

Teaching Catholic Ethics in the Accounting Discipline: A Catholic Professor's View

by Shirley Polejewski
Department of Accounting

There are four interrelated levels from which to teach accounting: economics, measurement theory, mechanics, and ethical behavior. The economic relationships among investors, creditors, managers and auditors demand relevant and reliable measures of the earning power and the solvency of the organization. From this demand, a second level of teaching introduces students to measurement theory. This level provides measures of earning power and solvency, known as the conceptual or theoretical foundation of accounting, and at this level here underlies the procedures that lead to the financial statements. The mechanical level, which is the third level of teaching, consists of procedures used to prepare financial statements. These first three levels of teaching accounting should be completed in order to teach the fourth level of accounting, which is known as the transformation level or the teaching of business ethics.

Ethics is a major business asset, and ethical behavior is, in the long-run, in the best interests of managers, shareholders, and auditors. Many large companies have instituted special programs designed specifically to instill ethical behavior, and many well-known universities have implemented courses in business ethics. A Professional Code of Ethics is a part of the high standard of expectations of the accounting profession, while the Foreign Corrupt Practice Act of 1977 (the Act) requires companies to have sufficient internal controls to ensure that the accounting records accurately and fairly represent companies' financial activities. The Act explicitly prohibits bribery and other corrupt activities as well as requires detailed and accurate accounting records and the appropriate internal control systems. The Act requires that the internal controls provide reasonable assurance concerning: 1) proper authorization of transactions, 2) correct recording of transactions, 3) adequate safeguarding of assets, 4) reconciliation of records, and 5) periodic review of potential asset impairments and write downs. Not only does management publicly report the adequacy of internal controls, but management and the board of directors must satisfy themselves that the company is in compliance with the Act and the reporting requirements of the Securities Exchange Commission.¹

The attempt to understand problems in business and to develop a set of principles that are valid and applicable is not easy. In fact, some cases are so complex that they seem to defy solutions in terms of our grasp of ethical principles. Most of the day-by-day problems in business can be solved, but some thinkers deny this possibility.

Ethical problems arise not only from the difficulty experienced in making a valid moral judgment, but from the practical obstacles to the execution of even a correct decision. The study of business ethics must consider not only the principles to be applied but the human, cultural and institutional factors that influence their being.

As of now, we have not developed ethical concepts to deal with the world today, which seems to be dominated by speed. It appears we know the physiological reasons for birth and death and we know about space and can offer explanations of what has happened in the past; however, it appears that our ethical, moral and religious sense has not caught up with our scientific and technological precociousness.

In such a world it then appears we can no longer rely on current, accepted practices and folkways, but we must go back to basic principles and to the existing reality in order to develop intermediate principles and practical conclusions that have relevance and value.

Ethics is not merely an accepted practice inside the industry or the profession; neither is it something you can get away with and still keep the public quiet. Ethics involves respect for the civil law, but goes beyond that. Ethics appears to be the study of moral rightness and wrongness of human activity insofar as these can be known by reason. This study of business ethics must consider nearly all aspects of persons and their activity and the relationship to the ultimate and true good of persons and not merely what a person wants to do or think.

Business ethics is then an attempt to develop and apply basic principles in the area of human economic relations.² It appears that many problems in business are social problems that involve groups as well as individuals. Often one will be dealing with relative or physical goods rather than with absolutes.

Modern business ethics must go into questions of social and political philosophy as well as questions of truthfulness, exchange justice, and the fair treatment of employees. Any study of business ethics must consider the expectations of society, for this is where business exists. The business person must constantly re-examine his or her business creed and his or her own role in society.

Our knowledge and our judgments are conditioned by the ethos of our society.³ In an atmosphere of accepted and unquestioned values and attitudes that pervade a society, sometimes it gets into our thinking and colors, limits and binds us to real issues, such as conformity, buck passing, moral despair or materialism.

In view of the power of the ethos, it appears that it is necessary to question the fundamental concepts in business ethics such as responsibility, the individual, work and society, as it appears that these concepts have been eroded with time and are central to the discussion of business ethics. From the literature, it appears that business persons have indicated that they have an inability to relate their work and decisions to a frame of reference large enough for all the dimensions of their life, and this brings about an uneasiness to solve problems.

It appears that the first obligation of the person in business is to face the problems of responsibility as the problem actually exists not only in business but also in society.⁴ To face one's responsibility in business also involves a corresponding effort into other

departments of one's life. If one's private life is in tatters, can one be expected to face the problems of business with courage and consistency?

The ethicist can help one in straightening out one's system of values; the economist, political scientist and sociologist may supply one with useful information, but in the last analysis the business person must put the variables together and make a decision within the limits of his or her responsibility. Only the person in the field knows enough about the facts of the case to make a prudent judgment. This obligation, then, can only be fulfilled when one has a high degree of technical competence in his or her own field, and doing the right thing is not necessarily easy.

When there is a question of the social responsibility of business, there always seems to be questions of who has the major responsibility — the government, the public or business. The business person stands in a network of relationships and many of his or her decisions affect the public, the government, the company, stockholders, employees, the industry of which he or she is a part and the business community. These often times are in conflict and the executive must decide whose interests take precedence and to what extent. There is no easy way to make decisions.

A person is the image of God, and all created things exist for persons and society as well as business, and business must be ordered to a person's well-being and growth. People are not articles of commerce, and one cannot be indifferent to how our acts affect other people without being indifferent to ourselves. One cannot forget one's dependence on others and the sacred nature of people.

It appears business exists for persons and not persons for business. The person as a person is never to be used as a means. Because business is necessary for individuals and society, the work of individuals must be subject to the good of the firm.

While business must see that its activity is conformable to the public good, its direct and primary obligation is care for the particular goods of those involved in the company. The good of society is best served when the company strives to produce useful goods at the lowest possible cost and sell the goods at the lowest price consistent with fair wages, a fair return on investment and with long-range goals of a healthy company.

Profit is not a sign of success if it has been earned at the expense of the public, the employees, or the stockholders. Profit is not a criterion when it has resulted from the use of power, fraud or trickery, rather than from providing a real economic service.

The American business creed seems to judge success at work in terms of salary and profitability. Such standards can blur the meaning of work. Love of quality and workmanship seem to be subordinate to profitability. The Christian concept of work stands in opposition to Marx and the classical economists, because the Christian concept of man is his relationship to God and to the world.⁵

Work should be an expression of love as work transforms the world and should render the world a more fitting place for all to dwell in. While work may be natural to persons, the conditions under which persons work seem to be a consequence of the fall of Adam — that is, it carries the burden of frailty and faces the obstacles set up by sin. Work can be seen in the redemption of mankind as long as the sacrifices and toil are viewed as a price to restore the harmony desired by God. If harmony is restored, work becomes a note in a hymn of praise offered to God.

Despite the diversity of topics treated in this writing, the most basic insistence is that business must realize it has ethical problems, of both an individual and social nature.

It is the intent of the writer that many problems need not arise if the business person, through education and faith, can have an enlightened vision of what will actually contribute to the long-range health of the business community. This writing should also point out that the improvement of business ethics depends on the work of the church and schools.

Principles may guide conscience and check lists may stir the conscience but motivation of self is still needed. Realistically, it must be admitted that enlightened self-interest and rational considerations are not enough to move people to moral and ethical principles as most people require a religious motivation to enrich, reinforce and supplement the convictions of unaided reason. It appears the certitudes of faith are needed to complete the work of ethics.

A divine question that tests the meaning of our lives is: "What does it profit a man if he gains the whole world and suffers the loss of his soul?" This is a question that each business person should ask every day for fear his balance sheet is not good enough for eternity.

Faith can help each person to rise above temptations of the moment but hope is necessary if a person is to overcome the discouragement of day-to-day living. Virtue may have its own reward, but reward is not always visible in this world. Evil may prosper in the short-run while those who are noble or try to be are not assured of success all the time. Lack of concern of those around us is a constant invitation to give up and concede with the world as it is. It is assumed that hope that is grounded on the promises of God can keep a person going in this atmosphere.

The theological virtue of charity must be the final source of strength in business dealings as in all other spheres of life. Charity should be the force that breathes life and holiness back into the decision of man. From Corinthians 13, verses 4-7:

Charity is patient, is kind; charity does not envy, is not pretentious, is not puffed up, is not ambitious, is not self-seeking, is not provoked; thinks no evil, does not rejoice over wickedness, but rejoices with the truth; bears with all things, believes in all things, hopes all things, endures all things.

It is this spirit that enables people to accept the burden of existence and to face the task by changing the world into a reflection of its Creator.

In conclusion, it appears that social and ethical issues must receive the same attention as the traditional means of communication and decision making within the company and be an integral part of the workings of the corporations, just as financial and operational reports, strategic planning, policy making, goal setting and performance evaluation.

The call to be responsible and the teachings of responsibility should provide students and business people guidance and sustaining power in our religious traditions — virtue, habits, and attitudes. Should one choose to face the future with the strength of the past, there is much hope, but if one should not, the future is questionable.

References

1. Pratt, page 114.
2. Garret, page 5.
3. Garret, page 6.
4. Garret, page 23.
5. Garret, page 23.

Bibliography

Pratt, Jamie. Financial Accounting: Ohio: South-Western Publishing Co., 1994.

Garret, Thomas M. Ethics in Business: New York: Sheed and Ward, Inc., 1963.

Nader, Ralph, Green, Mark, and Seligman, Joel: "Who Rules the Corporation?" New Jersey: Prentice Hall, 1993.

Powers, Charles, and Vogel, David. Ethics in the Education of Business Manifest: New York: The Hastings Center, 1980.

Williams, Oliver and Houck, John, Ed. The Judeo-Christian Vision and The Modern Corporation: Indiana: University of Notre Dame Press, 1982.
