Module 1 Accounting and society

Part A: Accountants as members of a profession

1. Public interest or self-interest
   - Responsible decision-making: governance, accountability, ethics // Case: Westpac


3. Ideals of accounting – entrepreneurialism and professionalism
   - ‘Ethics versus profits’ dilemma: conflict on public interest and self-interest

4. What is a profession
   - Definition: competencies, skills, ethic, public interest, intellectual or admin skills // Attributes (8pts)
   - Profession & occupation: higher standard, monopoly control, service ideal, expertise (on skill knowledge experience)
   - Self-regulation: autonomy & independence // self-regulation to co-regulation: erosion of trust

5. What is a professional
   - Definition: training, competence and skills, ethic, appropriate apply skill and judgment

6. Professions – Traditional View vs. ‘Market Control’ view
   - Traditional view: serve society, public interest // Market control view: self-interest, create monopoly

7. Trust and professions
   - Public trust // Credibility crisis // Collapse during GFC

8. Attributes of the accounting profession (8pts)
   1) A systematic body of theory & knowledge: IFAC education stds ensure level of competence & knowledge
   2) An extensive education process: ongoing professional development
   3) An ideal of service to the community: importance of service ideal // how to achieve // Social contract – Buckley(1978)
      // APES 110 Code of Ethics – detail in Module 2 // Perspectives of service ideal (3pts)
   4) A high degree of autonomy & independence: AASB & AUASB (standards) controlled from acct bodies to FRC gvt body
      // autonomy related to professional judgment & independence // Co-regulation & professional discipline: regulatory
      structures of CPA – Accounting Degree, qualification, continuing education, ethics, discipline to misconduct
   5) A code of ethics for members: APES 110(APESB 2013)
   6) A distinctive ethos or culture: Integrity as foundation
   7) Application of professional judgment: Most important – Becker(1982) // Professional vs. technical judgment
      Auditors’ key judgments (5pts) // without judgment ‘regulatory fiat’ – West(2003) // E.g. P65 Answer
   8) The existence of a governing body: what should do

9. The profession's regulatory process
• AASB & AUASB controlled by FRC // CPA CAANZ IPA are all members of APESB // APESB’s role (5pts)  P35
• The quality assurance process (4pts): STD setting, APES 205 & 210, Practice reviews, acct firm regulations

APES 320 Elements of Quality control: leadership, ethical, client relation, HR, engagemt performance, monitoring P36
E.g. identify quality assurance and ethical issues P66 Answer
• Professional discipline: regulation // types of complaints // process // Penalties and Appeals  P37

Part B: Interaction with society

1. Accounting roles, activities and relationships  P39
• Key relationships // Factors for behavior // types of work environments  P40
  1) Public practice acct: three types – Big 4, 2nd tier, Small // ROLES  P41
  2) Professional accts in business (PAIB): ROLES (9pts)  P42
  3) Acct in SMEs: Large business (mgmt Acct) vs. SME (finance mger) // small SME rely on external // Roles P67 Ans  P43
• IFAC research: PAIB Committee // PAIB roles (4pts) // Professional Acct Activities (7pts) // Duties in MEs (7pts)  P45
• Role as financial advisers (Regulatory guide 146 by ASIC) & external advisers to SMEs  P46
  4) Public sector: GBEs, SOEs // requirement for FR, internal audit, RM, SMA  P47
  5) Not for profits (NFPs): Source of income // called the community or third sector

2. Social impact of accounting  P48
• Reporting: active/negative social impact, cause change // Professional capabilities: technical knowledge, soft (social, interpersonal) skills, experience // Impacts of high or low depreciation // macro & micro social impact  P49

3. Credibility of the profession  P50
• Credibility under challenge: Factors for declined credibility (4pts)  P51
• Issues of reduced credibility (4pts): Creative acct, poor audit quality, lack of independence, financial acct distortions (loss of credibility in FR 4pts) // Case The collapse of ABC Learning // E.g. Issues and strategies P69 Answer  P52
• Restoring credibility (6pts): FRC, acct std, code of ethics, FRC for independence, regulation, international std  P53

4. Capability considerations  P54
• Business leadership capability // Technical & soft skills //Complex and difficult professional judgment
• TSKE to internal & external audit, forensic acct (more important in early years) & SSKE (in career progression) // CPD requirement // Technical 1st to 5th, 1st soft skills, 2nd leadership, 3rd communication  P55
• Career guidance system (4pts): technical, business, personal effectiveness, leadership skills  P56
Module 2 Ethics

Part A: Professional Ethics

- Principles (objectivity, competency, responsibly) // Responsibilities (skill diligence, code, cautious, skepticism) P78
- Impacts of Unethical decisions // Raymond Baumhart “what ethics mean” // Case: James Hardie Industries NV P80
- Ethic in accounting – real-life scenarios: Ethical dilemmas // Ethical issues of accountants P81
- Factors for acct work environment: technologies, market conditions, regulatory developments, engaged parties’ needs // Characteristics for success: problem-solving, strategic thinking, ethical, interpersonal P82

Part B: Ethical theories

- Functions of theories: judging rightness & to solve problems // A normative ethical theory – Utilitarianism P84
  1. Teleological theories (Consequential): benefits vs. costs
     - Egoism: benefits to themselves // Ethical egoism: NOT come at the expense of others, constrained by law, NOT Psychological Egoism // Restricted egoism: Sanction corporate self-interest & encourage competition P85
     - Utilitarianism: benefits to greatest # of people // 5 Steps // Cost-benefit analysis on eco & psychological terms // Limitation: subjective measure, identify stakeholders & predict future, disregard minority, ignore other factors P87
     - Differences between ethical egoism & utilitarianism
  2. Deontological theories (duty based): intention behind the act
     - Motive // Motivated to do the right thing – Immanuel Kant P88
     - Rights: not duties/obligations //Types: legal, contractual, human rights // Limitation: inability to conflicting rights P89
     - Justice // Types: procedural, distributive justice // Ways of fair distribution: equality, merit, needs principle
     - Equality Principle: allocate to reflect differences – Aristotle // unequal distribution to everyone’s advantage
  3. Virtue Ethics: what people should be
     - Moral Agency: e.g. accountants: guiding force in doing things the right way P91

Part C: Compiled APES 110 Code of Ethics for Professional Accountants

- APESB(2013) // IFAC(2005) // s1.2 all members comply in AU // s1.3 comply to local laws outside AU P92

1. The public interest-- ethics in practice

- Definition of public interest, public, interest // Responsibilities to society (5pts) // CPA Australia’s plan to protect public interest // Primary loyalty to the public // How to serve public interest P93

2. An introduction to the APESB Code of Ethics P94

Part A: General Application of the Code

1) Integrity (s.110): MOTTO of CPA, essential to trust // Principle (3pts) P95
2) Objectivity (s.120) // Principle: impartial, honest, free from conflicts of interest // Potential to compromise objectivity E.g. related party – not an arm’s length transaction (both act in own interests) – risk of distorted representations P96
3) Professional competence and due care (s.130) // Obligations (2pts): professional knowledge & skill, act diligently in