

Standards of Ethical Conduct for Management Accountants

Management accountants have an obligation to the organizations they serve, their profession, the public, and themselves to maintain the highest standards of ethical conduct. In recognition of this obligation, the National Association of Accountants has promulgated the following standards of ethical conduct for management accountants. Adherence to these standards is integral to achieving the *Objectives of Management Accounting*.¹ Management accountants shall not commit acts contrary to these standards nor shall they condone the commission of such acts by others within their organizations.

COMPETENCE

Management accountants have a responsibility to:

- Maintain an appropriate level of professional competence by ongoing development of their knowledge and skills.
- Perform their professional duties in accordance with relevant laws, regulations, and technical standards.
- Prepare complete and clear reports and recommendations after appropriate analyses of relevant and reliable information.

CONFIDENTIALITY

Management accountants have a responsibility to:

- Refrain from disclosing confidential information acquired in the course of their work except when authorized, unless legally obligated to do so.
- Inform subordinates as appropriate regarding the confidentiality of information acquired in the course of their work and monitor their activities to assure the maintenance of that confidentiality.
- Refrain from using or appearing to use confidential information acquired in the course of their work for unethical or illegal advantage either personally or through third parties.

INTEGRITY

Management accountants have a responsibility to:

- Avoid actual or apparent conflicts of interest and advise all appropriate parties of any potential conflict.
- Refrain from engaging in any activity that would prejudice their ability to carry out their duties ethically.
- Refuse any gift, favor, or hospitality that would influence or would appear to influence their actions.
- Refrain from either actively or passively subverting the attainment of the organization's legitimate and ethical objectives.
- Recognize and communicate professional limitations or other constraints that would preclude responsible judgment or successful performance of an activity.
- Communicate unfavorable as well as favorable information and professional judgments or opinions.

- Refrain from engaging in or supporting any activity that would discredit the profession.

OBJECTIVITY

Management accountants have a responsibility to:

- Communicate information fairly and objectively.
- Disclose fully all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments, and recommendations presented.

RESOLUTION OF ETHICAL CONFLICT

In applying the standards of ethical conduct, management accountants may encounter problems in identifying unethical behavior or in resolving an ethical conflict. When faced with significant ethical issues, management accountants should follow the established policies of the organization bearing on the resolution of such conflict. If these policies do not resolve the ethical conflict, management accountants should consider the following course of action:

- Discuss such problems with the immediate superior except when it appears that the superior is involved, in which case the problem should be presented initially to the next higher managerial level. If satisfactory resolution cannot be achieved when the problem is initially presented, submit the issues to the next higher managerial level.
If the immediate superior is the chief executive officer, or equivalent, the acceptable reviewing authority may be a group such as the audit committee, executive committee, board of directors, board of trustees, or owners. Contact with levels above the immediate superior should be initiated only with the superior's knowledge, assuming the superior is not involved.
- Clarify relevant concepts by confidential discussion with an objective advisor to obtain an understanding of possible courses of action.
- If the ethical conflict still exists after exhausting all levels of internal review, the management accountant may have no other recourse on significant matters than to resign from the organization and to submit an informative memorandum to an appropriate representative of the organization.

Except where legally prescribed, communication of such problems to authorities or individuals not employed or engaged by the organization is not considered appropriate.

¹ National Association of Accountants, *Statements on Management Accounting: Objectives of Management Accounting*, Statement No. 1B, New York, N.Y., June 17, 1982.