Chapter 11

Importance of Ethics and Education to Understand the Audit Mission

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ABSTRACT

The chapter brings forward the discussion of how the level of accounting and audit knowledge has an impact on how stakeholders understand the audit mission, the auditor’s responsibilities, and the message conveyed by the audit report, even when considering the new and extended reports. The preliminary results of this analysis indicate that audit education influences the audit expectation gap (the reasonableness gap), and if measures would be taken to upsurge the stakeholder’s levels of education in auditing and accounting, combined with new and revised standards, the audit expectation gap can be reduced. In this sense, the International Accounting Education Standards Board (IAESB) is an independent standard-setting body that serves the public interest by establishing standards in the field of professional accounting education that prescribe technical competence and professional skills, values, ethics, and attitudes.

INTRODUCTION

In any liberal profession, and even more in the field of the accountancy profession, due to the nature of its problems, in the context of the globalization of national economies, it is necessary to lay them on fundamental ethical principles meant to ensure the highest standards of professionalism.
Importance of Ethics and Education to Understand the Audit Mission

Globalization has become a topical concept in the last decade in social, economic sciences, and last but not least, it gives new dimensions to the role that the accounting profession plays in combating negative phenomena in national economies.

Accounting is not only an instrument of knowledge and management of the separate patrimonial economic values, but it is also a social phenomenon, crossed by the contradictions of society, becoming a stake for various social protagonists, each trying to take advantage of its interests. The product it delivers can only be the result of a compromise between expectations and multiple exigencies. It does not fully satisfy all users, which, despite all of them, has not yet altered its prestige or authority.

To promote ethical conduct within the profession, the most appropriate protective measures will be taken to eliminate the risks of conflict of interest that would harm the public interest and the role played by this professional category. Therefore any threat that would discredit in any way the profession is required to be neutralized.

Often formal definitions have the undesirable effect of making the precise meaning of some terms obscure. At first glance, it is easy to understand that “ethics” is an area that seeks to clarify the moral issues that are rooted in the work of organizations in a society that embraces the system of a market economy characterized by pluripartitism and pluripropriety.

This refers to principles that define fair, correct and appropriate behaviour. Ethical principles do not always dictate a single course of action but offer means of assessment and decision-making among alternatives.

Thus, on one hand, “ethics is the science that studies the moral principles, their origin, nature, essence, development and content” (Marcu & Maneca, 1978) and, on the other hand, “ethics is the ensemble of rules, values and moral norms that regulate the behavior of individuals in society and / or determine their obligations in general, or in a particular field of activity, in particular “(Gonzalez, 2000).

Since ethics is the science that studies moral principles, we also need to define the concept of morality to highlight the differences between the two concepts. A moral is a form of social consciousness that reflects and fixes ideas, thoughts, beliefs about individual behaviour in society.

Although related, ethical and moral concepts have different origins and substances: ethics is moral theory and science, while moral is the subject of ethics. The ethical name is of Greek origin, while the moral originates in the Latin word mos-moris (morav-moravuri), from which the moralistic term, the modern etimony of the moral term (Grigoraş, 1999) appeared.

One of the theories of ethics is Kohlberg’s moral development model (Kohlberg, 1969). It presents moral development as a series of six progressive stages that describe the logic used in decision-making in situations involving ethical components. In Kohlberg’s model, the individual level of moral development is at a distinct standard at any given point.

Kohlberg was the first one that introduces a method of assessing moral reasoning, presenting to the subject a series of dilemmas in the form of a series of stories, each of which puts a specific moral problem. Maybe the best known is “Heinz’s dilemma”:

A woman was on her deathbed. There was one drug that the doctors thought might save her. It was a form of radium that a druggist in the same town had recently discovered. The drug was expensive to make, but the druggist was charging ten times what the drug cost him to produce. He paid $200 for the radium and charged $2,000 for a small dose of the drug. The sick woman's husband, Heinz, went to everyone he knew to borrow the money, but he could only get together about $1,000 which is half of what
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