

Business Ethics and Accounting Professional Ethics in Financial Fraud

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Abstract: With the rapid development of China's economy and the increasingly perfect capital market system, listed companies have emerged like mushrooms after rain. However, behind the light and in the dark, cases of financial fraud by listed companies are not uncommon, without exception in all levels of the market, which has brought a series of negative impacts to all parties. In essence, financial fraud is a purposeful earnings management behavior that violates legal principles. The lack of professional ethics among accounting personnel, inadequate internal supervision of enterprises, and imperfect industry legal construction are all root causes. This article analyzes the responsibility issues of violating business ethics and professional ethics in financial fraud, and draws inspiration from it that listed companies should first ensure the essence of their own business ethics and professional ethics.

Keywords: Financial fraud, Business ethics, professional ethics.

1. Related Concepts and Significance

1.1. Business ethics

1.1.1. Concept of Business Ethics

Business ethics includes two parts: business and ethics. Business ethics not only includes the ethical laws between people in business activities, but also includes the multifaceted and multidimensional ethical relationships between enterprises and their stakeholders. Business ethics is committed to establishing an ideal order in the business field that is consistent with economy, justice, and humanity: it not only promotes a virtuous cycle and sustained growth of the economy, but also motivates and promotes everyone to meet their needs, develop their abilities, and improve themselves. It can also integrate business into the overall coordinated development system of society.

1.1.2. Importance of Business Ethics

Business ethics, as an important component of moral culture, can bring vitality to enterprises and business entities, and promote a reasonable order of business ethics for harmonious development. It can adjust the relationship between personal interests, corporate interests, and the overall interests of society in a reasonable manner. Through personal moral cultivation and education, and through moral standards, entrepreneurs and operators can strengthen moral self-discipline and improve their own moral qualities. Business ethics is like personal morality, which is the moral and value red line of a company's business behavior, and the foundation for its existence and development. However, adhering to business ethics is not simple. When faced with the temptation of huge interests, if a company cannot adhere to its own business ethics bottom line and make irreversible mistakes beyond the minefield, it will bring greater losses to the company's interests. Moreover, companies that abandon business ethics will ultimately be abandoned by society that requires business ethics constraints.

1.2. Financial fraud

1.2.1. Concept of financial fraud

Financial fraud refers to the accounting treatment of an

enterprise's own economic or financial activities by various means in order to achieve one or more purposes, which is untrue, objective, and unfair. The act of fabricating or falsifying accounting matters in accounting to conceal or beautify the operating results and financial situation of a company constitutes illegal and criminal behavior.

1.2.2. Characteristics of financial fraud

Firstly, the risk of financial fraud among ordinary employees is too high, so financial fraud is usually instigated or directly involved by management [5], because management personnel have their own position advantages, and the means of fraud are more covert and diverse, making it less likely to be detected. Secondly, financial fraud is generally the subjective and intentional behavior of relevant personnel, which will be planned to achieve hidden purposes. Finally, financial fraud is generally an act that goes against authenticity, embellishing financial statements through various means, and even forging business transactions and fabricating numbers to achieve the purpose of financial cosmetic surgery.

2. Business Ethics and Accounting Professional Ethics in Financial Fraud

2.1. From the perspective of senior management in the company

For enterprises, especially listed companies, the main motivation for financial fraud is to beautify financial statements in order to achieve a series of utilitarian goals such as financing, improving personal and corporate visibility. Some of the managers failed to fulfill their responsibilities of protecting shareholder interests and mutual supervision, not only failing to fulfill their duty of diligence; Some managers are driven by greed and even collude with each other to commit fraud, abandoning the proper business ethics, violating the moral bottom line, and violating the law. Although financial fraud may temporarily help the interests of enterprises or individuals, in the long run, it can lead to a vicious cycle of economic growth between enterprises and

society, with no rise but retreat. It also goes against the ideal order of harmony between economy, justice, and humanity in society.

2.2. From the perspective of internal accounting personnel within the company

If the professional ability of internal accounting personnel is insufficient, it is easy for them to passively engage in financial fraud and be kept in the dark by executives; Due to the fact that internal accounting personnel are employed by enterprises or executives, there is a high risk of interference with their independence. They are subject to various factors and assist managers in financial fraud, but it is obvious that this is just drinking poison to quench thirst; Even some accounting personnel lack professional ethics, and in the face of financial fraud in enterprises, they not only fail to stop reporting in a timely manner, but also actively violate the eight principles of accounting professional ethics, participate in it, collude with managers, and infringe on the interests of shareholders and the overall enterprise. This not only lowers one's professional ethics and reputation, but also damages the reputation of the enterprise. This will lead to accounting personnel bearing administrative responsibilities and imposing fines, and may even result in being banned from the market, which is not worth the loss.

2.3. From the perspective of intermediary auditors

In reality, in the administrative penalty catalog of the China Securities Regulatory Commission, it can be seen that many financial fraud enterprises have been punished by the commission along with auditors. Apart from conspiring, the reason is that "in the process of auditing, auditors fail to maintain the professional attention they deserve, or fail to be diligent and responsible in auditing business", and are punished with fines and market bans. This indicates that many third-party intermediaries lack diligence and professional competence. Lack of professional ethics and professional skepticism. Some audit companies/auditors have completely let go of their professional ethics and doubts in the face of temptation, and issue unqualified audit reports on problematic financial reports. Regardless of the type, it is because auditors have failed to maintain a prudent practical attitude and strictly adhere to the bottom line of professional ethics.

3. Suggestions on Strengthening Business Ethics Construction and Improving Accounting Professional Ethics

3.1. Improving corporate governance mechanisms and cultivating business ethics correctly

Enterprises should strengthen their internal controls, intentionally decentralize power among departments, allocate departments reasonably, and constrain each other among departments and executives to avoid situations where important matters are discussed in one voice. When cultivating corporate culture, it is also important to focus on cultivating a business ethics concept centered on honest operation, fair competition, and respect for employee rights. Social responsibility should be taken seriously and undertaken. Through the implementation of business ethics

concepts, a good corporate image can be achieved [8]. This can also become the intangible asset of a company's reputation, breaking free from the vicious cycle of "merchant interests first" and "unethical business myths". Enterprise executives should also fully consider long-term interests, not only economic interests, but also the overall social interests. Enterprises can establish independent internal self inspection agencies that are independent of other departments to ensure the high independence of internal auditors.

3.2. Improve the ability of accounting personnel and strengthen professional ethics concepts

Accounting personnel should not only have practical skills, but also pay attention to the learning and improvement of professional ethics. Whether accounting personnel have professional ethics is related to the authenticity and reliability of various financial data of the enterprise. Accounting professionals should enhance their abilities, strengthen their professional ethics, and adhere to the five principles of honesty, objectivity and impartiality, professional competence, and diligent and responsible obligations, confidentiality, and good professional behavior in accounting practice. They should objectively and fairly record and organize financial information, not be influenced by subjective or other people's will, and resolutely avoid conformism. They should firmly say no to accounting fraud requirements and accounting fraud behavior.

3.3. Maintaining strong independence in auditing requires professional attention in practice

Before signing the audit contract, the auditor should fully understand the situation with the previous auditor and determine whether the company has engaged in any illegal or irregular behavior; After signing the audit contract, it is necessary to ensure a fair and just execution of the audit process, maintain due professional attention (caution) in audit practice, maintain high independence, enhance one's own professional ethics beliefs, and avoid factors such as economic interests, self-evaluation, affiliations, and external pressure affecting one's independence; Before issuing an audit report and opinion, it is necessary to provide a complete, objective, fair, detailed review of the events [10], and use sufficient and important evidence to verify the authenticity of the company's operating results and financial activities.

3.4. Improve the laws and regulations here to increase the cost of related mistakes

Relevant departments can define objective bottom lines and principles based on business ethics, establish clear reward and punishment mechanisms, enforce strict discipline, and provide material and spiritual rewards to individuals or institutions who stop or report financial fraud. Establish an effective social credit system that is reflected in all aspects of market activities; Punish individuals or institutions who lead or participate in accounting fraud. Intensify punishment and increase the cost of making mistakes. To put pressure on participants in market economy activities, such as entrepreneurs, executives, practitioners, auditors, etc., to uphold the core ethical concept of integrity and learn to abide by business ethics and professional ethics. In the Internet era, relevant departments can also make full use of public opinion

to publicize business ethics and professional ethics, and enhance the sense of responsibility of enterprises for themselves, shareholders, employees, and the society as a whole.

4. Conclusion

As a pioneer of private enterprises, Zhang Qian, a famous industrialist in modern China, not only possessed superb business wisdom, but also had a distinctive business ethics, which had a profound impact on business ethics. In business, one should also talk about "virtue". He believes that business ethics is the foundation for entrepreneurs to establish themselves. Indeed, businessmen pursue profits, but rather than pursuing their own "small profits", they should pursue the "big profits" of the country and the people. This is also the concept that business ethics integrates business into the overall coordinated development of society. In addition, both financial personnel and enterprises should prioritize integrity as their core value and fundamental adherence. Without faith, it is difficult to stand in one's heart; If a company lacks credibility, it will be difficult for it to stand in the world.

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