

Accounting in Society (ACCG100)

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Week 2: Ethics

What is ethics

- Human conduct (morally right and wrong) in decision making
- Honesty, fairness, responsibility, respect and compassion
- Use these good values to help with decision making
- Value: something important to you

<u>Ethics</u>	<u>Morals</u>
Principles of right conduct	Principles with respect to right or wrong conduct
Social system	Individual
Society says its right	Because we believe in it being right or wrong

Ethical theories

- Prescriptive principles or guidelines for determining right from wrong
- How people should behave
- Methods to avoid and resolve ethical issues
- CBA (cost and benefit analysis)

Teleological/ consequential ethics

- Consequences of an action
- Morally correct action occurs when benefits outweigh the costs
- How you get the result is LESS important than the outcome itself
- Telling a lie is ok if people benefit
- Selfish approach
- Places emphasis individual or majority → unfair to minority + abuse individual rights

Deontological/ non-consequential ethics

- Consequences are not important
- Right thing > Final result
- "Right thing to do"
- Telling a lie is NOT ok, if people are better off or not

Ethical decision-making process

1. Identify ethical issue: problem, conflict of interest of stakeholders
2. Gather info and consider ethical principles
3. Identify and evaluate alternative courses of action
4. Decide a course of action

Code of ethics for professional accountants

Accounting Professional and Ethical Standards 110 (APES)

Fundamental Principles	
Integrity	Straightforward and honest in all professional relationships
Objectivity	Professional judgements can't be compromised because of bias, conflict of interest or influence
Professional competence & due care	Maintain professional and technical knowledge for employers Do it according to the law and accounting standards Diligence, careful (especially dealing with #s), training and supervision
Confidentiality	Don't disclose confidential info outside the firm unless authorised or legal duty
Professional behaviour	Comply to laws and regulations Avoid action or omission which discredits the image of profession

Ethical requirements on independence

INDEPENDENCE OF MIND

- State of mind: allows the expression of a conclusion without being influenced
- Don't think about unethical behaviour

INDEPENDENCE OF APPEARANCE

- Avoidance of facts or circumstances that are significant → 3rd party having knowledge would lead to the above principles being impaired
- Don't be placed in uncompromising positions

Week 2 Summary of Key Points

What is ethics

- Ethics (external)
- Morals (internal)

Ethical theories

- Teleological/ consequential ethics
- Deontological/non-consequential

Ethical decision-making process

1. Identify ethical issue
2. Gather info & consider ethical principles
3. Identify & evaluate course of action
4. Decide a course of action

Code of ethics & professional accountants

Accounting Professional & Ethical Standards 110

- Integrity
- Objectivity
- Professional competence and due care
- Confidentiality
- Professional behaviour

Ethical requirements of an independence

- Independence of mind
 - Independence of appearance
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