 | 0 |
| %: | 1.93 | 42.03 | 55.07 | 0.97 | 0.00 | 0.00 |

3.2 An accountant should maintain controls over the flow of confidential data from his department to other departments.

| #: | 3 | 81 | 121 | 1 | 1 | 0 |
| %: | 1.45 | 39.13 | 58.46 | 0.48 | 0.48 | 0.00 |

3.21 An accountant should make other department heads and their employees aware of the confidential nature of such information which flows through the firm.

| #: | 3 | 46 | 112 | 14 | 28 | 4 |
| %: | 1.45 | 22.22 | 54.11 | 6.76 | 13.53 | 1.93 |

3.22 An accountant is responsible for care being exercised in the disposal of waste paper, computer runs, and other outputs containing confidential information.

| #: | 3 | 53 | 116 | 19 | 14 | 0 |
| %: | 1.45 | 25.60 | 57.01 | 9.18 | 6.76 | 0.00 |

3.3 An accountant should not allow those under him to perform acts which he is not allowed to perform by the "Code of Professional Conduct for Accountants in Industry."

| #: | 4 | 52 | 126 | 18 | 7 | 0 |
| %: | 1.93 | 25.12 | 60.87 | 8.70 | 3.38 | 0.00 |
Table 13* (continued)

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
<tr>
<td><strong>Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government</strong></td>
<td>\text{#:}</td>
</tr>
<tr>
<td>4.1 An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.</td>
<td>%:</td>
</tr>
</tbody>
</table>

**Article 5: Relation With Other Accountants**

5.1 An accountant should cooperate with the firm's CPAs.  
\text{#:} 3 | 73 | 124 | 6 | 0 | 1  
\%: 1.45 | 35.27 | 59.90 | 2.90 | 0.00 | 0.48

5.2 An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.  
\text{#:} | 3 | 38 | 111 | 38 | 15 | 2  
\%: 1.45 | 18.36 | 53.62 | 18.36 | 7.24 | 0.97

**Article 6: Technical Standards**

6.01 An accountant should provide management with relevant financial information for decision-making.  
\text{#:} | 3 | 103 | 100 | 1 | 0 | 0  
\%: 1.45 | 49.76 | 48.31 | 0.48 | 0.00 | 0.00

6.02 An accountant is responsible for an adequate system of accounting control.  
\text{#:} | 3 | 86 | 116 | 2 | 0 | 0  
\%: 1.45 | 41.54 | 56.04 | 0.97 | 0.00 | 0.00

6.03 An accountant should interpret accounting information for management.  
\text{#:} | 3 | 66 | 124 | 8 | 6 | 0  
\%: 1.45 | 31.88 | 59.90 | 3.87 | 2.90 | 0.00

165
| Rule | Chief Accountants and Managers of Accounting Respond to the Questionnaire** |
|------|---|---|---|---|---|---|---|
| 6.04 | An accountant should promote goal congruence in accounting systems. | #: 5 40 130 27 5 0 | %: 2.42 19.32 62.80 13.04 2.42 0.00 |
| 6.05 | An accountant should report fraud or the suspicion of fraud to his superiors. | #: 4 107 95 1 0 0 | %: 1.93 51.69 45.90 0.48 0.00 0.00 |
| 6.06 | An accountant should develop appropriate means for judging the performance of the firm's resources. | #: 4 49 128 19 7 0 | %: 1.93 23.67 61.84 9.18 3.38 0.00 |
| 6.07 | An accountant should observe generally accepted accounting principles. | #: 4 85 116 2 0 0 | %: 1.93 41.06 56.04 0.97 0.00 0.00 |
| 6.08 | An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board. | #: 5 49 120 27 6 0 | %: 2.42 23.67 57.97 13.04 2.90 0.00 |
| 6.09 | An accountant should communicate financial information as clearly as possible | #: 3 86 116 2 0 0 | %: 1.45 41.54 56.04 0.97 0.00 0.00 |
| 6.10 | An accountant is responsible for full disclosure in the firm's financial statements. | #: 5 34 116 28 22 2 | %: 2.41 16.42 56.04 13.53 10.63 0.97 |
Table 13* (continued)

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.101 An accountant in preparing financial statements violates the full disclosure standard if he fails to disclose a material fact in the financial statements which is known to him and is necessary to assure that the financial statements are not misleading.</td>
<td>#: 5 44 131 17 10 0 %: 2.41 21.26 63.29 8.21 4.83 0.00</td>
</tr>
<tr>
<td>6.102 An accountant has a responsibility for full disclosure of material facts in schedules, graphs, or other financial presentations in the firm's annual report.</td>
<td>#: 5 32 118 26 22 4 %: 2.42 15.46 57.00 12.56 10.63 1.93</td>
</tr>
<tr>
<td>6.103 An accountant has a responsibility for full disclosure of material facts in interim reports and other financial reports which circulate outside the firm.</td>
<td>#: 4 27 96 42 32 6 %: 1.93 13.04 46.38 20.29 15.46 2.90</td>
</tr>
<tr>
<td>6.104 An accountant has a responsibility to present truthfully and fairly financial information which is released to the press and other media.</td>
<td>#: 4 35 128 23 14 3 %: 1.93 16.91 61.84 11.11 6.76 1.45</td>
</tr>
<tr>
<td>6.105 For financial presentations which circulate outside the firm and which are not audited by the firm's CPAs, the accountant should disclose on the face of these financial presentations the fact that they were not audited by independent CPAs.</td>
<td>#: 7 43 97 33 25 2 %: 3.38 20.77 46.86 15.94 12.08 0.97</td>
</tr>
</tbody>
</table>
Table 13* (continued)

Chief Accountants and Managers of Accounting Respond to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>6.11 An accountant should sign any report or analysis prepared by him.</td>
<td>#: 4 42 125 18 15 3</td>
</tr>
<tr>
<td></td>
<td>%: 1.93 20.29 60.39 8.69 7.25 1.45</td>
</tr>
<tr>
<td>6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.</td>
<td>#: 4 28 89 53 28 5</td>
</tr>
<tr>
<td></td>
<td>%: 1.93 13.53 43.00 25.60 13.53 2.41</td>
</tr>
<tr>
<td>6.13 An accountant should keep adequate records of the work prepared by him.</td>
<td>#: 5 68 121 7 6 0</td>
</tr>
<tr>
<td></td>
<td>%: 2.42 32.85 58.45 3.38 2.90 0.00</td>
</tr>
</tbody>
</table>

Do you hold a CPA certificate? Yes: 14; 6.77% No: 189; 91.30% No Response: 4; 1.93%

Do you think there is a need for a code of professional conduct for accountants in industry? Yes: 175; 84.54% No: 18; 8.70% No Opinion: 11; 5.31% No Response: 3; 1.45%

How would you vote on the acceptance of this code as a whole? For: 166; 80.19% Against: 26; 12.56% Would Not Vote: 9; 4.35% No Response: 6; 2.90%

*Note that the results in this table do not have the same statistical degree of confidence as the results presented in Chapter 5.

**Based on 207 Chief Accountants and/or Managers of Accounting = 100.00%.

***Responses: No Response = 0; Strongly Agree = 1; Agree = 2; No Opinion = 3; Disagree = 4; Strongly Disagree = 5
Table 14

Responses of CPAs to the Questionnaire

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
<th>0</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Article 1: Broad Principles</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1.1 An accountant should follow broad principles such as reason, justice, and prudence.</td>
<td>#:</td>
<td>7</td>
<td>100</td>
<td>77</td>
<td>4</td>
<td>3</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>3.67</td>
<td>52.36</td>
<td>40.31</td>
<td>2.09</td>
<td>1.57</td>
<td>0.00</td>
</tr>
<tr>
<td>1.2 An accountant's prime responsibility is to present accounting information truthfully and fairly.</td>
<td>#:</td>
<td>5</td>
<td>105</td>
<td>73</td>
<td>1</td>
<td>5</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.62</td>
<td>54.97</td>
<td>38.22</td>
<td>0.52</td>
<td>2.62</td>
<td>1.05</td>
</tr>
<tr>
<td>1.3 An accountant should perform his work competently, maintain a professional attitude, and be loyal to his employer.</td>
<td>#:</td>
<td>4</td>
<td>121</td>
<td>61</td>
<td>5</td>
<td>0</td>
<td>0</td>
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<tr>
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<td>%:</td>
<td>2.09</td>
<td>63.35</td>
<td>31.94</td>
<td>2.62</td>
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<td>0.00</td>
</tr>
<tr>
<td>1.4 An accountant should not perform acts which are discreditable to his employer or the accounting profession.</td>
<td>#:</td>
<td>4</td>
<td>135</td>
<td>51</td>
<td>0</td>
<td>1</td>
<td>0</td>
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<tr>
<td></td>
<td>%:</td>
<td>2.10</td>
<td>70.68</td>
<td>26.70</td>
<td>0.00</td>
<td>0.52</td>
<td>0.00</td>
</tr>
<tr>
<td><strong>Article 2: Relation of the Accountant to the Firm</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2.1 An accountant should maintain a confidential relationship with his employer.</td>
<td>#:</td>
<td>4</td>
<td>123</td>
<td>60</td>
<td>2</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.10</td>
<td>64.40</td>
<td>31.41</td>
<td>1.05</td>
<td>0.52</td>
<td>0.52</td>
</tr>
<tr>
<td>2.11 An accountant should maintain a confidential relationship with his employer unless obligated by law or legal proceedings to reveal confidential facts.</td>
<td>#:</td>
<td>4</td>
<td>80</td>
<td>83</td>
<td>17</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.09</td>
<td>41.89</td>
<td>43.46</td>
<td>8.90</td>
<td>2.09</td>
<td>1.57</td>
</tr>
<tr>
<td>2.2 An accountant should avoid situations which could conflict or give the appearance of conflicting with the interests of his employer.</td>
<td>#:</td>
<td>5</td>
<td>77</td>
<td>86</td>
<td>7</td>
<td>10</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td>%:</td>
<td>2.62</td>
<td>40.31</td>
<td>45.02</td>
<td>3.67</td>
<td>5.24</td>
<td>3.14</td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>2.21 Before accepting employment with a firm, an accountant should</td>
<td>#: 5 13 32 17 88 36</td>
</tr>
<tr>
<td>reveal all direct and indirect financial interests to his prospective employer.</td>
<td>%: 2.62 6.81 16.75 8.90 46.07 18.85</td>
</tr>
<tr>
<td>2.22 During employment an accountant should not acquire financial interests which could be considered in conflict with the interests of his employer.</td>
<td>#: 4 51 79 18 31 8</td>
</tr>
<tr>
<td></td>
<td>%: 2.10 26.70 41.36 9.42 16.23 4.19</td>
</tr>
<tr>
<td>2.23 An accountant should not use the inside knowledge attained during his employment for direct or indirect personal gain.</td>
<td>#: 7 55 68 23 30 8</td>
</tr>
<tr>
<td></td>
<td>%: 3.66 28.80 35.60 12.04 15.71 4.19</td>
</tr>
<tr>
<td>2.24 An accountant should not accept any gifts or other benefits from suppliers, competitors, or others that could give the appearance of conflict of interest.</td>
<td>#: 5 78 88 12 8 0</td>
</tr>
<tr>
<td></td>
<td>%: 2.62 40.84 46.07 6.28 4.19 0.00</td>
</tr>
<tr>
<td>2.25 An accountant should not engage in part time work outside the firm without the knowledge and consent of his employer.</td>
<td>#: 4 34 66 12 59 16</td>
</tr>
<tr>
<td></td>
<td>%: 2.09 17.80 34.56 6.28 30.89 8.38</td>
</tr>
<tr>
<td>2.26 An accountant should not own publicly-held stock in the firm in which he is employed.</td>
<td>#: 4 4 4 6 81 92</td>
</tr>
<tr>
<td></td>
<td>%: 2.09 2.09 2.09 3.15 42.41 48.17</td>
</tr>
<tr>
<td>2.3 An accountant should dissociate himself from a firm or employer involved in illegal or dubious practices.</td>
<td>#: 4 88 72 16 8 3</td>
</tr>
<tr>
<td></td>
<td>%: 2.09 46.07 37.70 8.38 4.19 1.57</td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0</td>
</tr>
</tbody>
</table>

**Article 3: Relation of the Accountant to Other Employees**

3.1 An accountant is responsible for his subordinates understanding the confidential relationship.

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>4</th>
<th>53</th>
<th>119</th>
<th>11</th>
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<tbody>
<tr>
<td></td>
<td>%:</td>
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<td>27.75</td>
<td>62.31</td>
<td>5.76</td>
<td>2.09</td>
<td>0.00</td>
</tr>
</tbody>
</table>

3.11 An accountant should not reveal confidential information to other employees who have no need of it in the course of their employment.

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>4</th>
<th>93</th>
<th>90</th>
<th>2</th>
<th>2</th>
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<td></td>
<td>%:</td>
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<td>48.69</td>
<td>47.12</td>
<td>1.05</td>
<td>1.05</td>
<td>0.00</td>
</tr>
</tbody>
</table>

3.2 An accountant should maintain controls over the flow of confidential data from his department to other departments.

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>4</th>
<th>78</th>
<th>104</th>
<th>5</th>
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<tbody>
<tr>
<td></td>
<td>%:</td>
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<td>40.84</td>
<td>54.45</td>
<td>2.62</td>
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<td>0.00</td>
</tr>
</tbody>
</table>

3.21 An accountant should make other department heads and their employees aware of the confidential nature of such information which flows through the firm.

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>4</th>
<th>56</th>
<th>93</th>
<th>15</th>
<th>16</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>%:</td>
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<td>29.32</td>
<td>48.69</td>
<td>7.85</td>
<td>8.38</td>
<td>3.67</td>
</tr>
</tbody>
</table>

3.22 An accountant is responsible for care being exercised in the disposal of waste paper, computer runs, and other outputs containing confidential information.

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>5</th>
<th>48</th>
<th>101</th>
<th>20</th>
<th>14</th>
<th>3</th>
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</thead>
<tbody>
<tr>
<td></td>
<td>%:</td>
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<td>25.13</td>
<td>52.88</td>
<td>10.47</td>
<td>7.33</td>
<td>1.57</td>
</tr>
</tbody>
</table>

3.3 An accountant should not allow those under him to perform acts which he is not allowed to perform by the "Code of Professional Conduct for Accountants in Industry."

<table>
<thead>
<tr>
<th></th>
<th>#:</th>
<th>4</th>
<th>48</th>
<th>104</th>
<th>23</th>
<th>9</th>
<th>3</th>
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<tbody>
<tr>
<td></td>
<td>%:</td>
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<td>25.13</td>
<td>54.45</td>
<td>12.04</td>
<td>4.71</td>
<td>1.57</td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
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<th>0</th>
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<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Article 4: Relation of the Accountant to the Stockholders, the Public, and the Government</td>
<td>4.1 An accountant has a responsibility to present truthfully and fairly financial information to the stockholders of the firm, the public, and governmental agencies.</td>
<td>#:</td>
<td>4</td>
<td>96</td>
<td>82</td>
<td>4</td>
<td>3</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%:</td>
<td>2.09</td>
<td>50.26</td>
<td>42.94</td>
<td>2.09</td>
<td>1.57</td>
</tr>
<tr>
<td>Article 5: Relation With Other Accountants</td>
<td>5.1 An accountant should cooperate with the firm's CPAs.</td>
<td>#:</td>
<td>4</td>
<td>100</td>
<td>85</td>
<td>2</td>
<td>0</td>
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<td></td>
<td>%:</td>
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<td>52.36</td>
<td>44.50</td>
<td>1.05</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>5.2 An accountant should not publicly criticize other accountants in the performance of their work. He should present his complaint of violations of the Code through proper channels in professional organizations.</td>
<td>#:</td>
<td>4</td>
<td>43</td>
<td>92</td>
<td>23</td>
<td>19</td>
</tr>
<tr>
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<td></td>
<td>%:</td>
<td>2.09</td>
<td>22.51</td>
<td>48.17</td>
<td>12.04</td>
<td>9.95</td>
</tr>
<tr>
<td>Article 6: Technical Standards</td>
<td>6.01 An accountant should provide management with relevant financial information for decision-making.</td>
<td>#:</td>
<td>4</td>
<td>106</td>
<td>81</td>
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<tr>
<td></td>
<td></td>
<td>%:</td>
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<td>55.50</td>
<td>42.41</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td></td>
<td>6.02 An accountant is responsible for an adequate system of accounting control.</td>
<td>#:</td>
<td>4</td>
<td>92</td>
<td>92</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%:</td>
<td>2.09</td>
<td>48.17</td>
<td>48.17</td>
<td>0.52</td>
<td>1.05</td>
</tr>
<tr>
<td></td>
<td>6.03 An accountant should interpret accounting information for management.</td>
<td>#:</td>
<td>4</td>
<td>85</td>
<td>93</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td></td>
<td></td>
<td>%:</td>
<td>2.09</td>
<td>44.51</td>
<td>48.69</td>
<td>1.57</td>
<td>3.14</td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>6.04 An accountant should promote goal congruence in accounting systems.</td>
<td>#: 8 61 95 25 2 0</td>
</tr>
<tr>
<td>6.05 An accountant should report fraud or the suspicion of fraud to his superiors.</td>
<td>#: 5 116 68 2 0 0</td>
</tr>
<tr>
<td>6.06 An accountant should develop appropriate means for judging the performance of the firm's resources.</td>
<td>#: 5 73 99 11 3 0</td>
</tr>
<tr>
<td>6.07 An accountant should observe generally accepted accounting principles.</td>
<td>#: 5 103 81 1 1 0</td>
</tr>
<tr>
<td>6.08 An accountant should comply with authoritative pronouncements such as Opinions of the Accounting Principles Board and its successor, the Financial Accounting Standards Board.</td>
<td>#: 5 82 91 11 2 0</td>
</tr>
<tr>
<td>6.09 An accountant should communicate financial information as clearly as possible.</td>
<td>#: 5 104 81 1 0 0</td>
</tr>
<tr>
<td>6.10 An accountant is responsible for full disclosure in the firm's financial statements.</td>
<td>#: 10 58 83 12 21 7</td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0 1 2 3 4 5</td>
</tr>
<tr>
<td>6.101 An accountant in preparing financial statements violates the</td>
<td>#: 10 78 87 8 5 3</td>
</tr>
<tr>
<td>full disclosure standard if he fails to disclose a material fact in</td>
<td>%: 5.23 40.84 45.55 4.19 2.62 1.57</td>
</tr>
<tr>
<td>the financial statements which is known to him and is necessary to</td>
<td></td>
</tr>
<tr>
<td>assure that the financial statements are not misleading.</td>
<td></td>
</tr>
<tr>
<td>6.102 An accountant has a responsibility for full disclosure of</td>
<td>#: 10 55 93 13 16 4</td>
</tr>
<tr>
<td>material facts in schedules, graphs, or other financial presentations</td>
<td></td>
</tr>
<tr>
<td>in the firm's annual report.</td>
<td>%: 5.23 28.80 48.69 6.31 8.38 2.09</td>
</tr>
<tr>
<td>6.103 An accountant has a responsibility for full disclosure of</td>
<td>#: 10 59 86 9 22 5</td>
</tr>
<tr>
<td>material facts in interim reports and other financial reports which</td>
<td></td>
</tr>
<tr>
<td>circulate outside the firm.</td>
<td>%: 5.23 30.89 45.03 4.71 11.52 2.62</td>
</tr>
<tr>
<td>6.104 An accountant has a responsibility to present truthfully and</td>
<td>#: 10 69 93 8 7 4</td>
</tr>
<tr>
<td>fairly financial information which is released to the press and other</td>
<td>%: 5.23 36.13 48.69 4.19 3.67 2.09</td>
</tr>
<tr>
<td>media.</td>
<td></td>
</tr>
<tr>
<td>6.105 For financial presentations which circulate outside the firm</td>
<td>#: 9 67 72 11 25 7</td>
</tr>
<tr>
<td>and which are not audited by the firm's CPAs, the accountant should</td>
<td>%: 4.71 35.08 37.70 5.76 13.09 3.66</td>
</tr>
<tr>
<td>disclose on the face of these financial presentations the fact that</td>
<td></td>
</tr>
<tr>
<td>they were not audited by independent CPAs.</td>
<td></td>
</tr>
</tbody>
</table>
Table 14* (continued)

Responses of CPAs to the Questionnaire**

<table>
<thead>
<tr>
<th>Rule</th>
<th>Responses***</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.11 An accountant should sign any report or analysis prepared by him.</td>
<td>#: 10 36 83 23 35 4</td>
</tr>
<tr>
<td></td>
<td>%: 5.23 18.85 43.46 12.04 18.33 2.09</td>
</tr>
<tr>
<td>6.12 An accountant should clearly indicate his degree of responsibility for any report or analysis signed by him.</td>
<td>#: 11 31 76 35 32 6</td>
</tr>
<tr>
<td></td>
<td>%: 5.76 16.23 39.79 18.33 16.75 3.14</td>
</tr>
<tr>
<td>6.13 An accountant should keep adequate records of the work prepared by him.</td>
<td>#: 12 57 104 6 9 3</td>
</tr>
<tr>
<td></td>
<td>%: 6.28 29.85 54.45 3.14 4.71 1.57</td>
</tr>
</tbody>
</table>

Do you think there is a need for a code of professional conduct for accountants in industry?  
Yes: 151; 79.06%  No: 27; 14.14%  No Opinion: 9; 4.71%  No Response: 4; 2.09%

How would you vote on the acceptance of this code as a whole?  
For: 126; 65.97%  Against: 42; 21.99%  Would Not Vote: 12; 6.28%  No Response: 11; 5.76%

*Note that the results in this table do not have the same statistical degree of confidence as the results presented in Chapter 5.

**Based on 191 CPAs = 100.00%.

***Responses: No Response = 0; Strongly Agree = 1; Agree = 2; No Opinion = 3; Disagree = 4; Strongly Disagree = 5
SELECTED BIBLIOGRAPHY

Books and Monographs


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Fraser, Wayne N. "Ethics--Old Fashioned?" The Florida Certified Public Accountant, Vol. 8 (June, 1968), pp. 15-18.


"How Ethical Are Businessmen?" Management Accounting, Vol. 50 (January, 1969), pp. 63-64.


"Independence for the Corporate Accountant?" Management Accounting, Vol. 52 (September, 1970), pp. 55 and 58.


Kemp, Patrick S. "Does the Accounting Profession Extend Beyond the Practice of Public Accounting?" N.A.A. Bulletin, Vol. 42, Section 1 (May, 1961), pp. 52-54.


Joyce Ann Campagna, the daughter of Mr. and Mrs. Charlie L. Campagna, was born in Baton Rouge, Louisiana, on December 30, 1946. She received her elementary and secondary education in parochial schools in Baton Rouge, graduating from St. Joseph's Academy in May, 1964.

In September, 1964, she entered Louisiana State University in Baton Rouge and received the Bachelor of Science degree with a major in accounting in May, 1968. On June 22, 1968, she was married to Samuel Joseph Lambert, III, of Baton Rouge. She worked for one year for a local public accounting firm. In the summer of 1969, she began Graduate School at Louisiana State University in Baton Rouge on a full time basis. She received her Certified Public Accountant certificate in August, 1969. In August, 1970, she received a Master of Science degree with a major in accounting.

In the fall of 1970 she entered the Ph.D. program with a major in accounting and minors in management and marketing. She was awarded a two-year National Defense Education Act Fellowship and a L.S.U. Dissertation-Year Fellowship for the 1972-73 school year. On May 3, 1972, a son, Michael Joseph, was born. She is currently a candidate for the degree of Doctor of Philosophy in the Department of Accounting.

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Candidate: Joyce Campagna Lambert

Major Field: Accounting

Title of Thesis: A CODE OF PROFESSIONAL CONDUCT FOR ACCOUNTANTS IN INDUSTRY

Approved:

Clarence L. Dunn
Major Professor and Chairman

Max Goodrich
Dean of the Graduate School

EXAMINING COMMITTEE:

Daniel S. Kyle

J. C. Sugars

Fred Reckling

O. Jeff Harris

Date of Examination:

June 15, 1973