

The 1st place winner of the NC CPA Foundation Inc. scholarship, in the amount of \$5,000, is Graham Kevin Hunt. Graham is a resident of Greensboro, North Carolina, and comes from a family of CPAs—his brother is a CPA and his mother was also a CPA. He graduated from North Carolina State University this past May with a Master of Accounting degree. Graham will begin his career with PricewaterhouseCoopers in Charlotte. He will also be working toward completion of the Uniform CPA exam by the end of summer.

One of the criteria on which students are judged for Foundation scholarships is an original essay describing the student's view of why CPAs need a code of ethics. Graham's essay follows...

Why Do CPAs Need A Code Of Ethics? By Graham Kevin Hunt

Certified Public Accountants need a code of ethics because it benefits the accounting profession. A code of ethics maintains the ethical standards of the profession and provides support to CPAs seeking ethical guidance. A loss of perceived quality ethical standards in the accounting profession is one of the largest risks CPAs face. The public depends on the ethical work of CPAs and CPAs depend on the trust of the public. Without public trust, the work of CPAs becomes futile. The ethical reputation of the entire profession depends on the ethical behavior of each individual CPA. An objective code of ethics ensures that CPAs can refer to a uniform, profession-wide code of ethics. The work performed by CPAs becomes more dependable and of a higher quality as a result of having an objective code of ethics, thus, the entire profession benefits.

In today's extensively uncertain and ever-changing global business environment, CPAs face increasingly complex and vague ethical dilemmas. An ethical code becomes even more important as a result of the enduring complexity. A code of ethics provides individual CPAs with guidelines to which they can refer, benefiting the entire accounting profession. CPAs strive for comparability across the profession. In order to have true comparability, the ethics behind the work of CPAs should also be comparable. This is achieved by having an objective code of ethics that is accepted and used across the entire accounting profession.

When considering the need for a code of ethics, it would be apparent to focus on recent financial scandals in which CPAs haven't behaved ethically and how a code of ethics could have prevented these ugly situations. A code of ethics is not meant to stop such scandals. These scandals occurred despite a code of ethics at the disposal of the perpetrators. These scandals transpired because those who orchestrated them lacked quality individual ethical standards and ideals, not because a code of ethics was absent. These scandals simply illustrate the fact that when a small group of accounting professionals behaves unethically, the perceived ethical integrity of the entire profession is temporarily adversely affected. The purpose of a code of ethics in the accounting profession is not to prevent such unfortunate situations, but to provide practical support to those CPAs who wish to act ethically. A code of ethics is a supportive, rather than preventative measure. Despite the breakdown of ethical behavior in recent scandals, the accounting profession has persevered because of the sturdy ethical foundations of the remaining CPAs and the profession itself, which the code of ethics has cultivated.

In the accounting profession, there are many grey areas where a fine line defines what is right and what is wrong. CPAs' ethical responsibilities are increasingly vague in the modern business environment. A code of ethics makes these grey areas more black and white by providing an objective ethical framework that all accountants can refer to. CPAs are frequently faced with ethical dilemmas where doing what is ethical is not always perceived as being in their clients' best interest. In many situations, there is a

delicate balance between providing value to a client and behaving ethically. These dilemmas create a need for a standard ethical code that provides guidance to CPAs regarding their ethical responsibilities in these difficult dilemmas. A code of ethics defines the expected ethical behavior of CPAs in these situations. There is embedded friction in the accounting profession, particularly in assurance. A CPA has a client who hires them and pays for their services, but the stakeholders (banks, investors, etc.) who rely on the work of the CPA are often the ones who bear the cost if the CPA behaves unethically. This creates an inherent conflict of interest. A code of ethics is essential to managing that conflict, clarifying the CPAs' ethical obligations to clients and their stakeholders. The code of ethics provides clarity and support to those CPAs who are trying to manage that conflict of interest.

Albert Einstein once said that "relativity applies to physics, not ethics." A code of ethics establishes profession-wide, accepted ethical standards that apply to all CPAs. Instead of individual CPAs or individual CPA firms adopting their own unique sets of ethical standards; it is imperative for CPAs to have a code of ethics which sets the standards for all accounting professionals. A fragmented ethical environment would create a tremendous risk for the accounting profession. The ethical standards of one professional or a group of professionals have the potential to shift the public perception of the ethical fiber of all professionals, a risk the profession can mitigate by using a code of ethics. Thus, a fragmented ethical environment has the potential to undermine the quality of work of all CPAs, regardless of their individual ethical fiber. Only a uniform, objective code of ethics can efficiently alleviate that risk.

An objective and uniform code of ethics improves ethical consistency, efficiency, and transparency across the accounting profession. The ethical dilemmas CPAs face are often unique to the professional, but not to the profession. These difficult ethical situations are often similar to the experiences encountered by other professionals. A code of ethics allows CPAs to adopt and share a common set of ethical standards. Rather than spend a great deal of time and effort to create their own set of individual ethical standards, CPAs can rely upon a code of ethics that is accepted across the profession. Ethics is an issue that should be addressed by the entire profession, not any individual CPA. The code of ethics also exposes the profession's ethical framework to all stakeholders and enhances the relationship between the accounting profession and public trust. The ability to refer to an accepted code of ethics provides for heightened ethical consistency and comparability across the profession makes the work of CPAs even more valuable to all stakeholders.