An International Business Code of Conduct: Guidelines for Sustainable Global Competitiveness

Jana Wilhelm, Sullivan University and Bluegrass Community & Technical College
Paul G. Wilhelm, Kentucky State University

EXECUTIVE SUMMARY

This paper deals with one of the newest accounting standards requirements. All corporations are required to develop a code of conduct and to publish it. One of the problems international corporations are faced with is how to make a code of conduct that will have adequate consumer protections while translating it to an international audience.

Keywords: Accounting standards, Codes of conduct

INTRODUCTION

A series of accounting scandals came to light in the late 1900s and early 2000s that rocked investor confidence in the financial markets. The US Congress felt compelled to step in and implement changes to how businesses handled their ethical responsibilities to the public. Congress passed the Sarbanes-Oxley Act of 2002 which included sections relating to auditor and corporate responsibilities to the stakeholders of publicly traded companies. Among the provisions of the Sarbanes-Oxley Act of 2002, all publicly traded companies are required to have a code of ethics for senior financial officers or, per Section 406 of the act, “the SEC shall issue rules that require each issuer to disclose whether or not, and if not, the reasons therefore, such issuer has adopted a code of ethics for senior financial officers.” There are few guidelines that appear to enhance and sustain global competitiveness. This paper recommends several such guidelines.

EVOLUTION OF ETHICAL STANDARDS and CODES OF CONDUCT IN ACCOUNTING PROFESSION

Accounting is one of the few professions that have generally been allowed self governance. The theory was that accountants, through the AICPA and other standards setting bodies, did an adequate policing job of themselves. This has not always been the case.

Even though bookkeepers have existed for as long as humans have been trading with each other, accounting as a recognized profession was hit or miss for many centuries. We can find records in which audits of assets were done by the Egyptians. However, until the late 1800’s, when several of what would become the largest CPA firms were formed, the skills of any accountant were dependent on the limited training provided by schools and on the needs of various business owners. Since the owners of companies were generally small business owners, the owner generally knew everything he needed to know to determine if he was making money.

Starting with the development and growth of railroads, which in itself ushered in the industrial age, companies were able to grow and expand. Owners became less likely to be hands on, and owners and management needed more accurate information in order to run their companies. With the growth of industry, British accounting firms expanded into the United States. British accountants had long enjoyed respect for their profession. Numerous scandals in the United States in the late 1800s continued to give American accountants a poor reputation. This had to change if American accounting was going to come of