



In today's modern world of business, individuals in management accounting and financial management constantly face ethical dilemmas. For example, if the accountant's immediate superior instructs the accountant to record the physical inventory at its original costs when it is obvious that the inventory has a reduced value due to obsolescence, what should the accountant do? To help make such a decision, here is a brief general discussion of ethics and the "Standards of Ethical Conduct for Members." Ethics, in its broader sense, deals with human conduct in relation to what is morally good and bad, right and wrong. To determine whether a decision is good or bad, the decision-maker must compare his/her options with some standard of perfection. This standard of perfection is not a statement of static position but requires the decision-maker to assess the situation and the values of the parties affected by the decision. The decision-maker must then estimate the outcome of the decision and be responsible for its results. Two good questions to ask when faced with an ethical dilemma are, "Will my actions be fair and just to all parties affected?" and "Would I be pleased to have my closest friends learn of my actions?"

Individuals in management accounting and financial management have a unique set of circumstances relating to their employment. To help them assess their situation, the Institute of Management Accountants (IMA) has developed the following "Standards of Ethical Conduct for Members."

STANDARDS OF ETHICAL CONDUCT FOR MEMBERS

Members of IMA have an obligation to the public, their profession, the organizations they serve, and themselves, to maintain the highest standards of ethical conduct. In recognition of this obligation, the IMA has promulgated the following standards of ethical conduct for its members. Members shall not commit acts contrary to these standards nor shall they condone the commission of such acts by others within their organizations.

Members shall abide by the more stringent code of ethical conduct, whether that is the standards widely practiced in their country or IMA's Standards of Ethical Conduct. In no case will a member conduct herself or himself by any standard that is not at least equivalent to the standards identified for members in IMA's Standards of Ethical Conduct.

The standards of ethical conduct for IMA members are published in SMA 1C (Statement on Management Accounting).

COMPETENCE

Members have a responsibility to:

- Maintain an appropriate level of professional competence by ongoing development of their knowledge and skills.
- Perform their professional duties in accordance with relevant laws, regulations, and technical standards.
- Prepare complete and clear reports and recommendations after appropriate analyses of relevant and reliable information.

CONFIDENTIALITY

Members have a responsibility to:

- Refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so.
- Inform subordinates as appropriate regarding the confidentiality of information acquired in the course of their work and monitor their activities to assure the maintenance of that confidentiality.
- Refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties.

INTEGRITY

Members have a responsibility to:

- Avoid actual or apparent conflicts of interest and advise all appropriate parties of any potential conflict.
- Refrain from engaging in any activity that would prejudice their ability to carry out their duties ethically.
- Refuse any gift, favor, or hospitality that would influence or would appear to influence their actions.
- Refrain from either actively or passively subverting the attainment of the organization's legitimate and ethical objectives.
- Recognize and communicate professional limitations or other constraints that would preclude responsible judgement or successful performance of an activity.
- Communicate unfavorable as well as favorable information and professional judgements or opinions.
- Refrain from engaging in or supporting any activity that would discredit the profession.

OBJECTIVITY

Members have a responsibility to:

- Communicate information fairly and objectively.
- Disclose fully all-relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.

RESOLUTION OF ETHICAL CONFLICT

In applying the standards of ethical conduct, members may encounter problems in identifying unethical behavior or in resolving an ethical conflict. When faced with significant ethical issues, members should follow the established policies of the organization bearing on the resolution of such conflict. If these policies do not resolve the ethical conflict, such members should consider the following courses of action.

- Discuss such problems with the immediate superior except when it appears that the superior is involved, in which case the problem should be presented initially to the next higher managerial level. If a satisfactory resolution cannot be achieved when the problem is initially presented, submit the issues to the next higher managerial level. If the immediate superior is the chief executive officer, or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. Contact with levels above the immediate superior should be initiated only with the superior's knowledge, assuming the superior is not involved. Except where legally prescribed, communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate.
- Clarify relevant ethical issues by confidential discussion with an objective advisor (e.g., IMA Ethics Counseling service) to obtain a better understanding of possible courses of action. - Consult your own attorney as to legal obligations and rights concerning the ethical conflict.
- If the ethical conflict still exists after exhausting all levels of internal review, there may be no other recourse on significant matters than to resign from the organization and to submit an informative memorandum to an appropriate representative of the organization. After resignation, depending on the nature of the ethical conflict, it may also be appropriate to notify other parties.

Ethics Hotline (for members only)

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