ETHICAL BASIS OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Alami Youssef
Ouezzani Mohamed Rachid
National School of Trade and Management
Tangier, Morocco

ABSTRACT

Similar to many other disciplines, accounting requires largely significant ethical knowledge and skills. Several studies have attempted to show the importance of ethics in the accounting profession. A popular issue is the accounting standards used by this profession, mainly the International Financial Reporting Standards (IFRS). Through a dialectical approach, we establish a content analysis of several articles of ethics' famous authors as well as the conceptual framework, IFRS content, and procedures used by the international accounting setter for the production and interpretation of standards. The results of this analysis enable us to identify the use of several principles, theories, and values of IFRS articulated by some authors and theorists of ethics. These international accounting standards are based on some theories of business ethics, particularly stakeholder and stockholder theories. Moreover, the IFRS use some ethical values of the capitalist society; such as equality, independence and security. These international accounting standards use several business ethics values, such as transparency, caution, confidence, respect, and honesty. Accordingly, several values and principles of ethics are implicitly present in the international financial and accounting standards.

Keywords: *Ethical, theories, International Financial Reporting Standards (IFRS), transfer, values*

ARTICLE INFO
Article History:
Received: 09 August 2014
Accepted: 03 March 2015
Published: 30 June 2015

Introduction

International Financial Reporting Standards (IFRS) are used for accounting standardization purposes at the international level. Its adoption with several changes gives some implications for the adopters. The IFRS were established by the International Accounting Standards Board (IASB) to enable countries to consider internally the use of international accounting. However, this corpus of standards or group of rules required several changes to satisfy the accounting needs of companies with various sizes and sectors. To meet these needs, the accounting standards use basic concepts and principles shared by most national accounting standards worldwide. Furthermore, the IASB attempts to develop new standards and to update the old norms. In a capitalist society, the IFRS favour the economic approach of the capitalist society and use some of these values as equality, independence, and security to assure a certain quality of accounting information.

Several factors contributed to the development of the IFRS. One factor is the attractiveness of the European and Asian markets as well as the financial scandals that happened in the early 2000s (e.g., Enron and Wordcom). These scandals revealed the need to harmonize accounting standards in all countries. These scandals also showed the need for obtaining ethical values in the process of developing and applying standards. Consequently, more countries have adopted the IASB standards to improve the harmonization and quality of their national standards. These countries have trusted the capacity of the international accounting standard setter to establish quality accounting standards.

Another key point that helped in the development and extension of the IFRS notoriety concerns the substantial and procedural legitimacy of the normalizer wrought across long years of work. Indeed, to face unearned political legitimacy (Burlaud and Collase, 2010), the IASB has acquired a procedural legitimacy based on the application of procedures expected to guarantee its impartiality and independence. Furthermore, this organism has built a substantial legitimacy based on the detention of knowledge and an admitted expertise. These legitimacies have helped the accounting standard setter to win the confidence of several countries.

To establish this confidence, the IASB has sought to set the image of a qualified institution since its creation. Indeed, this organism and the other organs constituting the IFRS Foundation implicitly use some functioning ethical values in their organization, such as equality, transparency, independence, security, respect, and prudence. In fact, several of these values that are articulated by many authors and theorists of ethics are implicitly included in the IFRS content and in the procedures of organization and functioning organs of the IFRS Foundation.

This study seeks to identify these ethical values and to show the implicit usage of the IFRS of the latter. It also seeks to identify the principal theories of ethics used by the IASB standards. Therefore, this research attempts to establish a new approach to study ethics in accounting. In fact, several previous studies have addressed this topic by studying the perception of ethics among accounting professionals (Koumbiadis and Okpara, 2008), the effect of ethics formation on the accountants' actions (Bean and Bernardi, 2005), and the articulated ethical values that must be respected by the processionals of this domain (Beets, 1992). No research has been conducted on the study of ethics in accounting through the accounting standards that regulate the profession.

We use a dialectical approach to discuss this topic. Accordingly, we review the major articles of ethics theorists. This literature review of ethics enables us to identify its main areas of application, the major theories of its authors, and the values articulated by its theorists. Subsequently, we conduct a content analysis of the conceptual framework, the content of accounting standards, and the procedures used by the international accounting setter for the production and interpretation of the IFRS. During this analysis, we are able to identify the implicit use of IFRS of several theories of business ethics, such as stakeholder and stockholder theories, including the utilization of the following principles of discourse ethics: principle of universalization and principle of debate. We further identify the usage of IFRS of several values of the capitalist society, such as equality, independence, and security, including some of the following business ethics values: transparency, caution, confidence, respect, and honesty. Moreover, the procedures of production and interpretation of IFRS are based on some theories of business ethics, particularly, stockholder and stakeholder theories.

The remainder of the paper is structured as follows. The first section presents ethics and its areas of application. The two subsequent sections analyze the literature review on ethics in accounting and the method of this study. The last section gives the results of the content analysis and identifies the theories of business, the principles of discourse ethics, and the business ethics values used by the IFRS.

Various Areas of Ethics

Ethics is a philosophical discipline that aims to apply actions and rules in keeping with the concepts of right and wrong. This notion is widely related to legitimacy, which is defined as the quality of legal, justice or equity. The legal bases, whether ethical or moral, are the root of legitimacy, which is based on authority. General ethics aims to articulate criteria that confirm respectful behaviours in a practical situation and when making responsible choices. Among the types of ethics are descriptive ethics, meta-ethics, applied ethics, and some forms of ethics specialized in different situations. Therefore, in an environment where individuals use their own conviction, the normative ethics attempts to assess the morality of their acts and actions according to the criteria of justice. Meta-ethics is linked to the normative ethics given its attempt to study the conceptual, epistemological, and ontological foundations of the normative ethics. Descriptive ethics is different from other branches of ethics as it focuses on moral beliefs of persons without carrying the burden of judgment or valuation.

Applied ethics, which interests us most, is connected to the normative ethics. Indeed, applied ethics attempts to apply and implement normative ethics norms. This branch of ethics aims to define some questions on human activities, such as health, sciences, economy, and culture. It is the declination in the world of the ethics (Parizeau, 1996). Applied ethics attempts to formulate specific ethics to human activities. The world of ethics according to applied ethics involves various domains such as environmental ethics, bioethics, business ethics and other forms of ethics.

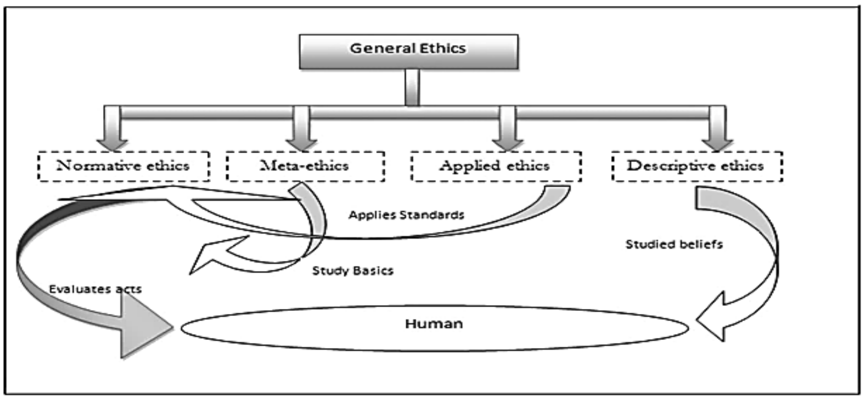

Figure 1: Different Branches of Ethics
(Source: Author's own figure)

Figure 1 shows the different branches of ethics. From general ethics, other branches of ethics have been formed as follows: normative ethics, meta-ethics, applied ethics, and descriptive ethics. Meta-ethics and applied ethics are related to normative ethics; meta-ethics studies the bases of normative ethics; and applied ethics applies the concepts and values of normative ethics. Normative ethics and applied ethics are both concerned with human activities, with the former evaluating human actions, and the latter describing human values.

Background of Study

The study of the use of ethics in accounting has been established by previous research in other aspects. A number of studies on the ethics of accounting have focused on the ethical behaviours and perception of future accounting professionals. Malone (2006) measured the ethical behaviours of accounting students in an environment familiar to the students and suggested that the moral behaviour of college students today would continue in the future when they are later employed. Koumbiadis and Okpara (2008) studied accounting ethics through the perception of the ethical behaviour of students in the five-year accounting program, including their view on the accounting profession in the 21st century and beyond. They also concluded that the survey results are in accordance with Kohlberg's ethical reasoning. Faour (2008) studied ethics in the accounting profession and established that the desire to act ethically is not a cognitive skill but a result of the role played by the accounting academics in enhancing their students' ethical behaviours. Other researchers have studied the ethical and professional acts of accountants and the methods to improve the future accounting professionals' perception of ethics. Bebeau (1995) showed that ethical motivation is enhanced when accounting students identify with their profession. Therefore, developing a sense of professionalism and enhancing pride in the profession are powerful motivators. Bean and Bernardi (2005) proposed the offering ethics courses in accounting to confirm its importance to students' academic preparation for the profession and thus underline the need for an accounting faculty to teach ethics in class. Beets (1992) found that a code of ethics might not be the best way to improve ethical behaviour.

In accounting standards, the study of ethics through the standards applied by the accounting professionals has not been addressed. These standards are important given that their rules regulate the accounting profession. Therefore, the present study seeks to solve this deficiency and aims to identify the implicit usage of IFRS of ethical values, concepts, and theories of ethics. We choose the IFRS among all the accounting standards because these accounting norms are implemented in over 122 countries.

Methods

We use content analysis as our method to approach the problem. Accordingly, we gather the initial information on the principal ethical values and theories of ethics from over 30 articles on ethics. These articles are mentioned and classified as the most cited by studies on ethics. Through a systematic and methodical review of textual and visual records of these writings, we establish a list of values and theories used and cited by popular theorists of ethics. Then, we conduct a careful review of the conceptual framework and the IFRS content. Through this review, we identify a set of values and theories of ethics as articulated by authors and theorists of ethics. Subsequently, four steps are established to identify the values and theories of ethics used by the IFRS:

1. Select documents to study. These documents consist of principal articles of famous authors of ethics, conceptual framework of the IFRS, and the IFRS norms;

2. Read the selected documents and the conceptual framework and norms of the IFRS;

3. Classify the documents; and

4. Interpret the documents.

IFRS and Ethical Values and Theories

As a result of our content analysis, we identify a number of theories, principles, and values of ethics implicitly used by the IFRS.

IFRS and Business Ethics Theories

Business ethics, also called ethics in management of the firm, is a form of ethics that applies dispositions and rules of ethics to economic and commercial business. This form of ethics developed quickly during the last period of the 21st century. Several authors such as De George (1982) agree that business ethics in its current form originated in the United States and began spreading in the 1970s. As accounting is one of the domains used by firms, it is partly an area of concern for the deployment of business ethics.

Following the various global financial scandals of the last two decades, the claim has grown in terms of ethical values in general and in terms of values of business ethics in particular. In fact, the absence of persons who possess values and sense of ethics in applying rules and laws made these rules and laws denuded of all meaning. Furthermore, the significant differences in accounting information triggered by the multitude of accounting standards used by some firms and which were revealed by the last financial crisis demonstrate the necessity for adopting the same high-quality accounting referential. In this sense, the international financial and accounting standards of IFRS, which drew inspiration from several areas of ethics, such as business ethics and discourse ethics (as we will demonstrate later in this paper), were chosen by several countries.

Popular during the 1980s, stockholder theory introduced by Friedman (1962) stipulates that the obligation of the firm is only toward its stockholders. This theory is divergent from stakeholder theory, which stipulates that the obligation of the firm is not only toward its stockholders but also toward the legitimate interests of all stakeholders in which the stockholders are only an element. Evan and Freeman (1984), who are among the first defenders of this theory, articulated that the responsibility of a firm is toward anyone who has a stake in or a claim on the firm.

Social contract theory states that the firm also has an ethical obligation toward its employees, consumers, and other actors. In other words, this theory stipulates firms' ethical obligations to abide by both the social welfare and justice terms of the social contract. This theory had a significant development in the first half of the 1980s. Donaldson and Dunfee (1991) were among the supporters of social contract theory. They introduced a complex version of this theory called the integrative social contracts theory.

A didactical discussion of the IFRS conceptual framework shows that these standards are inspired by the first two normative theories of business ethics: stockholder theory and stakeholder theory. The analysis of this framework indicates the smart use of stockholder theory and stakeholder theories. On one hand, these international standards use the first theory to articulate that the accounting information is designed for a large public. On the other hand, the IFRS use the second theory to specify that the information that serves the needs of investors satisfies the needs of other users.

Therefore, the approach of IFRS can be described as mixed. In fact, the conceptual framework of IASB standards specifies the report's design as intended for seven categories of users, which are the current and potential investors, the employees and their representative groups, the lenders, the suppliers and other trade creditors, the customers, the governments and their agencies, and the public. The same framework favours the investors and specifies that, given the investors' roles as providers of risk capital to the entity; it further articulates that the publication of financial statements that meet their needs will also meet most of the needs of other users.

Although the IFRS use these two theories, we can detect their tendency toward stockholder theory. This tendency can be drawn from the objective of the financial statements under the IFRS that aims to provide information relevant to users when making economic decisions. Given the roles of investors as providers of capital and as heavy risk takers, the IFRS consider this category as advantaged users. Therefore, given the investors' utmost concern for the other categories of information, this advantage was established for them.

Another point justifying this tendency of IFRS toward stockholder theory is its origin from the Anglo-Saxon accounting model based on the IASB standards. This accounting model uses stockholder theory. Therefore, the IFRS favour the same model as these standards have emerged and have been developed in the beginning by several experts of the IASC with the Anglo-Saxon accounting culture. According to these experts, the IASC could promote standards that are more aligned with the Anglo-American approach to accounting. Hopwood (1994) argued that "a key impetus for the establishment of the IASC" is to forestall "the imposition [in the EEC] of continental European statutory and state control on the much more discretionary relationship between corporate management and the auditor in the UK."

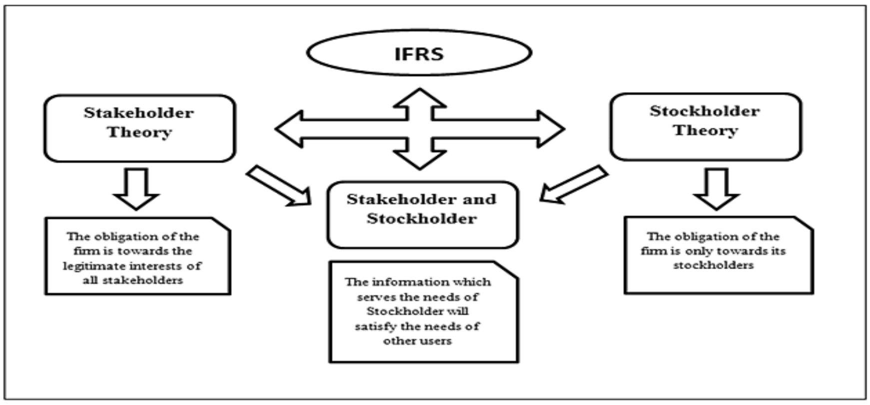

Figure 2: IFRS and the Usage of Stockholder and Stakeholder Theories
(*Source*: Author's own figure)

Figure 2 illustrates the use of IFRS of the normative stockholder and stakeholder theories, and provides some indications of these theories.

IFRS and the Implicit Usage of the Principles of Discourse Ethics

Discourse ethics defines the conditions and minimal possibilities of a mutual understanding among individuals in situations of verbal exchange. Habermas (1986) and Karl-Otto Apel (1994) are the two principal authors who considerably developed this reflection of ethics in the past four decades. These thinkers are considered the originators of modern discourse ethics. This reflection of ethics concerns various areas where communication is required. Financial communication in the IFRS, which plays an important role in the transfer of financial information in a globalized world, uses some concepts of discourse ethics. Furthermore, in view of the preparation of financial communication that uses accounting and financial standards, these norms implicitly adopt the rules of discourse ethics to provide users with better transmission and better understanding of information. These users can be from different categories and nationalities.

To satisfy the needs of accounting information users, the latter must be understandable. This understanding, which forms the base of efficiency of any verbal exchange, is one of the essential qualitative characteristics of reporting articulated by the IFRS in their conceptual framework. The latter explains that good reporting must have qualitative characteristics, such as intelligibility and comparability, which enable a better understanding of financial reporting. Intelligibility makes users (with a reasonable knowledge of accounting) understand the published information, and comparability enables accounting harmonization and therefore the unification of the accounting language. Comparability makes analysis in time and space possible. Therefore, accounting information becomes understandable because of comparability and intelligibility.

The notion of the mutual understanding of discourse ethics includes intelligibility and comparability, the two qualitative characteristics articulated by the IFRS. For Habermas (1986), mutual understanding is the product of communication and is one of the important discourse ethical concepts. At least two people who can speak and act identically can understand a speech act. Speech acts are used to achieve a common understanding after negotiating. These individuals have to understand identically an offer of a language act. This identical understanding refers to the giving of the same denotative and connotative signification to what is being said. The goal of mutual understanding is that human beings succeed in their communicative acts and can understand the message being communicated.

The mutual understanding of Habermas, used by the theoretician in his theory of communicative rationality, is mobilized in the IFRS in the form of intelligibility and comparability. These two characteristics ensure that information is understood by the maximum number of users with the conditions of mutual understanding. Intelligibility ensures that the information is understandable to users with a reasonable knowledge of accounting and finance. Comparability attempts to establish a standardization of rules and techniques. It is implicitly linked to intelligibility. A good understanding requires the usage of similar language acts and therefore comparability. The more homogeneous the acts of languages are, the more the communication and understanding become better.

Furthermore, given that the IFRS are designed for financial markets, these standards allocate particular importance to the activity of financial communication. For Habermas (1991), communicational activity can be defined as interactions in which the participants agree to coordinate in good intelligence their action plans. The agreement obtained is then determined to measure the intersubjective recognition of validity requirements. Therefore, for Habermas, rationality is important in a communication activity. It is the means to coordinate in "good intelligence." The IFRS use the rationality articulated by and mentioned in Habermas' theory of communicative rationality.

To influence users, information must be established in good intelligence. This intelligence of discourse ethics is articulated in the conceptual framework of the IFRS as the "relevance" characteristic. For the IASB standards, information has a relevance quality when it influences economic decisions of users. However, as it is underlined in the definition of the communicative activity of Habermas (1986), the information must be produced with good intelligence to influence users. The good intelligence of the IFRS information is to satisfy the needs of users by providing usable and able information to assist them in making decisions.

The process of argumentation is another point articulated by discourse ethics and used by the IFRS. According to the IFRS, the published notes of financial statements must include arguments and explain the situation. In terms of theoretical approach, the analysis of IFRS standards indicates that these norms are closely related to Habermas' communicative rationality (1999). The agreement of the community must be obtained to receive the approval of a standard by the IASB. Doing so involves a set of steps to seek the agreement between the persons concerned in the standard. Therefore, the organs of the IFRS Foundation use basic principles of discourse ethics, such as the principle of universality called the U principle and the principle of validity of norms by an argumentative procedure called the D principle.

To determine universality, the first principle aims to overcome the subjective and specific assessments and boost a general agreement as follows: "A norm is valid when the foreseeable consequences and side effects of its general observance for the interests and value-orientations of each individual could be jointly accepted by all concerned without coercion" (Habermas, 1998a). This principle is well used by the IASB. The IFRS intends to assure comparability of accounting and financial information. To achieve this objective, an initial consensus on norms in the adoption process by the IASB and a second agreement at the country level are requested. This second agreement provides political legitimacy to the IFRS (Burlaud and Colasse, 2010). These consensuses are essential for the adoption and application of the IFRS. Therefore, the principle of universality is used to provide validity to the IASB standards.

The IASB standards use the D principle of Habermas' discourse ethics. According to this principle, a norm should be the subject of debate and cooperation, as stipulated by Habermas: "Nothing but reasons can tip the balance in favour of the acceptance of a controversial norm" (Habermas, 1998a). The D principle requires that all persons affected by the norm be accepted (or could be) as participants in a practical debate on the validity of this norm. The IFRS Foundation considers this principle as a basis to develop and approve any IFRS norm.

This international institution includes the U and D principles in all the phases of development of each standard by the IASB and the interpretation of norms by the International Financial Reporting Interpretations Committee (IFRIC). In terms of the development process, the IASB uses a special procedure of debate and cooperation (D principle). It prepares a working document and submits it for discussion through a call to comment. The Board then analyzes these comments before publishing an exposition of the reviews showing the different opinions and bases of conclusions. The Board analyzes the accepted comments and can opt for the organization of a public meeting on the envisaged topic. It can also practice tests before approving or disapproving a standard. Similarly, the adoption process of norms uses the second principle of discourse ethics, which is the U principle argument. This argument justifies that the adoption of a norm has to be validated and accepted by all the participants in a debate. The decision of approval or disapproval of a standard must be argued and founded on an argumentation.

For the process of development of norms, the process of interpretation uses the D and U principles of ethics discourse. In interpreting a norm, the decision of final adoption by the IFRIC and the ratification by the IASB occur after a long procedure. The process begins with the identification of matters to be treated and their programming to the agenda of the IFRIC to meet and vote for future interpretation. Before voting, the committee examines the comments further by publishing an interpretation project and subjecting it to a call to comment, which is a collection of opinions and their debate (U principle). The IFRIC members' approval is accompanied by solid arguments (D principle).

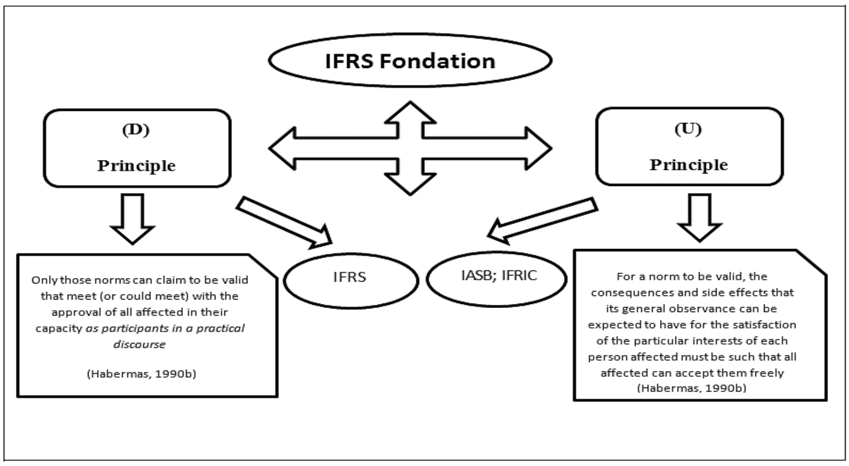

Figure 3: IFRS Foundation and the Usage of the U and D Principles
(*Source*: Author's own figure)

Figure 3 illustrates the IFRS' use of the two discourse ethics principles of Habermas (1986). The author refers to these principles as the principle of universality and the principle of debate.

Transfer of Ethical Values to the IFRS

Ethical values are numerous and applicable in various domains of human activities. These values are usually correlated with those of society. In view of the ideology's divergence at some point from one society to another, the ethical values are also expected to diverge.

The values of a capitalist society founded on the private property of the means of production, the profit motivation, and the accumulation of capital differ from those of a communist society based on private property in favour of the community and the research on the social equity of capital and material resources. In this regard, the construction of ethical values in a society depends on the values it adopts. The type of society and these values penetrate the areas of activity that apply these values.

The IFRS referential do not diverge from this tendency; it is generally influenced by the ethical values of the capitalistic society and the values of business ethics as cited by the following authors: Blanchard and Peale

(1998), Tourneau (2000), Gelinier (1991), Even-GrandBoulan (1988), Daigne (1991), Claude (1998), Falise and Regnier (1992), and Etchegoyen (1990,1991).

Among the ethical values of a capitalistic society as cited by these authors, we focus on equality, security and independence. These three values are used by the IASB and its IFRS norms. The international accounting standards also use business ethical values, such as transparency, honesty, prudence, respect, and faith.

Many countries and religions share equality, which is an ethical value of the capitalist society that represents the state and the quality of two equal things or things having the same characteristics. Equality is a universal value as evidenced by the universal declaration of human rights: "All human beings are born free and equal in dignity and rights." Equality is shared by the Christian, Jewish, and Muslim religions in which equality is included in the law of God. For Christians, "God created Human in his own image and likeness... Male and female, he created them." (Genèse 1, 27). For Muslims, the Prophet said, "Ô men! Certainly your Lord is one and your ancestor is one. The Arab has neither merit on non-Arabic, neither this one on Arab, the white has neither merit on the black, nor this one on the white; safe by piety" (Musnad Al-Imam Ahmad (5/411), hadith nº 23537). In the constitutions of most countries, equality is established as a principal right. It is even the currency of some countries, such as France.

The transfer of this value to the domains of human activity can be determined through various articles from authors of diverse human disciplines. As a human discipline, accounting uses equality as the basis of balance sheet presentation. It is based on the equality of asset and liabilities. Liability determines the source of funds, and asset defines the destination of this source. Asset is always equal to liability. The IFRS use equality to define the rules for managing international accounting.

Similar to most national standards, the IFRS are based on the equality of assets and liabilities. The standards also use equality to categorize users of accounting information. Under these norms, users of reporting are placed on the same footing. Therefore, the conceptual framework of the IASB standards articulates seven categories of users without distinction. These users are the present and potential investors, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies, and the public. Financial statements are created to satisfy their different needs for information. However, in terms of the content of this information, the conceptual framework stipulates that the information that satisfies the needs of shareholders will also answer to the needs of other users. The IFRS smartly use the principle of equality in this respect. This category is concerned with the additional information of other users because they are risk takers.

The IFRS use independence as the second ethical value of the capitalist society. It is a value announced by the code of ethical value of The International Federation of Accountants. This code that governs the behaviour of professional accountants worldwide defines the independence of mind as «the state of mind that allows the professional to express a conclusion without being affected by influences that compromise professional judgment, allowing him to act with integrity and to exercise objectivity with a critical spirit.» The independence of behaviour is «the need to avoid facts and circumstances that are so significant that a reasonable and informed third party, measuring all the specific facts and circumstances, would conclude that the integrity, objectivity or critical spirit to a firm or a member of the audit team have been compromised.» Independence presupposes an absence of relation of subjection, causal relation, and coordination among different entities. Independence provides some autonomy in decision making in an institution.

The IFRS Foundation uses this notion for the organizational plan and for the functioning of institutions. This organization highlights the presence of a certain independence of its institutions. Therefore, in terms of funding, the IFRS Foundation is based on different funding sources. The funds used by the institution come from a wide array of participants. The majority of the foundation's funding is based on national financing regimes relative to a country's gross domestic product, and the organization derives income from publications on related activities and from contributions of international accounting firms. These contributions must in no way be subject to a special initiative that could affect the independence of the organization. Through financial independence, the IFRS Foundation intends to maintain its integrity and freedom of thought.

In terms of functional independence, 22 members who assure the direction of the IASB and who are called "The Trustees" compose the IFRS Foundation. These 22 members come from different countries and are independent. Over 16 nationalities are currently counted. The objective of this diversity is to ensure the independence of the normalizer and to avoid any dependence of thought toward a country or an institution.

Security is the third ethical value of the capitalist society used by the IFRS norms. In any society, whether capitalist or not, security is the first condition of the social pact. It is the precondition of all rights and the condition that makes possible the respect of rights and the instauration of ethical values. Without security, a legal or ethical order is only a delusion. The IFRS norms use security in terms of organizing and funding these institutions. However, the analysis of the IASB standards shows that the security value for the IFRS is dependent in terms of the independence value because of the independence provided by the diversity of funding and the IFRS Foundation members. The organization wants to ensure the security of its institutions and its standards. This security is not only financial and organizational but also ideological.

The international standards of accountancy use not only values from the capitalist society but also values from the ethics of business. This form of ethics is based on a multitude of moral values shared with those of the capitalist society. Among these values are transparency, honesty, prudence, respect, and faith.

Transparency is a widely used notion. An object is literally transparent when it enables the passing through of light. Several domains use this notion to describe a state that they attempt to qualify. In finance, transparency is the revelation of the management of a firm or a market. Business ethics uses this value to produce quality information. Given that the ciphered translation of assets passes through accountancy and therefore through the production of transparent information with good standards, the IFRS ensure that transparency is at the core of most norms. This fact is demonstrated by several IFRS norms. For example, IFRS 7, which covers financial instruments, requires companies using the IFRS to disclose the amounts in the balance sheet and the maintained relationships in terms of risk. The objective here is to provide the reader with transparent information by grouping qualitative and quantitative financial information.

Etymologically, prudence consists of the act of thinking. This concept has become the main axle of several disciplines that include philosophy, science, law, and economy. In ethics, prudence is also called ethics of responsibility. It not only seeks to answer intentions and principles but also predicts the consequences of acts and actions made. Therefore, it aims to deliberate a man's action, whether it is good or bad, and thereafter allow acting on it depending on the result. A wise man is a careful man, not only because of what he is but also of what he can become.

Given the importance of prudence, business ethics considers this value as one of its pillars. The business environment is full of risks that require permanent and continuous precaution, and therefore useful and effective prudence is required. This value is even considered as a rule of keeping the accounts. Several national accounting repositories use prudence as a fundamental principle. The 4th European Directives of 1978, which aimed to harmonize the accounts of corporations within the common European market, declared prudence as an essential quality. For the IFRS, although they have not retained prudence in their conceptual framework, these standards encourage preparers to adopt a prudent attitude in the accounting registration process. Therefore, IASB norms encourage preparers to be realistic and not to overestimate or underestimate the forecast.

Several researchers in various disciplines have sufficiently discussed the notion of confidence. In the economy, confidence is considered a psychological state characterized by the intention to accept some vulnerability based on optimistic beliefs founded on the intention. Confidence is primordial in an economy as well as in business. Business ethics uses confidence as a condition for business success. To have a flourishing economy, the investors, consumers, and all the economic actors must be confident in the perspectives that the future reserves for them. An investment is linked to a promise of output or a performance and to consumption to a better future.

In a financial market, the users of financial information must be able to trust the information. The IFRS intends to restore confidence among the different actors of the financial market. Various financial scandals have showed the importance of a normalization that could restore and preserve confidence in financial communication. The objective is to provide quality information as evidenced by the various publications of the IASB. This normalizer aims to promote the respect for these standards and to improve the quality of accounting information to restore the confidence of the investors.

Without respect, rules and laws have no value. Considering that the IFRS are a corpus of norms, their respect is primordial. However, although international norms have an international vocation, these standards draw their political authority from the regulation of countries that apply these standards. The laws and regulations peculiar to every country or union of courtiers compel the IFRS to be required and respected. The European Union, for example, requires the application of the IFRS norms for consolidated accounts of societies quoted by the regulation EC 1606/2002 of July 19, 2002. This regulation requires the respect and the application of the norms adopted by the union and submits the respect of any IFRS norm to its adoption by the European Union.

Honesty, a business ethics value, is defined as the quality of what is in accordance with virtue and morality. No divergence or contradiction is assumed to exist among thoughts, words, and actions. This virtue is a key value of ethics in general and of business ethics in particular. Without this virtue, the good application of laws and regulations is inefficient. We can unsuccessfully attempt to adopt laws and regulations, but their effectiveness becomes a myth without honesty on the part of the person and the institutions responsible for their implementation. In accounting, honesty is widely solicited. This virtue can be a barrier that prevents financial crisis. Honesty is linked to other virtues, such as transparency. In the IFRS, honesty can be assimilated to the “fair value” concept. According to the IFRS, fair value is a rational and unbiased estimate of the potential market price of goods, service, or asset. IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date."

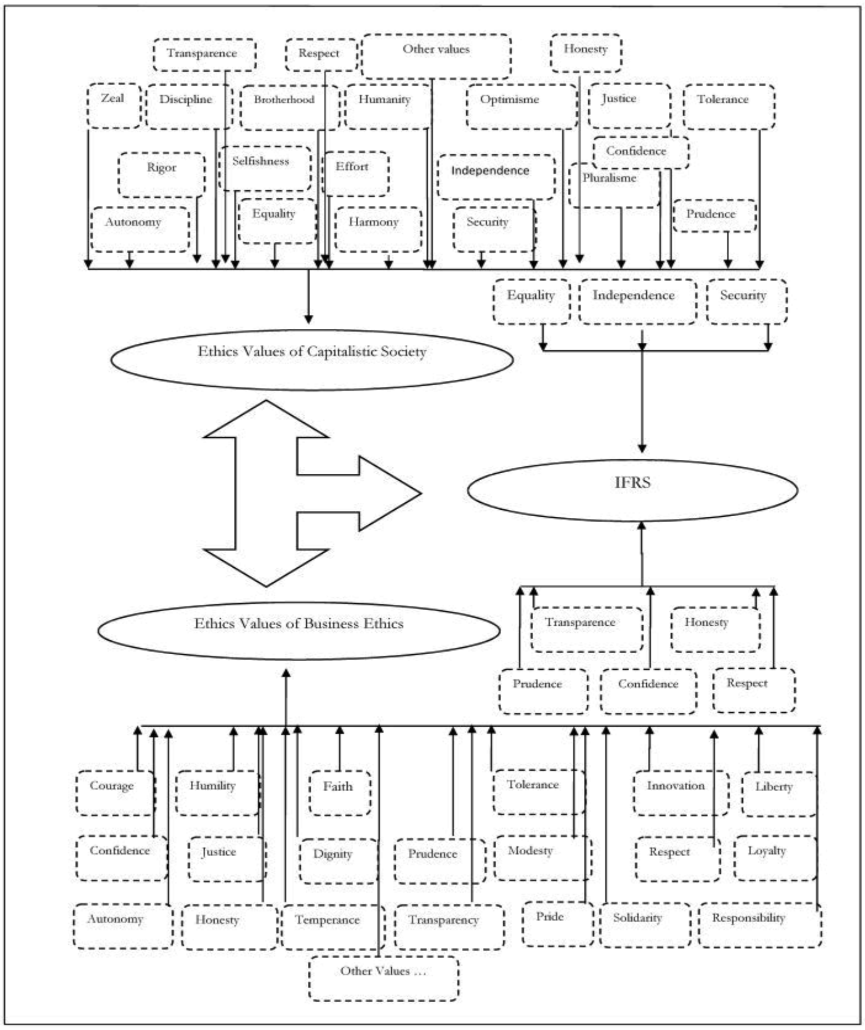

Figure 4: Influence of Ethics Values of the Capitalist Society and Business Ethics Values on the IFRS
(*Source*: The values of capitalist society are taken from Blanchard and Peale (1998), Le Tourneau (2000) Gélinier (1991) Even-GrandBoulan (1988), Deign (1991), Claude (1998), Falise (1992), and Etchegoyen (1990.1991). Business Ethics values are taken from the doctoral thesis entitled "The ethics of capitalist enterprise" by Cuivas Moreno (2003).

Figure 4 illustrates the use of IFRS of the values of a capitalist society and business ethics. In turn, business ethics is integrated with the values of the capitalist society.

Summary and Conclusion

Ethics includes a set of rules that complement legal rules. These ethical values are distinguished by their relatively broad scope. They provide the criteria for acting with a degree of freedom in a given situation and choosing responsible behaviour with respect to oneself and others. The following set of branches of general ethics is formed: normative ethics, meta-ethics, descriptive ethics, applied ethics, and other specialized forms of ethics applied in specific areas.

Ethical values concern not only broad areas, such as economics and finance, but also specialized disciplines. Accounting uses ethics to articulate the appropriate behaviour of accountants. Therefore, accountants must adopt certain ethical values. Similar to any other professionals, accountants are called upon to be honest, modest, just, dignified, prudent, zealous, responsible, loyal, tolerant, innovative, respectful, tolerant, and independent. What about the use of ethics in the accounting standards, such as the IFRS, used by these professionals?

Through a literature review of the principal theories articulated by the theorists of ethics and of the values mentioned by these theorists in their articles, we establish a list of principal theories and values of ethics. Thereafter, we conduct a reading of the conceptual framework and the IFRS content, and analyze the procedure of the production and interpretation of IASB standards in attempting to identify the usage of theories, principles, and values of ethics of IFRS.

Accordingly, international accounting standards are found to utilize a variety of models and values borrowed from general ethics, business ethics, and discourse ethics. Therefore, in terms of models, the IFRS use the model of stockholder and stakeholder value. The IASB standards apply these two models to meet the needs of various stakeholders while promoting the stockholder category, given that the stakeholders are confronted with extra risks.

Established mainly within a capitalist society, the IFRS use some ethical values of this society, such as equality, independence, and security value. Therefore, the analysis of the conceptual framework of the IFRS shows that the concept of equality used by religions and constitutions of countries is used intelligently by the IFRS to put the various categories of users on the same footing as regards access to information. However, in terms of content, the framework favours the investors because they are the risk takers. Similarly, international accounting standards resort to independence, which is a capitalist value that ensures certain autonomy of action. Through this independence used by the IFRS Foundation in the functioning and financing of its activities, the organization seeks to set an image of quality to these organisms. Moreover, through this financial and organizational independence, the foundation aims to ensure its security and sustainability.

Furthermore, the IASB standards use some values of business ethics. For example, we find the value of transparency, which is the revelation of the management of a firm or a market. We also find prudence, which is called "ethics of responsibility" and involves envisaging the consequences of the acts and actions performed according to the rules of ethics. These norms use confidence, which represents a primordial value for the smooth running of economy and its development. Honesty is close to the concept of fair value in the IFRS. The IFRS uses respect, which is the guarantor of the good application of norms and encourages accountants to respect them.

As it includes several ethical values, the IFRS have improved the quality of reporting. This improvement is evidenced by several studies on comparability (Ashbaugh and Pincus 2001; Chi 2009; Barth and et al. 2011; DeFond and et al. 2011) and the relevance of accounting information (Bao and Chow 1999; Morais and Curto 2009; Chalmers and et al. 2008).

References

Apel, K.O. (1994). Éthique de la discussion, Paris, Cerf.

Bebeau, M.J. (1995). Moral Reasoning in Scientific Research Cases for Teaching and Assessment, University of Minnesota.

Bean, D. and Bernardi, R. (2005). Accounting Ethics Courses: A Professional Necessity. *The CPA Journal, 75*(12), 64-65.

Beets, S.D. (1992). The Revised AICPA Code of Professional Conduct: Current Considerations. *The CPA Journal, 62*(4), 26-32.

Blanchard, K. and Peale, N. (1998). The Power of Ethical Management. New York: William Morrow and Company, Inc.

Burlaud, A. & Colasse, B. (2010). Normalisation Comptable Internationale: Le retour du politique. *Comptabilité Contrôle Audit, 16*(3), 153-176.

Claude, J.F. (1998). L'éthique au service du management. Paris, Ed. Liaisons.

Gauthier, L. (2000). L'impact des chartes d'éthique. *Revue Française de Gestion, 130*, 77-87.

Gélinier, O. (1991). Nouvelles responsabilités pour l'entreprise formatrice. *Économica,* 103-121.

Daigne, J-F. (1991). L'éthique financière. *PUF collection que sais-je?*, Paris, 2604.

De George, R.T. (1982). Business Ethics. New York: MacMillan.

Dunfee, T. W. (1991), Business Ethics and Extant Social Contracts. Business Ethics Quarterly 1, 23-51.

Etchegoyen, A. (1991). La Valse des éthiques. François Bourin.

Even-Granboulan, G. (1988). Ethique et Economie, Quelle morale pour l'entreprise et le monde des affaires? Paris: L'Harmattan.

Falise, M., & Regnier, J. (1992). Repères pour une Ethique d'entreprise. Lille, Centre d'éthique contemporaine.

Faour, I. (2008). Professionalism & Ethics in Accounting Education. *The certified accountant: 85, 3*(35), 82-85.

Habermas, J. (1991). De l'éthique de la discussion. Tr. fr. Cerf. Halevy 13.

Habermas, J. (1986). Morale et communication. Paris: Flammarion.

Hopwood, A.G. (1994). Some reflections on the harmonization of accounting within the EU. *European Accounting Review, 3*(2), 241-253.

Koumbiadis, N. & Okpara J.O (2008). Ethics and Accounting Profession: An Exploratory Study of Accounting Students in Post Secondary Institutions. *International Review of Business Research Papers, 4*(5), 147-156.

Malone, F.L. (2006). The Ethical Attitudes of Accounting Students. *Journal of the American Academy of Business, 8*(1), 42-146.

Freeman, R.E. (1984). Strategic management: A stakeholder approach. Boston: Pitman

Friedman, M. (1962). Capitalism and Freedom. Chicago: University of Chicago Press.

Gelinier, O. (1991). Nouvelles responsabilités pour l'entreprise formatrice. Paque, Paris: Économica, 103-121.

Moreno, R. (2003). Éthique de l'entreprise capitaliste : Essai sur « L'éthique de l'entreprise » en France et l'idéologie en France. *Thèse de Doctorat en Sciences de la Gestion.* Université de Corse Pascal Paoli: Institut d'Administration des Entreprises, L'Harmattan.

Parizeau, M-H. (1996). Les rapports entre la philosophie morale et l'éthique appliquée. *Dictionnaire d'éthique et de philosophie morale*. Paris: Presses Universitaires de France 3 rééditions.

Tourneau, P. (2000). L'éthique des affaires et du management au XXIe siècle. Paris: Dalloz.