2. **Fundamental Principles**

All Professional accountants shall comply with the 5 fundamental principles of ethics.

In this KLiP we would be briefing on 2 fundamental principles:

1. **Integrity; and**
2. **Objectivity.**

Followed by an example each.

1. **Integrity –** refers to being ***straightforward and honest*** in all professional and business relationships. It also implies to fair dealing and truthfulness.

   A professional accountant shall **not knowingly be associated** in any reports or information, where they believe that the information might:

   (a) Contain a materially false or misleading statement;

   (b) Contain statements or information that are provided recklessly; or

   (c) Purposely omit or obscure required information that would be misleading.

   However, in the real-world situation, when a professional accountant becomes aware of having been associated with any misleading information, the accountant shall take steps to be disassociated from that information.

   Example 1: Mr. David, an accountant was preparing to file the tax returns of the company. While keying in the figures for trade income, Mr. David was contemplating if he needs to under declare the income figures, to avoid paying higher tax. He thought by doing so none would find out since he was the only person who knew about this. Besides, he thought the tax authorities usually pay more attention to "Big Fish" and not "Small Fish" like him. An alternative thought scared him, as he knew this was illegal and if caught, he would lose everything. Finally, his conscience pricked, so he amended the figure and submitted the right returns. By doing this, Mr. David showed integrity to his profession.
   If Mr. David had will-fully submitted the wrong tax returns, then he would have breached the fundamental ethics principles of Integrity and Professional Behaviour.

2. **Objectivity –** refers to ***non-compromise*** of professional or business judgements because of ***bias***, ***conflict of interest or undue influence*** of others.

   A professional accountant shall **not** undertake a professional activity if a circumstance or relationship **unduly influences** the accountant's **professional judgement** regarding that activity.

Example 2: Mr. Ryan is an accountant in a pharmaceuticals company. His finance director asks him to contact the marketing director about implications of increasing the price of flu vaccine. The pricing agreement is drawn up between 3 main suppliers and all 3 agreed to increase the price. Mr. Ryan on the one hand is not involved in drug price fixing nor brokering the agreement with the competitors but on the other hand Mr. Ryan is seen as helping to implement an unethical act. Due to intimidation from the finance director and Mr. Ryan's desire to hold the job, do you think Mr. Ryan's integrity and objectivity is threatened?

Mr. Ryan needs to assess his position and take necessary action immediately.

With this we come to the end of this KLiP and the other 3 fundamental principles will be covered in the next KLiPs.

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