ETHICAL ISSUES IN ACCOUNTING AND FINANCE: AN OVER VIEW OF HINDUSTAN COCA-COLA BEVERAGES PVT. LTD.

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Abstract:

The Coca-Cola Company is the world's largest nonalcoholic beverage company. the company own or license and market more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. Along with Coca-Cola, which is recognized as the world's most valuable brand, the company own and market four of the world's top five nonalcoholic sparkling beverage brands, including Diet Coke, Fanta and Sprite. Following are the objective for this study

- To study the General application of the code of Hindustan coca-cola beverages pvt.ltd.
- To evaluate the level of Professional accountants in public practice
- To analyse the Professional accountants in business
- To bring down the level of internal frauds and errors and to build investors confidence.

This is basically a descriptive study. However, it is exploratory in nature.It is found that proper audit system does control the accounting aspects while ethics guides the entire system of an organization in just and right manner. Ethics can maintain the business spirit over the years. Corporate values have shown the right path and will restrain the businesses from indulging in any unfair means. In order to improve investors confidence the company has to:To prepare a separate set of mandatory code of ethics covering all entities of a company.Public auditing system should be introduced to all issuing company.Frequent follow up and speedy remedial actions.Accounting controls system should be brought down under the new measures.Accounts should be audited twice a year.The term of a company auditor should not be more than 3-5years continuously.Considering the misdeeds resulting from unethical behaviour in companies like Enron, WorldCom, healthsouth, Satyam computers etc, non can deny that highly paid professional companies impacted thousands of lives and shook the financial markets.Ethical standards should not only set but also be met.

INTRODUCTION:

The Coca-Cola Company is the world's largest nonalcoholic beverage company. The company own or license and market more than 500 nonalcoholic beverage brands, primarily sparkling beverages but also a variety of still beverages such as waters, enhanced waters, juices and juice drinks, ready-to-drink teas and coffees, and energy and sports drinks. Along with Coca-Cola, which is recognized as the world's most valuable brand, the company own and market four of the world's top five nonalcoholic sparkling beverage brands, including Diet Coke, Fanta and Sprite. Finished beverage products bearing our trademarks, sold in the United States since 1886, are now sold in more than 200 countries.

The company make their branded beverage products available to consumers throughout the world through their network of Company-owned or controlled bottling and distribution operations, bottling partners, distributors, wholesalers and retailers — the world's largest beverage distribution system. Of the approximately 55 billion beverage servings of all types consumed worldwide every day, beverages bearing trademarks owned by or licensed to us account for approximately 1.7 billion. The company believe that their success depends on their ability to connect with consumers by providing them with a wide variety of options to meet their desires, needs and lifestyle choices.

Operating Segments

The Company's operating structure is the basis for our internal financial reporting. As of December 31, 2010, their operating structure included the following operating segments, the first six of which are sometimes referred to as ''operating groups'' or ''groups'':

• Eurasia and Africa

- Europe
- Latin America
- North America
- Pacific
- Bottling Investments
- Corporate

Product and Services:

The business system of the Company in India directly employs approximately 6,000 people, and indirectly creates employment for many more in related industries through our vast procurement, supply and distribution system. The vast Indian operations comprise 25 company-owned bottling operations and 24 franchisee-owned bottling operations. That apart, a network of contract-packers also manufactures a range of products for the Company.

● Coca-Cola ● Diet Coke ● Sprite ● Fanta ● Thums Up ● Limca ● Maaza and Kinley are Trademarks of The Coca-Cola Company

Individuals in management accounting and financial management constantly face ethical dilemmas. the accountant's immediate superior instructs the accountant to record the physical inventory at its original costs when it is obvious that the inventory has a reduced value due to obsolescence, what should the accountant do? To help make such a decision, here is a brief general discussion of ethics and the "Standards of Ethical Conduct for Members." Ethics, in its broader sense, deals with human conduct in relation to what is morally good and bad, right and wrong. To determine whether a decision is good or bad, the decision-maker must compare his/her options with some standard of perfection. This standard of perfection is not a statement of static position but requires the decision-maker to assess the situation and the values of the parties affected by the decision. The decision-maker must then estimate the outcome of the decision and be responsible for its results. Two good questions to ask when faced with an ethical dilemma

Objectives of the study

Following are the objective of this study

- To study the General application of the code of Hindustan coca-cola beverages pvt.ltd.
- To evaluate the level of Professional accountants in public practice.
- To analyse the Professional accountants in business.
- To bring down the level of internal frauds and errors and to build investors confidence.

METHODOLOGY

This is basically a descriptive study. However, it is exploratory in nature. The objective of the study is to investigate attrition per se. a questionnaire to this effect had been designed. The researcher examined various ethical issues, attitudes and attrition like interviews, in-depth interviews, psycho analytical approach, observation, etc.The researcher used primary and secondary data. The secondary sources had been the company's annual reports and websites.Ethical issues in Accounting Provides fair and accurate reporting of the financial position of a business Ethical issues Reporting income, falsifying documents, allowing or taking questionable deductions, illegally evading income taxes, engaging in frauds etc

A professional accountant should take qualitative as well as quantitative factors into account when considering the significance of a threat. If a professional accountant cannot implement appropriate safeguards, the professional accountant should decline or discontinue the specific professional service involved, or where necessary resign from the client

Threats and Safeguards

Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:

(a) Self-interest threats, which may occur as a result of the financial or other interests of a professional accountant or of an immediate or close family member;

(b) Self-review threats, which may occur when a previous judgment needs to be re-evaluated by the professional accountant responsible for that judgment;

(c) Advocacy threats, which may occur when a professional accountant promotes a position or opinion to the point that subsequent objectivity may be compromised;
(d) Familiarity threats, which may occur when, because of a close relationship, a professional accountant becomes too sympathetic to the interests of others; and
(e) Intimidation threats, which may occur when a professional accountant may be deterred from acting objectively by threats, actual or perceived.

Safeguards that may eliminate or reduce such threats to an acceptable level fall into two broad categories:
(a) Safeguards created by the profession, legislation or regulation; and
(b) Safeguards in the work environment.
Safeguards created by the profession, legislation or regulation include, but are not restricted to:
. Educational, training and experience requirements for entry into the profession.
. Continuing professional development requirements.
. Corporate governance regulations.
. Professional standards.
. Professional or regulatory monitoring and disciplinary procedures.
. External review by a legally empowered third party of the reports, returns, communications or information produced by a professional accountant.
. An explicitly stated duty to report breaches of ethical requirements.

Ethical Conflict Resolution

In evaluating compliance with the fundamental principles, a professional accountant may be required to resolve a conflict in the application of fundamental principles.

When initiating either a formal or informal conflict resolution process, a professional accountant should consider the following, either individually or together with others, as part of the resolution process:
(a) Relevant facts;
(b) Ethical issues involved;
(c) Fundamental principles related to the matter in question;
(d) Established internal procedures; and
(e) Alternative courses of action.

PROFESSIONAL ACCOUNTANTS IN PUBLIC PRACTICE

A professional accountant in public practice that may create threats to compliance with the principles. Consequently, should be applied to the particular circumstances faced.A professional accountant in public practice should not engage in any business, occupation or activity that impairs or might impair integrity, objectivity or the good reputation of the profession and as a result would be incompatible with the rendering of professional services

Threats and Safeguards

Compliance with the fundamental principles may potentially be threatened by a broad range of circumstances. Many threats fall into the following categories:
(a) Self-interest;
(b) Self-review;
(c) Advocacy;
(d) Familiarity; and
(e) Intimidation.

A professional accountant in public practice may also find that specific circumstances give rise to unique threats to compliance with one or more of the fundamental principles. Such unique threats obviously cannot be categorized. In either professional or business relationships, a professional accountant in public practice should always be on the alert for such circumstances and threats.Being threatened with dismissal or replacement in relation to a client engagement.

Being threatened with litigation.

. Being pressured to reduce inappropriately the extent of work performed in order to reduce fees.In the work environment, the relevant safeguards will vary depending on the circumstances. Work environment safeguards comprise firm-wide safeguards and engagement specific safeguards. A professional accountant in public practice should exercise judgment to determine how to best deal with an identified threat. In exercising this judgment a professional accountant in public practice should consider what a reasonable and informed third party, having knowledge of all relevant information, including the significance of the threat and the safeguards applied, would reasonably conclude to be acceptable.

Professional Appointment

Client Acceptance

Before accepting a new client relationship, a professional accountant in public practice should consider whether acceptance would create any threats to compliance with the fundamental principles. Potential threats to integrity or professional behaviour may be created from, for example, questionable issues associated with the client ,its owners, management and activities.

Engagement Acceptance

A professional accountant in public practice should agree to provide only those services that the professional accountant in public practice is competent to perform. Before accepting a specific client engagement, a professional accountant in public practice should consider whether acceptance would create any threats to compliance with the fundamental principles. For example, a self-interest threat to professional competence and due care is created if the engagement team does not possess, or cannot acquire, the competencies necessary to properly carry out the engagement.

Changes in a Professional Appointment

A professional accountant in public practice who is asked to replace another professional accountant in public practice, or who is considering tendering for an engagement currently held by another professional accountant in public practice, should determine whether there are any reasons, professional or other, for not accepting the engagement, such as circumstances that threaten compliance with the fundamental principles. For example, there may be a threat to professional competence and due care if a professional accountant in public practice accepts the engagement before knowing all the pertinent facts.

A professional accountant in public practice will ordinarily need to obtain the client's permission, preferably in writing, to initiate discussion with an existing accountant. Once that permission is obtained, the existing accountant should comply with relevant legal and other regulations governing such requests. Where the existing accountant provides information, it should be provided honestly and unambiguously. If the proposed accountant is unable to communicate with the existing accountant, the proposed accountant should try to obtain information about any possible threats by other means such as through inquiries of third parties or background investigations on senior management or those charged with governance of the client.

Conflicts of Interest

A professional accountant in public practice should take reasonable steps to identify circumstances that could pose a conflict of interest. Such circumstances may give rise to threats to compliance with the fundamental principles. For example, a threat to objectivity may be created when a professional accountant in public practice competes directly with a client or has a joint venture or similar arrangement with a major competitor of a client. A threat to objectivity or confidentiality may also be created when a professional accountant in public practice performs services for clients whose interests are in conflict or the clients are in dispute with each other in relation to the matter or transaction in question.

A professional accountant in public practice should evaluate the significance of any threats. Evaluation includes considering, before accepting or continuing a client relationship or specific engagement, whether the professional accountant in public practice has any business interests, or relationships with the client or a third party that could give rise to threats. If threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

Second Opinions

Situations where a professional accountant in public practice is asked to provide a second opinion on the application of accounting, auditing, reporting or other standards or principles to specific circumstances or transactions by or on behalf of a company or an entity that is not an existing client may give rise to threats to compliance with the fundamental principles.

Marketing Professional Services

A professional accountant in public practice should not bring the profession into disrepute when marketing professional services. The professional accountant in public practice should be honest and truthful and should not:

. Make exaggerated claims for services offers, qualifications possessed or experience gained; or
. Make disparaging references to unsubstantiated comparisons to the work of another.

If the professional accountant in public practice is in doubt whether a proposed form of advertising or marketing is appropriate, the professional accountant in public practice should consult with the relevant professional body.

Gifts and Hospitality

A professional accountant in public practice, or an immediate or close family member, may be offered gifts and hospitality from a client. Such an offer ordinarily gives rise to threats to compliance with the fundamental principles.

Custody of Client Assets

A professional accountant in public practice should not assume custody of client monies or other assets unless permitted to do so by law and, if so, in compliance with any additional legal duties imposed on a professional accountant in public practice holding such assets.

The holding of client assets creates threats to compliance with the fundamental principles; for example, there is a self-interest threat to professional behaviour and may be a self interest threat to objectivity arising from holding client assets. To safeguard against such threats, a professional accountant in public practice entrusted with money (or other assets) belonging to others should:

(a) Keep such assets separately from personal or firm assets;
(b) Use such assets only for the purpose for which they are intended;
(c) At all times, be ready to account for those assets, and any income, dividends or gains generated, to any persons entitled to such accounting; and
(d) Comply with all relevant laws and regulations relevant to the holding of and accounting for such assets.

Objectivity – All Services

A professional accountant in public practice should consider when providing any professional service whether there are threats to compliance with the fundamental principle of objectivity resulting from having interests in, or relationships with, a client or directors, officers or employees.

A professional accountant in public practice who provides an assurance service is required to be independent of the assurance client.

The existence of threats to objectivity when providing any professional service will depend upon the particular circumstances of the engagement and the nature of the work that the professional accountant in public practice is performing.

A professional accountant in public practice should evaluate the significance of identifying threats and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level.

PROFESSIONAL ACCOUNTANTS IN BUSINESS

Investors, creditors, employers and other sectors of the business community, as well as governments and the public at large, all may rely on the work of professional accountants in business. Professional accountants in business may be solely or jointly responsible for the preparation and reporting of financial and other information, which both their employing organizations and third parties may rely on. They may also be responsible for providing effective financial management and competent advice on a variety of business-related matters.

A professional accountant in business may be a salaried employee, a partner, director (whether executive or non-executive), an owner manager, a volunteer or another working for one or more employing organization. The legal form of the relationship with the employing organization, if any, has no bearing on the ethical responsibilities incumbent on the professional accountant in business.

Threats and Safeguards

Professional accountants in business may also find that specific circumstances give rise to unique threats to compliance with one or more of the fundamental principles. Such unique threats obviously cannot be categorized. In all professional and business relationships, professional accountants in business should always be on the alert for such circumstances and threats.

Safeguards in the work environment include, but are not restricted to:

. The employing organization's systems of corporate oversight or other oversight structures.

. The employing organization's ethics and conduct programs.

Potential Conflicts

A professional accountant in business, has a professional obligation to comply with the fundamental principles. There may be times, however, when their responsibilities to an employing organization and the professional obligations to comply with the fundamental principles are in conflict. Ordinarily, a professional accountant in business should support the legitimate and ethical objectives established by the employer and the rules and procedures drawn up in support of those objectives. Nevertheless, where compliance with the fundamental principles is threatened, a professional accountant in business must consider a response to the circumstances.

The significance of threats arising from such pressures, such as intimidation threats, should be evaluated and, if they are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. Such safeguards may include:

. Obtaining advice where appropriate from within the employing organization, an independent professional advisor or a relevant professional body.

. The existence of a formal dispute resolution process within the employing organization.

. Seeking legal advice.

Financial Interests

Professional accountants in business may have financial interests, or may know of financial interests of immediate or close family members, that could, in certain circumstances, give rise to threats to compliance with the fundamental principles. For example, self-interest threats to objectivity or confidentiality may be created through the existence of the motive and opportunity to manipulate price sensitive information in order to gain financially. Examples of circumstances that may create self-interest threats include, but are not limited to situations where the professional accountant in business or an immediate or close family member:

Holds a direct or indirect financial interest in the employing organization and the value of that financial interest could be directly affected by decisions made by the professional accountant in business;

. Is eligible for a profit related bonus and the value of that bonus could be directly affected by decisions made by the professional accountant in business;

. Holds, directly or indirectly, share options in the employing organization, the value of which could be directly affected by decisions made by the professional accountant in business;

. Holds, directly or indirectly, share options in the employing organization, which are, or will soon be, eligible for conversion; or

. May qualify for share options in the employing organization or performance related bonuses if certain targets are achieved.

In evaluating the significance of such a threat, and the appropriate safeguards to be applied to eliminate the threat or reduce it to an acceptable level, professional accountants in business must examine the nature of the financial interest. This includes an evaluation of the significance of the financial interest and whether it is direct or indirect. Clearly, what constitutes a significant or valuable stake in an organization will vary from individual to individual, depending on personal circumstances.

If threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate or reduce them to an acceptable level. Such safeguards may include:

Policies and procedures for a committee independent of management to determine the level or form of remuneration of senior management.

. Disclosure of all relevant interests, and of any plans to trade in relevant shares to those charged with the governance of the employing organization, in accordance with any internal policies.

. Consultation, where appropriate, with superiors within the employing organization.

. Consultation, where appropriate, with those charged with the governance of the employing organization or relevant professional bodies.

. Internal and external audit procedures.

Inducement: Receiving Offers

A professional accountant in business or an immediate or close family member may be offered an inducement. Inducements may take various forms, including gifts, hospitality, preferential treatment and inappropriate appeals to friendship or loyalty.

Offers of inducements may create threats to compliance with the fundamental principles. When a professional accountant in business or an immediate or close family member offered an inducement, the situation should be carefully considered. Self-interest threats to objectivity or confidentiality are created where an inducement is made in an attempt to unduly influence actions or decisions, encourage illegal or dishonest behaviour or obtain confidential information. Intimidation, threats to objectivity or confidentiality are created if such an inducement is accepted and it is followed by threats to make that offer public and damage the reputation of either the professional accountant in business or an immediate or close family member.

The significance of such threats will depend on the nature, value and intent behind the offer. If a reasonable and informed third party, having knowledge of all relevant information, would consider the inducement insignificant and not intended to encourage unethical behaviour, then a professional accountant in business may conclude that the offer is made in the normal course business and may generally conclude that there is no significant threat to compliance with the fundamental principles.

If evaluated threats are other than clearly insignificant, safeguards should be considered and applied as necessary to eliminate them or reduce them to an acceptable level. When the threats cannot be eliminated or reduced to an acceptable level through the application of safeguards, a professional accountant in business should not accept the inducement. As the real or apparent threats to compliance with the fundamental principles do not merely arise from the acceptance of an inducement, but, sometimes, merely from the fact of the offer having been made, additional safeguards should be adopted. A professional accountant in business should assess the risk associated with all such offers and consider whether the following actions should be taken:

(a) Where such offers have been made, immediately inform higher levels of management or those charged with governance of the employing organization;

(b) Inform third parties of the offer – for example, a professional body or the employer of the individual who made the offer; a professional accountant in business should, however, consider seeking legal advice before taking such a step; and

(c) Advise immediate or close family members of relevant threats and safeguards where they are potentially in positions that might result in offers of inducements, for example as a result of their employment situation; and

(d) Inform higher levels of management or those charged with governance of the employing organization where immediate or close family members are employed by competitors or potential suppliers of that organization.

Making Offers

A professional accountant in business may be in a situation where the professional accountant in business is expected to, or is under other pressure to, offer inducements to subordinate the judgment of another individual or organization, influence a decision-making process or obtain confidential information.

Such pressure may come from within the employing organization, for example, from a colleague or superior. It may also come from an external individual or organization suggesting actions or business decisions that would be advantageous to the employing organization possibly influencing the professional accountant in business improperly.

A professional accountant in business should not offer an inducement to improperly influence professional judgment of a third party.

Where the pressure to offer an unethical inducement comes from within the employing organization, the professional accountant should follow the principles and guidance regarding ethical conflict resolution set out.

Taxation Matters

Fraudulent evasion and attempted evasion of taxes are criminal offences.The making of false statements (whether written or not) relating to tax with intent to defraud the Revenue or delivery of false documents with that intent are likewise criminal offences.Tax avoidance is not an offense and should be distinguished from evasion. Avoidance consists of the arrangement of a taxpayer's affairs within the law so as to minimize the incidence of tax. In advising on methods of minimizing tax, members must obviously have regard to the dominant objectives of the client's transactions, particularly having regard to the provisions of sections 61 and 61A of the Inland
Revenue Ordinance.

Penalty Proceedings and Mitigation

The statutes imposing taxes and duties usually define a number of offences for which money penalties recoverable in penalty proceedings are prescribed. Penalty proceedings are not criminal proceedings, and the recovery of a penalty against a taxpayer does not normally prejudice the institution of criminal proceedings against him; although in the case of proceedings instituted under section 82A of the Inland Revenue Ordinance to recover additional tax, the taxpayer is protected from criminal proceedings under section 80(2) or 82(1) in respect of the same facts.

Property Tax, Salaries Tax, Profits Tax and Interest Tax

At the date of publication of this section the taxes with which members are most likely to be concerned are property tax, salaries tax, profits tax and interest tax.

Taxation Frauds and Negligence Involving Accounts

(a) ***Presumption as to return statements and forms submitted by one person on behalf of another***

The attention of members is drawn to subsection (5) of section 51 of the Inland Revenue Ordinance, which provides that any returns or statements submitted by or on behalf of any person shall be deemed to have been submitted by him or by his authority unless he proves the contrary. In view of this provision, and in order to minimize the risk of misunderstanding between the client and the accountant, members are recommended to ensure that they are acting under an appropriate authority when submitting accounts to the Inland Revenue Department in connection with the ascertainment of a client's liability to property tax, profits tax or interest tax and to take steps to ensure that the client has signed or otherwise approved the accounts.

(b) ***Past accounts later found to be defective***

A member's duty of confidence to his client can be qualified by the client's own conduct. If a client has withheld information from or otherwise deceived a member, with the result that accounts prepared or reported upon by him or returns or computations based thereon were defective, and the member has submitted or is aware that the client has submitted those accounts or documents to the Inland Revenue Department, it would be improper for the member to allow the Inland Revenue Department to continue to rely upon them. He should advise his client to make a complete disclosure to the Inland Revenue Department.

Having advised his client to make such disclosure without delay, the member should, for his own protection, ensure that a record of his advice to his client is kept, so as to rebut any possible charge of conspiracy with or of aiding and abetting his client under section 80(4) or of assisting his client to evade tax under section 82(1) of the Inland Revenue Ordinance.

If the client refuses to act in accordance with the member's advice to make an immediate disclosure, the member should inform his client that he can no longer act for him in tax matters and that it will be necessary for the member to inform the Inland Revenue Department that, since he prepared or reported upon the accounts concerned or the returns or computations based thereon, he has acquired information which indicates that those accounts or documents cannot be relied upon and that he has ceased to act for the client in tax matters. The member should then so inform the Inland Revenue Department, but he is under no legal duty to furnish details of the reasons why the accounts are defective and normally it would be improper for him to do so without first obtaining the client's consent. (For the circumstances in which he could do so, see paragraphs 410.8 to 410.18 above). Although members are normally under no legal duty to furnish such information to the Inland Revenue Department, attention is drawn to sections 51(4) and 51B of the Inland Revenue Ordinance. Under these sections the Inland Revenue Department may require members to furnish such relevant information as may be required, and may obtain search warrants for the purpose of obtaining such information. Should such action be taken by the Inland Revenue Department, the member would be under no obligation to obtain the client's consent before releasing such information.

(c) ***Accounts currently being prepared or audited***

A member may acquire knowledge of matters which do not affect past accounts, but would result in the Inland Revenue Department being defrauded if not properly dealt with in the accounts which the member is currently engaged in preparing or auditing. If the client fails to provide such information as the member may require or refuses to agree to the accounts being drawn up in the manner which the member considers necessary, then the member clearly has a professional obligation to include such qualifications in his report on the accounts as will indicate the respects in which they are defective. A member must always bear in mind that "Any person who willfully with intent to evade or to assist any other person to evade tax ...... makes any false statement; ...... signs any statement or return without reasonable grounds for believing the same to be true; or falsifies or authorises the falsification of any books of account or records shall be guilty of a misdemeanor."

Taxation Frauds and Negligence not Involving Accounts

Taxation frauds and negligence through the medium of defective accounts. A member may, however, acquire knowledge indicating that a client has been guilty of taxation frauds or negligence by means which do not affect the client's accounts. The member should advise his client to make a complete disclosure to the Inland Revenue Department. If the client refuses to do so, the member's position will depend upon whether or not the matter is within the scope of the duties he has undertaken for the client:

(a) if it relates to taxation matters on which the member has not acted for the client (for example, omission of private income where the member has dealt only with the tax computations of business profits and not with the client's tax returns), the member has no further duty and it would normally be improper for him to make any disclosure to the Inland Revenue Department. He could lawfully continue to act for the client as hitherto. He may prefer to terminate the association.

(b) if it relates to taxation matters on which the member has acted for the client, then the member should inform the client that he can no longer act for him and that it will be necessary for the member to inform the Inland Revenue Department that he must dissociate himself from the returns (or other information involved) for the years in question and that he has ceased to act for the client on taxation matters. The member should then so inform the Inland Revenue Department, but he is under no duty to give further details and it would normally be improper for him to do so without first obtaining the consent of the client

General Professional Duty to Give Guidance

The advice given in the preceding paragraphs is in no way intended to assist a member to shield a client from the consequences of having defrauded the Crown of tax, or of having been negligent in regard to tax matters. A member should regard himself as having a professional obligation to urge upon a client, in the client's own interests, the importance of making a full disclosure and authorizing the member to proceed, where necessary, with "back duty" negotiations.

Circumstances vary and it is not always that a client fully appreciates the seriousness of his offense or the consequences that may ensue: in particular he may not realize that if there is no disclosure and the Inland Revenue Department later discovers a fraud, there is a considerably greater likelihood of a criminal prosecution than where a suitable monetary settlement is offered on the client's own disclosure.

The client may also not realize that if a member is obliged to cease to act for him and notifies the Inland Revenue Department to that effect in the manner advised this may well result in the Inland Revenue Department commencing enquiry which lead to the discovery of fraud.

CONCLUSION

The study was completed in the field under uncontrolled conditions, involvement of multifarious factors. It was not possible to quantify the numerically. However, research indicated important areas in several aspects of ethical issues in the company. This could be used as guidelines for increased efficiency and control.

Management of the Company is responsible for the preparation and integrity of the consolidated financial statements appearing in our annual report on Form 10-K. The financial statements were prepared in conformity with generally accepted accounting principles appropriate in the circumstances and, accordingly, include certain amounts based on our best judgments and estimates. Financial information in this annual report on Form 10-K is consistent with that in the financial statements. Management of the Company is responsible for establishing and maintaining a system of internal controls and procedures to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements. The internal control system is supported by a program of internal audits and appropriate reviews by management, written policies and guidelines, careful selection and training of qualified personnel and a written Code of Business Conduct adopted by our Company's Board of Directors, applicable to all officers and employees of our Company and subsidiaries. In addition, our Company's Board of Directors adopted a written Code of Business Conduct for Non-Employee Directors, which reflects the same principles and values as our Code of Business Conduct for officers and employees but focuses on matters of relevance to non-employee Directors. Because of its inherent limitations, internal controls may not prevent or detect misstatements and, even when determined to be effective, can only provide reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In countries like india the introduction of ethical governance will benefit all the stakeholders. Although many companies have successfully established corporate governance into their management systems, but have failed to promote ethical governance in reality. Ethics is a virtue human quality that cannot be formed, managed and controlled by means of standards, rules or regulations. However company like Hindustan coca-cola beverages private limited have successfully promoted ethical governance together with stringent corporate governance norms .

Hindustan coca-cola beverages private limited company with sound ethical practices and established values report improved employee morale, reduced employee turnover and increased productivity. It is expected that such ethical governance shall act against all corruption, discrimination, exploitations, misutlisation of resources, moral degradation, malpractices and unethical behaviours of the people.

In the light of recent scams and to avoid repetition of such incidents, there is a need to make government's audit compulsory for all big private sector companies on lines of public sector companies.

Suggestions:

It is found that proper audit system does control the accounting aspects while ethics guides the entire system of an organization in just and right manner. Ethics can maintain the business spirit over the years. Corporate values have shown the right path and will restrain the businesses from indulging in any unfair means. In order to improve investors confidence the company has to:

1. To prepare a separate set of mandatory code of ethics covering all entities of a company.
2. Public auditing system should be introduced to all issuing company.
3. Frequent follow up and speedy remedial actions.

4. Accounting controls system should be brought down under the new measures.
5. Accounts should be audited twice a year.
6. The term of a company auditor should not be more than 3-5years continuously

Considering the misdeeds resulting from unethical behaviour in companies like Enron, WorldCom, healthsouth, Satyam computers etc, non can deny that highly paid professional companies impacted thousands of lives and shook the financial markets.Ethical standards should not only set but also be met.

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