

The Year 2002—What Has It Taught Us? | by Margaret Butler, CMA, CPA

What a year it was! It was a year full of the news of Enron, Andersen, WorldCom, and others. It was a year of business failures—of tough economic times. It was a year filled with increasing distrust of business and financial executives. It was a year in which the U.S. government found it

necessary to establish more stringent requirements for financial reporting. It was a year in which financial professionals were forced to take a serious, introspective look at their business practices. But what have we learned from such a year?

These events and circumstances affected financial professionals worldwide. To quote Paul Volcker, as he addressed the World Congress of Accountants in Hong Kong: “What is at stake is the credibility of a profession that depends on credibility for what it does.”

Volcker challenged the profession to strengthen the credibility of financial reporting by adopting high-quality, enforceable reporting standards, by applying those standards fairly, and by providing effective oversight to ensure that the standards *are* enforced. We have learned that fair and consistent international reporting standards are needed as businesses become more global.

Perhaps even more significantly, we have seen a renewed awareness of the ethical standards that have been the hallmark of our profession throughout its existence. While we have acknowledged that standards of conduct can be established and enforced, we have recognized that ethics cannot be legislated. Many of the actions that triggered the events so widely publicized during 2002 did not result from failure of the standards but from failure of individuals to apply the standards in a sound,

honest, and ethical way.

We have learned that rules, which require compliance in specific situations, are less powerful in promoting ethical behavior than values, which influence behavior in *all* situations. For us as financial professionals, this means

that we must diligently apply our Standards of Ethical Conduct—the standards of competence, confidentiality, integrity, and objectivity. Instead of viewing them as “rules,” which we may feel comfortable “bending” just up to the “breaking point,” we must make them personal values that force us to look past the rule and focus on the outcome—the effects of our actions on our companies, our shareholders, the public, and the profession.

The events of 2002 have taught us that in order for our profession to maintain its credibility, those of us practicing today, as well as those entering the profession, must be absolutely committed to upholding its standards, not only the accounting, reporting, and auditing standards that govern our work, but also the values of honesty, integrity, and fairness that govern our conduct. Perhaps Premier Zhu Rongji of China, in his opening remarks to the World Congress of Accountants, challenged us most simply but most profoundly as he quoted the ancient adage, “Make no false accounts”—words by which our profession must continue to live. ■

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