**Ethics definitions:**

**Ethics: set of moral principles and values that drives behavior and decisions that individual makes, set of standards originate from a group what is ethical depends on the values of this group**

**Business ethics: field of study that analyze set of moral principles within org to determine whether it acceptable or not**

**Principles: specific boundaries for behavior should not be violated such as human rights**

**Values: beliefs and ideals that is enforced socially**

**Norms: standards of behavior judged to be proper**

**Virtue: commendable traits or qualities or conformity to standards to what is right and wrong such as fairness honesty**

**An individual’s morality is his moral philosophy or his set of values regarding what is right and what is wrong.**

**moral philosophy different concepts about what is right and what is wrong**

**It provides an option to study the meaning and justifications of moral claims of what is right and wrong**

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| Teleology | Deontology |
| Def: group of moral philosophies in which action judged to be ethical or morally right when it produces a desired result , so it focus on consequences of an action .

|  |  |
| --- | --- |
| Egoism | Utilitarianism  |
| Def : focus on the consequences for the **individual** , an egoist will choose the alternative that contribute most to his self interestEgoism is not an ethical principle even it moral philosophy Example : اقناع الناس الكبار | Def : focused on the consequences .Seeks to greatest good for the **greatest num of people** It will make decision that result greatest utility for all persons affected by This decision Ignore motivation of decision makerRule utilitarianيستخدم قواعد تم اعدادها لتحقيق اكببر منعة بدلا من تقييم كل موقف على حدهAct utilitarian تقييم كل موقف عشان احدد هل الموقف ده يحقق اكبر منفعة ويستخد القواعد فقط كخطوط ارشاديةBribery example |

 | Def: **uses rules** to distinguish from what right and wrong.Focuses on the motivation of the decision makerSystem of ethics based on respect for all persons.Rule deontologists:* **Maintain conformity to moral principles (kant rules)**
* **Rules guide ethical behavior override anything else**

Act deontologist:الناس دوول شايفين ان الاخلاق يتم تقيمها بناء على الافعال Rules serves as guideline but experience is more importantan action can be ethically correct even though it does not produce a net positive result for either the decision maker or for society as a whole  |

**Differentiate between teleology and deontology???**

teleology includes philosophies that focus both on the consequences of an action to the decision maker and on the consequences of an action to other people. The question asks for a moral philosophy that states that an action is morally acceptable if it promotes the greater good, so it asks for a moral philosophy that focuses on the consequences to other people only.

**Differentiate between relativism and virtue ethics??**

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| Relativism | Virtue ethics |
| * **Defines ethical behavior subjectively بشكل شخصى based on the group experience.**

**Recognizes that people have different views and bases to what is right and what is wrong** **And that based on the consensus اجماعof the group and that can change , circumstances can change and a behavior that was acceptable may become unethical and vice versa*** **It tends to lead less independent ethical decision making There are no absolute rights or wrong**
* **Ignore basic similarities in the attitudes such as belief that theft is wrong**
 | * **Focus on the moral character of the decision maker.**
* **Focus on each person’s combination of virtues**
* **Maintain that people character traits develop as they mature emotionally and ethically.**
* **A person with honesty virtue will tell the truth because it is the right way to communicate with others.**

**Msh wa7ed f ebet w wahed tany f sho3’l.** |

**What is integrity?**

**Integrity means being honest and upstanding and adhering firmly to a code of values.**

**People and firms demonstrate consistency by not compromising their core values even under strong pressure.**

**What is a conflict of interest?**

**A conflict of interest is any interest, loyalty, concern, or other feature in a situation that would tend to make a decision-maker’s independent judgment less reliable than it normally would be.**

**What is fairness and what are the three fundamental elements involved in fairness ?**

Fairness means acting in a manner that is free from bias, dishonesty, or injustice. It is the quality of being just, equitable, honest, and impartial.

The three fundamental elements involved in fairness are:

1. Equality Reciprocity Optimization

**What is due diligence? Checking , investigation**

Due diligence literally means “requisite effort.” In a business context, it refers to research done before engaging in a financial transaction (why)?? to avoid harm to either party.

Due diligence involves examining the other party’s financial

position, business record, and anything else deemed material to the transaction.

**What is a fiduciary responsibility?مسئوليه ائتمانيه**

A responsibility to act in the best interest of it’s client in all situations even those are contrary to your interest. It is often said that a fiduciary needs to act as if the assets that they are in control of were their own assets.

The most common example of a fiduciary is a trustee that holds assets for a beneficiary or beneficiaries under a trust arrangement.

* The party paying the accountant’s or auditor’s fee or salary
* The current owner(s) or shareholder(s) of the firm

**What is justice?**

 **The principle of justice (also called the fairness principle) involves the fair treatment of each person.**

**In the context of business ethics, justice is fair treatment and reward in accordance with ethical or legal standards**

**What are the four aspects of justice?**

**Procedural justice**

**Distributive justice**

**Compensatory justice**

**Interactional justice**

**IMA statement of ethical prof practices**

**FOR H principles**

**►Identify and describe the four overarching ethical principles**

* **HONESTY : شخص يوتمن و بيقول الحقيقة و مش ملاوع**

 **1- trustfulness, trustworthiness**

**2- telling the truth to the best for your knowledge**

**3- quality of being upright مستقيم, franknessصراحة, freedom from deceit**

* **Fairness محايد و مش متحيز**

 **1- to act in impartial, just manner**

**2- free from biased, injustice, dishonesty OPEN MINDED TOLERANT**

* **Objectivity:**

 **1- basing judgment on set of established criteria**

**2- free from biased and personal feeling, prejudice**

**3- basing decision on facts alone.**

* **Responsibility:**

 **1- performing function completely and in timely manner**

**2- being accountable for something with your control, power**

**IMA statement of ethical prof practices**

**CccI satndards**

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| --- | --- | --- | --- |
| **Competence** | **confidentiality** | **Integrity** | **Credibility** |
| * Maintain appropriate level of prof leadership, expertise by enhancing knowledge, skills
* Perform duties in accordance with laws, regulation.
* Provide decision support info and recommendation (clear,accurate,timely)
* requires a member to recognize and help manage risk

اشرح نفسك انت بتعمل ايه ف المذاكرة | * keep info confidential except disclosure is legally required
* inform all relevant parties regarding app use of conf info
* refrain from using conf inf for unethical or illegal advantage
* اكتم اسر وتقولش لحد حتى لو بطريقة غير مباشرة ( تلميحات)
* اوعى تستخدم الاسرار دى لمصالحك
 | ●Mitigate actual conflicts of interest Regularly communicate with business associates to avoid apparent conflicts of interest. ●Refrain from engaging in any conduct that would prejudice carrying out تضر تنفيذ duties ethically.●Refrain from engaging in or supporting any activities that might discredit the profession شخص نزيه لا تقبل الرشاوى تبعد نفسك عن اى شبوهات Conflicts of interest are important obstacles to having **integrity** | * Communicate information fairly and objectively.
* Provide all relevant information that could be expected to influence an intended user’s understanding of the reports, analyses, or recommendations.
* Communicate professional limitations that would preclude successful performance of an activity.

Report any delays in information, timeliness, in conformance with organization policy and/or applicable law. |

**Employee fraud and fraud triangle**

* **Pressure**: an employee has a financial problem ( bills, addiction ) can not be solved through legitimate means.
* **Opportunit**y: employee see a way to solve his f need through his position of trust with an employer and this scan be done with low risk of getting caught.
* **Rationalization**: employee needs to be able to justify his impartial act ( I am just borrowing the money and I will put it back or I am getting underpaid )

**How to reduce or eliminate fraud triangle??**

* Employer provide a means for employees to **air grievances** To express one's dissatisfaction.
* Employees should feel they can come to employer and tell him about his f need without being judged and he can help him
* Employer set moral and ethics **tone at the top** and prevent rationalization that the employer is dishonest by making sure that management engage in honest behavior

**(F.3)ETHICAL CONSIDERATION FOR THE ORGANIZATION**

**explain the importance of an organization’s core values and how they promote ethical behavior and ethical decision making?**

* **Company’s** core values are it’s deeply ingrained principles that guide all it’s decisions and actions.
* **Management** need to weave those core values in everything they do **company** need to uphold to these values

3 basic core values: transparency, responsibility, sustainability

**Corporate culture and role in ethical decision making:**

* Org’s ethical culture reflects the integrity of the decisions made by it’s **members** .
* The more the employees see that org culture is ethical the less likely to make unethical decisions.

Three elements to develop and sustain an ethical Corporate culture:

1. Ethical leadership:

 as reflected by BOD , the moral tone of orgالتون الاخلاقى للشركة is set by top management so the employees looks to them for info regarding ethical practices .

top management sets the good or bad example for others to follow

1. A set of core ethical values: that have been ingrained بنتك عليها من خلال throughout the org such as policies , practices **that facilitate the display of ethical behavior and reduce misconduct reduce misconduct reduce misconduct**
2. A formal ethics program: include code of ethics, rules, ethics training,

The owner of the comp ‘s كريم غبور conduct is the model to be followed by employees and he creates the ethical culture even it is never documented in (private comp)

**discuss the importance of employee training to maintaining an ethical organizational culture ??**

1-employee training should be applied at every level of org

2-training should focus on comp specific ethics req applied in real life situations

training must be updated, repeated by regular basis for new, old employees

 Importance of code of ethics:

* In writing code of ethics senior management require to define and document it’s expectations for the org
* Provide **a common standard** and **understanding of the company’s definition of ethical behavior** ازاى by creating reference point for the employee and /this reference point provides a framework for decision making when a comp policy does not exist
* A code of ethics complies with legislation in us required by sec regulation and Sarbanes

**What is Groupthink?**

**Groupthink is a negative term that describes poor decision-making that results from group that prioritize harmony over critical thinking.**

**Groupthink occurs when one or more members of a group feel pressured to conform to the group’s opinion even if they personally do not agree.**

**Symptoms of groupthink:**

1. **Excessive optimism and illusion of invulnerability**
2. **Unquestioned belief in the morality of the group**
3. **Shared stereotypes of those outside the group**

**Groupthink can be prevented in the following ways:**

1. **avoid using groups as rubber stamps when decisions are already taken by senior management الموافقة التلقائيه**
2. **bring in outside experts and invite the group to meet off site :changes in setting and surroundings are stimulant**
3. **consider the ramifications of different actions**
4. **take time to consider possible effects of alternatives courses of action**

**The importance of human capital??**

1. **The org code of ethics should be used in hiring decisions to select candidates with personal code of conduct that align with org ‘s expectations**
2. **Orientation and training for mangers should include code of ethics and to be an important factor in performance evaluation**
3. **Mangers who focus on the profits while ignoring values cause long term damage to org as they make valuable talent to leave and poison the environment**

**What are the major provisions of the SMA *Values and Ethics*?**

***From inception to practice***

1. Values, Ethics, and Accounting:

most employees cannot be controlled in every aspect of their work so the comp must rely on their judgement when unplanned decisions occurred

Motivated employees are most valuable asset in the comp as they bring their knowledge to workplace, can innovate ways to perform work efficiently

Hiring decision and training must address alignment of employees values and org values to ensure consistency

Management acc must ensure that org human assets used effectively

1. Defining and Developing the Organization’s Behavioral Values:
* The first step in establishment an ethical culture is to assess the existing culture ‘what is’ with principles The org believe in and, this assessment through focused group and surveys
* Bod should oversee the development of code of ethics what should be
* After code of ethics developed it must be communicated through the org and training should be used to test whether employees read and understood the code of ethics or not

3) Leadership by Example: ethical leadership creates an ethical culture, has imp impact on ethical decision making bec leader has ability to motivate others enforce org norms, policies

ethical leadership models ethical conduct for employees

**Ethics and Internal Controls: tools to help management accountants create an internal control structure**

**Continuous process improvement**

**Constant monitoring of business process to learn from experience and adapt new situations before they make major problems.**

**Management acc role creates “learning org” that manages the impact of changes such as new overseas market, departure of experienced employees, new legal require**

**Business process reengineering**

**Analyzing indiv activities of process that transform input into output to know the most effective way to fulfill the process**

**Management account role can understand risks associated to a given activity and predict how reasonable person can behave in such circumstances**

**Quality management: the practice of preventing risks through identifying and evaluating risk situations in advance**

**, developing strategy to avoid them**

 **management accountant focus on risk that result from employee behavior that does not follow accepted norms of ethical behavior**

e**xplain the importance of a whistleblowing framework to maintain an ethical organizational culture??**

Whistleblowers is important mean for ethical compliance so public companies must establish a mean for confidential submission by employees about concerns they have regarding accounting and auditing matters. So they can report improper behavior anonymously without fear.

**What is legal behavior compared to ethical behavior?**

Legal behavior is based on **required compliance with a set of written laws**. To obey a standard of behavior from outside the org

Ethical behavior is therefore **based upon voluntary compliance with a set of values**. Established internally in organization provides general guidelines for independent judgement

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| FMEA | Poka yoke assessment  | Six sigma analysis |
| * Failures are errors in item , product ,process affect customers.
* FMEA ETHICS -BASED PROCESS mitigate risk in product by testing failure modes
* FMEA starts from conceptual stages throughout the life of service or the product

 Once failure identified the team try To minimize the severity of errorReduce occurrenceImprove detection * At product development stage MANGEMANET ACCOUNTANT ensure the controls are in place for material usage , processing, these controls to make sure that product designed to minimize cost and ensure quality within an ethical framework
 | To avoid inadvertent errors It refers to error proof productionIn production the objective is to minimize inspection through eliminate errors Example: a product could be designed in a way that it can be used only in a safest or most effective ways.Fixtures, warning devices can prevent people from making mistakes.MANGEMENT ACCOUNTANT can construct ethical programs and process that have built in safeguards to encourage ethical actions | Strives to virtually eliminates defectsThe goal is to improve customer satisfaction by reducing and eliminating defects which leads to greater profitability To achieve a process must produce no more than 3.4 defects per million opportunitiesQuality in products and processes requires controlled conditions and management needs to be aware of all regulatory requirements to make sure that ethical compliance is part of quality management system |

**Foreign corrupt practices asct (FCPA)**

Anti-bribery provisions accounting provisions

Foreign Corrupt Practices Act (FCPA

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| **Description** | **Application** | **notes** |
| * The FCPA prohibits payments to foreign officials, politicians, or political parties to obtain or renew business,
* it provides a legal framework to punish both individuals and companies for making payments to foreign officials that could be judged as bribes or other forms of improper payments.
* FCPA apply not only to public entities but also to private entities.
 | **issuers of publicly-traded** **securities** An issuer is any company with a class of securities listed on a national securities exchange in the United States, or any company with a class of securities quoted in the over-the-counter market in the United States and required to file periodic reports with SEC**Domestic concerns** is any individual who is a citizen, national, or resident of the United States, or any corporation, partnership, association, joint-stock company, business trust, unincorporated organization, or sole proprietorship that is organized under the laws of the United States or its states,**acting while in the territory** of the United States, such as foreign nationals or entities that are not issuers or domestic concerns that are in the territory of the United States. | **One exception and two affirmative defenses**Small payments made for the purpose of facilitating, expediting, or securing the performance of **a non-discretionary routine governmental action** by a clerical or governmental employee. “Routine governmental action” refers to actions such as the following that are ordinarily and commonly performed by a foreign official for: • Obtaining permits, licenses, or other official documents to qualify to do business in a foreign country. • Processing governmental papers such as visas and work orders**The FCPA does not apply to those payments****two affirmative defenses:-** if the payment , gift, offer is lawful under written laws of the country of foreign official  if the payment , gift, offer is reasonable bona fide expenditure such as travel and lodging expenses  |

accounting provisions

|  |  |  |
| --- | --- | --- |
| **description** | **Application** | **notes** |
| * Companies are required to maintain complete, accurate, and reliable accounting records that represent, in all material aspects, the complete and true nature of business transactions.
* Companies are required to maintain a system of internal accounting controls that is adequate to provide reasonable assurance that

: • Transactions are executed in accordance with management’s authorization. • Transactions are recorded as necessary to permit preparation of financial statements and to• Access to assets is limited to management’s authorization. | • Every issuer of securities whose securities trade on a national securities exchange in the United States, including foreign issuers with exchange-traded American Depository Receipts. • Companies whose stock trades in the over-the-counter market in the U.S. • Any entity that is required to file annual or other periodic reports with the SEC. | Unlike the FCPA’s anti-bribery provisions, the accounting provisions do not apply to private companies that do not report to the SEC. |

**What are facilitating payments?** Small payments made for the purpose of facilitating, expediting, or securing the performance of a non-discretionary routine governmental action by a clerical or ministerial governmental employee.

why these payments create both ethical and legal issues ?? page 273 (green note)

**Differences Between the U.S. FCPA and the U.K. Bribery Act**

 Whereas the U.S. FCPA applies to bribery of foreign officials only, the U.K. Bribery Act applies to both governmental officials and private businesspeople. Whereas the U.S. FCPA contains an exception for small facilitating payments, the U.K. Bribery Act does not contain any exception for what it calls facilitation payments. The only fees that may be paid are legally required administrative fees or standard fees for fast-track services, because those are not considered facilitation payments.

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| **Definitions of Sustainability** | **social responsibility** |
| “Corporate sustainability is about being able to sustain your business responsibly, with one eye on new external risks and the other on future consequences of your decisions | Corporate social responsibility is seriously considering the impact of the company’s actions on society. |

**Four level of corporate social responsibility**

**Economic responsibilities: These are foundational – free enterprise systems require a business to be primarily an economic institution. selling G&S , generating profit for it’s growth**

**If a business cannot fulfill its economic responsibilities, nothing else matters because the firm will go out of business.**

**Legal responsibilities: the second level of CSR organization should obey the law and operate according to the rule of law**

**Are society’s view of codified ethics which are fair practices established by law makers**

**The org has resp toward society to comply with applicable law**

**Ethical responsibilities: third level of CSR org should not just fulfill legal responsibilities but go beyond to do the right thing that does not harming society even it is not required by law this level in which managing CSR become complex as acting ethically is not profitable as first level**

**Philanthropic responsibilities:** **the top of CSR pyramid**

Voluntary business resp ,are not mandated , it is the implied social contract between comp and society ex donation , providing free goods or services

***Resolution of Ethical Conflict حل الصراعات الأخلاقيه***

-If you (face, encounter, confront) an ethical conflict or an ethical dilemma you should follow your organization's policies on the resolution of such conflict. If these policies don't resolve the ethical conflict, you should consider the following courses of action:

-If an IMA member has a problem in identifying unethical behavior or resolving an ethical conflict he should:

**1-**Discuss the issue with his/her immediate superior unlessمالم يكن (s) he is involved. In that case (the immediate superior is involved), present the issue to the next higher level. If he can't achieve a satisfactory resolution, submit the issue to the next management level. If his/her immediate superior is the CEO or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, or owners.

►Contact with levels above the immediate superior should be initiated only with his/her superior's knowledge, assuming he or she is not involved.يعني ميروحش لمستوى أعلي من مديره الا لما يقوله

►Communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate, unless (s) he believe there is a clear violation of the law.

**2-**Clarify relevant ethical issues by initiating a confidential discussion with an IMA Ethics counselor or other impartialمحايدadvisor to obtain a better understanding of possible courses of action.

**3-**Consult your own attorneyالمحامي الخاص as to legal obligations and rights concerning the ethical conflict

If there were an illegal act, then it is appropriate for the Member to communicate with appropriate authorities. If it had not been an illegal act, but only an unethical one, Babbitt should have reported it within the company, probably to the board of directors given the significance of the item

**Examples of a conflict of interest:-**

1. Having a substantial financial interest in a supplier, customer, or distributer, and
2. Using privileged informationمعلومات مميزه gained from one's official position to enter transactions for personal gain.

**Methods for control of a conflict of interest**

1- Provide a code of conduct provision applying to conflicts of interest

2-Require full financial disclosure by all managers.

3-Prohibit financial tiesعلاقات to an y supplier, customer, or distributer

4-Encourage adherence to a strong ethical behavior

5-Employees should refuse any gifts, favor, or hospitality that would influence their actions.