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ETHICAL ACCOUNTING PRACTICES AND FINANCIAL REPORTING QUALITY

Hope Osayantin AIFUWA*
*Department of Accounting,
Faculty of Management Sciences,
University of Benin, Benin City,
Edo State,
Nigeria.

Kemebradikemor EMBELE**
**Department of Accounting,
Faculty of Management Sciences,
University of Benin, Benin City,
Edo State,
Nigeria.

Musa SAIDU***
***Department of Accounting and Finance,
School of Business and Governance
Kwara State University,
Malete, Kwara,
Nigeria.

ABSTRACT

Despite the large numbers of regulatory bodies governing the accounting profession, financial reporting and its end products (financial statements) still lack external validity and reliability. Against this backdrop we investigated the effect of ethical accounting practices on financial reporting quality. Primary data was used for the study. The data was sourced from questionnaires administered to practising and non-practising accountants in tertiary institutions in Edo state. Preliminary analysis was done and appropriate statistical estimation was used to make inference on the population studied. The analysis of the data showed that accounting ethics had a significant relationship with financial reporting quality. The study recommends that accountants should uphold high ethical standards and that further work should be done on this subject area taking into account religiosity.

KEYWORDS: *Integrity, Objectivity, Relevance, Timeliness, Normality Financial reporting* quality.

***ORCID ID:** 0000-0001-8908-6637

1. INTRODUCTION

The broad objective of financial reports or financial statements is to communicate economic forecast and information about the resources and performance of a reporting firm (Alexander & Britton, 2000). This information is intended to assist users in making well-reasoned investment, credit, and financial decisions about providing resources to the firm

(Arowoshegbe, Uniamikogbo, & Atu, 2017). Due to this fact, it is perceived that the preparers and auditors of financial statements did a quality work as their reports are taken by stakeholders to be truthful. It, therefore, becomes imperative for firms to provide high-quality financial information that will aid decision making of investors and other users of financial information (IASB, 2008).

The quality of financial reporting can be measured in terms of its features, such as relevance, faithful representation, understandability, comparability, and timeliness of the financial reports (Beest, Braam & Boelens, 2009). Past studies have indicated that these qualities are found in financial statements when preparers of financial reports uphold high ethical standards in relation to their duties.

Ethical accounting practices are governed by several ethical standards issued by accounting bodies and agencies globally and locally. Globally, the International Federation of Accountants (IFAC) set out the code of ethics for professional accountant which includes integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. These codes of ethics can be applied to both professional accountants in public practices and professional accountants in business (IFAC, 2005). In Nigeria, various bodies and agencies regulate the operations of accountants as well as their ethical dealings and practices. These bodies include - the Companies and Allied Matters Act 2004 (as amended), Financial Reporting Council (FRC), Institute of Chartered Accountant of Nigeria (ICAN), the Association of National Accountants of Nigeria (ANAN), as well as the Chartered Institute of Taxation of Nigeria (CITN).

Numerous ethical issues have been listed out, ranging from conflict of interest, insider dealings, acceptance of gift, Professional behaviour (Enofe, Edemenya & Osunbor, 2015; Fatoki, 2015) despite the profession having global and local bodies regulating the code of ethics. Ethics is generally concerned with the rightness or wrongness of an act. It deals with human conduct in relation to what is morally good and bad, right and wrong (Rush, 2006). Researchers sometimes confuse ethics with morality. Ngamen (2014) made a clear distinction between ethics and morality opining that ethics is particular or specific in nature, while morality is general in nature. Different professions (Law, Medicine, Engineering, Architecture, etc.) have their respective code of ethics, which are particular to the profession. Generally, according to worlds' practice, if an individual commits an offence or crime, for example, in a case of murder, it is generally known that the accused will be prosecuted and if found guilty, will be made to face the full wrath of the law.

Looking at the strength of agencies and regulating bodies in the accounting profession, it is quite sad that the profession's end products (financial statements and reports) still lacks public confidence due to the failure and ultimate collapse of some major firms. Eron, WorldCom, and Global Crossing in the USA; Paramalot in Italy; and Cadbury, NAMPAK and Afri-Bank in Nigeria have been noted as classical examples. Reportedly, these firms were consistently audited by reputable firms who were also indicted, of which one of the big four audit firms was listed (Yunanda & Majid, 2011; Salaudeen, Ibikunle & Chima, 2015).

More recently, an educational sector in Nigeria - the Joint Admission Matriculation Board (JAMB) in July 2017 announced the remittance of N5bn to the Federal Government which happens to be the highest so far in the last 40 years of its existence (Punch Newspaper, September 14, 2017). This incited questions on previously remitted amounts and consequently led to the probe of previous management. Not quite long, the same educational sector (JAMB) reported that a snake swallowed N36 million of its revenue (Vanguard Newspaper, February 17, 2018). It is quite sad that the ethical accounting practices are not carried out to the latter with the utmost standards.

This current study was motivated by the uniqueness of our explanatory variables (the IFAC code of ethics), various researchers used only two or four proxies for their explanatory variables (see Enofe, et al., 2015; Ogbonna & Ebimobowei, 2012; Erin & Ogundele, 2016; Eginiwin & Dike, 2014). Also, most of these studies used a parametric estimation technique without fulfilling the assumptions of its usage. Therefore, their results and generalizations are in doubt on this subject matter. In view of the above, the following research questions were addressed.

1. What is the effect of professional behaviour on financial reporting quality?
2. What is the impact of objectivity on financial reporting quality?
3. What is the effect of integrity on financial reporting quality?
4. What is the relationship between confidentiality and financial reporting quality?
5. What is the effect of professional competence, due care on financial reporting quality?

1.1 Objectives of the Study

The broad objective of this paper was to investigate the effect of ethical accounting practices on financial reporting quality. Specifically, the objectives are to;

1. examine the effect of professional behaviour on financial reporting quality;
2. observe the impact of objectivity on financial reporting quality;
3. ascertain the influence of Integrity on financial reporting quality;

4. assess the impact of confidentiality on financial reporting quality; and
5. examine the effect of professional competence, due care on financial reporting quality.

1.2 Research Hypothesis

1. Ho1: Professional behaviour has no Significant effect on financial reporting quality
2. Ho2: Objectivity has no impact on financial reporting quality
3. Ho3: Integrity has no significant effect on financial reporting quality
4. Ho4: Confidentiality has no significant impact on financial reporting quality
5. Ho5: Professional competence, due care has no significant effect on financial reporting quality.

2. LITERATURE REVIEW

2.1 Financial Reporting Quality

Verdi (2006) defines financial reporting quality as the exact manner in which it shows information as regards a business activity as it relates to its anticipated cash flows, with the aim of informing the shareholders about a company`s operation. Financial reporting quality is the degree of which financial statement provides us with information that is fair and authentic about the financial position and performance of an enterprise (Tang, Chen & Zhijun, 2008). It could be deduced from the definitions above that for a financial statement to be regarded as possessing high-quality attribute, it must have genuine information about the economic performance, financial position and the activities of the business in relation to its cash flows generation aimed at providing information that are useful to shareholders and other stakeholders of the organization. Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2013) also defined financial reporting quality as the faithfulness of information conveyed in financial reporting process. This definition mainly focused on the financial aspect of an organization, thus, we further expanded and modified the definition. We defined Reporting quality as the faithfulness of information conveyed in both financial and non-financial reporting process. Financial statements of firms at the end of a financial year should have some element of truth in it. This is termed “quality”, it is therefore crucial that the financial reports of firms should have high quality so as to increase the confidence of users.

Financial reporting quality could be assessed directly and indirectly. Directly, it could be measured using accruals model, value relevance model, using specific elements in the annual reports and operationalizing the qualitative characteristics (Beest, et al., 2009). It could be indirectly measured using earnings management, financial restatements and timeliness (Barth, Landsman & Lang, 2008; Schipper & Vincent, 2013; Cohen, Krishnamorthy & Wright, 2004).

Accruals model focuses on the quality of earnings measured and the major assumptions it holds is that managers use discretionary accruals to manage earnings (Healy & Wahlen, 1999; Dechow, Sloan, Sweeny, 1995). Earnings management is assumed to negatively affect the quality of financial reports by reducing its decision usefulness. The main merit of this model is that it uses accruals to measure earnings management, and its calculated based on the information present in the financial statement (Beest et al., 2009). However, it has some demerits, one of which is the problem of distinguishing between discretionary and non-discretionary accruals (Healy & Whalen, 1999 as cited in Beest et al., 2009). Another demerit is that it excludes non-financial components in the financial statement (Beest et al, 2009) thus, in an era of human accounting and environmental accounting, this model may not report the true and fair view of financial statements.

The value relevance model measures the quality of financial reports by focusing on the correlations between accounting figures and stock market reactions (Barth et al., 2008; 1997; Nichols & Whalen, 2004). The prices of stocks are believed to represent the market value of the firm, while accounting figures represent the firm's value based on accounting procedures (Beest et al., 2009). The model is quite useful but has some drawbacks in ascertaining the accuracy of stock prices and market value of a firm.

The method of operationalizing the qualitative characteristics of financial reports could also be called the International Accounting Standard Board (IASB) qualitative model. Kythreotic (2014) observed that the qualitative characteristics are divided into fundamental characteristics and enhancing characteristics. The fundamental characteristics (Relevance and Faithful Representation) are key to determining the quality of financial reports. However, these characteristics are further enhanced with other qualifying characteristics such as comparability, timeliness, verifiability and understandability in order to produce high-quality financial statements. Financial statements are said to be relevant when the information in the financial report can assist users in evaluating, correcting and confirming past and current events as well as influencing their economic decisions (Beest et al., 2009). Relevance characteristics mean that the financial statement can influence the decisions of users. More so, the information in the financial report must possess the attribute of reliability in order to make it useful for decision making. Information is said to be reliable when the information is free from material misstatement and biasedness and its neutral, verifiable and reflects a faithful representation of the entity (Cheung, Evans & Wright, 2010). Faithful representation means that the financial report should reflect and represent the real economic position of the financial information reported i.e. the information should show a high level of objectivity and balance. Faithful representation feature asserts that financial statements should present faithfully all economic events devoid of manipulations.

Beest et al. (2009) noted that comparability as an enhancing characteristic requires that the same or identical situations in two events should be reflected by identical accounting fact and figures while different events should be reflected by different facts and figures in such a way that the information quantitatively reflects the differences in a comparable and easily interpretable manner. Comparability is, therefore, the concept which allows users to compare financial statement across time and among different companies in the same period. Timeliness also enhances the quality of financial reporting as it ensures that the information provided are made available to decision makers before it loses its good and powerful influences. It is evaluated as the differences between the year-end and the issuing date of the auditor`s report (Beest et al., 2009). Financial statements are also expected to be understandable. For a financial report to be understandable, it must be able to pass across effective information because, the better understanding of the information from users, the higher the quality it will possess (Cheng et al*.,* 2010). Lastly, the quality of verifiability is quite important as financial reports have to be validated by independent parties for it to be relied upon by users. This current study used the IASB qualitative characteristics model to measure financial reporting quality.

2.2 Ethical Accounting Practices

Immediately after the International Federation of Accountants (IFAC) was formed, the body rolled out twelve-point (12) agenda expected to guide the activities of her members. The code of ethics was one of the agenda which her members are expected to subscribe to. This code of ethics was for both practising accountants in the private and public sectors of the economy, which can also be applied to the quasi or hybrid sector of the economy (Dankwanmbo & Izedonmi, 2018). The codes of ethics include integrity, objectivity, professional behaviour, confidentiality and professional competence and due care.

2.2.1 Professional Behaviour and Financial Reporting Quality

The principle of professional behaviour imposes an obligation on professional accountants to pertinent laws and to evade from any activity that may convey disrepute to the profession (Nwagboso, 2008). Such activities could be stock market manipulations, insider dealings and creative accounting practices. These activities sure do have personal benefits to the management at the expense of the quality of financial reports expected by users. D'Asquilla (2001) advised that accountants should have positive attitudes in respect to quality financial reports. As it is conspicuously observed that the quantum of pressure management puts on them may impede on their professional behavior principle towards reporting the true and fair view of financial statements.

2.2.2 Objectivity and Financial Reporting Quality

The principle of objectivity imposes an obligation on all professional accountants not to compromise their professional or business judgment because of bias, conflict of interest or the undue influence of others to override professional or business judgments. A professional accountant may be exposed to situations that may impair objectivity. It is impracticable to define and prescribe all such situations. Relationships that causes bias or unduly influence the professional judgment of the professional accountant should be avoided. According to Oraka and Okegbe (2015), this principle requires basic needs of credibility, professionalism, quality of service and confidence. An accountant that holds high the objectivity of the profession will produce quality financial reports, than those who impair objectivity (Ogbonna & Ebimobowei, 2011). This is to say that objectivity has a significant relationship on financial reporting quality, therefore accountants compliance on objectivity in financial reporting will go a long way in ensuring organizations have quality financial reports (Enofe et al., 2015; Eginiwin & Dike, 2014).

2.2.3 Integrity and Financial Reporting Quality

The fundamental principles require that a member should behave with integrity in all professional, business and financial relationships. Integrity implies not mere honesty but fair dealing and truthfulness. Oraka and Okegbe (2015) sees integrity as the value of supreme importance for a Code of Ethics and this can be measured in terms of what is right and just. The principle of integrity imposes an obligation on all professional accountants to be straightforward and honest in professional and business relationships. Integrity also implies fair dealing and truthfulness. Eginiwin& Dike, (2014) are of the view that integrity has a positive relationship with financial reporting quality, this is in tandem with the findings of (Enofe et al., 2015). Their generalization was based on their estimation techniques (parametric test) and use of e-views tool. So, for better clarity and generalization, a non-parametric test using SPSS was done.

2.2.4 Confidentiality and Financial Reporting Quality

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties. The need to comply with the principle of confidentiality continues even after the end of the relationship between a professional accountant and a client or employer. Ogbonna and Ebimobowei (2011), in their study, did not see any relationship between confidentiality and financial reporting quality in banks. In a similar study (Enofe et al., 2015) found a negative and significant relationship between confidentiality and financial reporting quality using disclosures as a proxy. These two findings prompted the researcher to know the reason for this. It could be because of the small sample size used in the study.

2.2.5 Professional competence, due care and Financial Reporting Quality

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques. A professional Accountant should act diligently and in accordance with applicable technical and professional standards when providing professional services. Competent professional service requires the exercise of sound judgment in applying professional knowledge and skill in the performance of such service. Professional competence may be divided into two separate phases: Attainment of professional competence; and Maintenance of professional competence.

The maintenance of professional competence requires a continuing awareness and an understanding of relevant technical professional and business developments. Continuing professional development develops and maintains the capabilities that enable a professional accountant to perform competently within the professional environments. Eginiwin and Dike (2014) observed that professional competence and due care positively affects financial reporting quality. Therefore, the attainments and maintenance of professional competence surely improve the quality of financial reports.

2.3 Empirical Literature

Studies exploring the effects of ethical accounting practices on the quality of financial reporting reviewed include (Babayanjua, Animasaun & Sanyaolu, 2017; Enofe et al., 2015; Ogbonna & Ebimobowei, 2012; Eginiwin & Dike, 2014; Salaudeen et al.,2015).

Babayanjua et al. (2017) examined the role of regulatory bodies in relation to financial reporting and ethical compliance in Nigeria. They determined the impact of accounting ethics on quality of financial reporting. A survey research design was adopted with a target population of 120 respondents consisting of top executives of the big four accounting firms, the Institute of Chartered Accountants of Nigeria (ICAN) and Financial Reporting Council of Nigeria (FRCN). The result showed that accounting ethics significantly impacted on the quality of financial reporting in Nigeria. The study recommended the need for ethical awareness and training amongst professional accountants in Nigeria as well as accounting students in institutions of higher learning in order to improve the quality of financial reporting in Nigeria.

In an opposing view, Salaudeen et al. (2015) carried out a study on unethical accounting practice and financial reporting quality in Nigeria. Data was sourced through explanatory case study approach with auditors and accountants as major respondents. The findings of the study revealed that extended audit tenure could impair auditor's ability to employ professional scepticism and recommended that the composition of the board of directors and audit committee members should be made up of people of proven integrity and corporate experience.

Enofe et al. (2015) investigated the effect of ethics on financial reporting quality in Nigeria firms. Primary data was used for the study with the aid of questionnaires. The analysis of the data showed that accounting ethics had a significant relationship with financial reporting quality. The study made recommendations that the employment processes of companies should be improved upon so as to ensure that men and women with a high level of ethical standing could be employed. Ethics and compliance department should be put in place by firms to direct and monitor ethics implementation on a routine basis. In addition, accountants as custodians of good financial reports should adhere to the codes of professional practice issued by the Institute of Chartered Accountants of Nigeria (ICAN) in carrying out their responsibility.

In a similar study, Ogbonna and Ebimobowei, (2012) examined the effect of ethical accounting standards on the quality of financial reports of banks in Nigeria. The data was sourced from questionnaires administered to respondents systematically collected from the twenty-four banks in Nigeria. The data generated from the questionnaires were analysed using econometric models such as diagnostic test, Augmented Dickey-Fuller, Ordinary Least Square and Granger Causality. The results reveal that ethical accounting standards are significantly related to the quality of financial reports of banks in Nigeria. On the basis of the findings, the study concluded that ethical accounting standards are fundamentally necessary for accountants to produce quality financial reports free from material misstatements. The authors recommended the following among others: that professional accountants as custodian and producers of accounting information should adhere to the codes of professional best practices issued by relevant professional bodies. They further recommended that banks in Nigeria should establish ethics departments to ensure that activities including the financial reporting process, accountants and accounting officers adhere strictly to established codes of ethics in order to reduce the failure symptoms in the banking industry.

Eginiwin & Dike, (2014) investigated the effect of accounting ethics and the quality of financial reporting using a survey of some oil exploration and producing companies in Nigeria. Return on Investment (ROI), Earning per Share (EPS), and Dividend per Share (DPS) were used as proxies for firm financial reporting. The researchers also identified some key accounting ethics variables which helped in carrying out the research and these are; integrity, independence, objectivity, competence and accountability. Twenty of the sampled oil exploration and producing companies were administered with one hundred and thirty-three (133) copies of questionnaires and data for the study was analysed using one hundred and eighteen (118) successfully retrieved questionnaires. Based on the findings, the results revealed that there exists a positive relationship between the accounting ethics and the quality of financial reporting with respect to return on investment (ROI), earning per share (EPS), and dividend per share (DPS). The study, therefore, recommended that government and Professional Accounting bodies worldwide should adopt or design better ethical codes of conduct because of the ever-changing environment and that accountants should always adhere strictly to ethical conduct while discharging their official responsibilities. This will by far enable them to produce quality and reliable financial statements.

Looking at their various findings and submissions, none of these studies adhered strictly to the assumptions underlying the use of a parametric tool (normality assumptions). Being that these studies relied on primary data (questionnaire). In addition, the effect of ethical accounting practices on financial reporting quality in the Education sector in Nigeria has not been examined.

2.4 Review of Theories

Theories have been formulated with regards to ethical practices and behaviours of professionals in an organization. These theories are discussed below.

2.4.1 The Theory of Planned Behavior

The theory of planned behaviour (Abbreviated TPB) is a psychological theory that links beliefs and behaviour. The concept was propounded by IcekAjzen in 1980 to improve the predictive power of the theory of reasoned action by including perceived behavioural control.

Psychologically, explaining human behaviour in all its complexity is a difficult task. It can be approached at many levels, from concern with physiological processes at one extreme to concentration on social institutions at the other. Social and personality psychologists tend to focus on an intermediate level, the fully functioning individual whose processing of available information mediates the effects of biological and environmental factors of behaviour. The theory of planned behaviour states that attitude towards behaviour, subjective norms, and perceived behavioural control, together shape an individual's behavioural intentions and behaviours.

2.4.2 Utilitarian Theory

This is an ethical theory which states that the best action is the one that maximizes satisfaction (Bentham, 1984; Miles, 1998). Jeremy Bentham was the founder of this ethical theory, which describes satisfaction as the sum of all pleasure that results from an action excluding the suffering or pain of anyone involved in such action. This theory is in agreement with the conformity of rules by the agents in an organization that maximizes satisfaction in the workplace. This theory is relevant in other fields such as governance, politics, economics and social welfare (Wikipedia, 2018). However, a major flaw of this theory is that it misses the moral standing of individuals and also does not acknowledge the qualitative differences in pleasures

2.4.3 Agency Theory

This theory was propounded by Jensen and Meckling in 1976, since then it has been a widely used theory in the field of management and social sciences (Ezelibe, Nwosu & Orazulike, 2017). This theory explains the separation of ownership and management, also the relationship that exists between them in an organization. The theory states that in the presence of information asymmetry, the agent is likely to pursue his personal interest that may negatively affect the owners of the organization (Sanda, Mikailu, & Garba, 2005). The major philosophical stance of this theory as stated by Ezelibe et al. (2017) is that parties who enter into an agency agreement will act to minimize their own self-interest and also these parties have right and freedom to enter into other agreements. Agency theory is relevant to our study because it explains and ensures that the agent who is the employee or the board acts in the best interest of the principal in carrying out his ethical duties and boardroom functions. This theory can also be applied to other fields such as engineering, politics and governance.

Agency theory has been used to anchor several studies, implying its general acceptability and practicality. However, this theory has been criticised for only focusing on the agent-principal relationship, and totally ignoring the stakeholder's in an organization, such as the suppliers, creditors and the environment where the organization operates.

2.4.4 Stakeholder's Theory

Against the backdrop of the Agency theory, Stakeholder's theory was propounded by Edward Freeman in 1984. Freeman (1984) used this theory to explain the tripartite relationship that exists in an organization – Between the agents (employees and the board), the principal (owners) and the stakeholders (creditors, suppliers, government, customers and so on). The stakeholder's theory also addresses morals and values in managing an organization. This theory is relevant to our current study because it will broaden our horizon in understanding the concept of "stakeholders" in an organization. This theory is also relevant to other fields such as ethics, law, and organizational management.

The stakeholder's theory provided remedy in the lapses identified in agency theory, however the concept of "stakeholders" is vague and not well spelt out (Miles, 2012), flowing from this even if an organization tries to identify its stakeholders, they assumed equal interest of stakeholders on the organization, which negates the term "social contract" in an organization (Mansell, 2013).

3. METHODOLOGY

3.1 Theoretical framework and Model Specification

3.1.1 Theoretical Framework

This study was anchored on the utilitarian theory. This theory is a psychological theory that links the effect of ethical accounting practices the quality of financial reporting, that is actions with consequences. As such it moves beyond the scope of one`s own interest and takes into account the interests of others leading to the greatest happiness. The theory of utilitarianism states that morally appropriate behaviours will not harm others but instead increase happiness or utility**.** It further states that an action is right if it tends to promote happiness and considered wrong if it tends to promote the reverse of happiness or promote happiness for performer of the action alone. The theory of utilitarianism has received considerable attention in the behavioural literature, especially in the area of Ethical Accounting Practice which was the key purpose of this study and the secondary objectives which explored the applicability of the theory of utilitarianism in predicting the effect of Ethical Accounting practices on financial reporting quality. They ethical code of conducts issued by IFAC tends to serves the purpose of increase financial reporting and to promote the harmonization of the accounting practices and standards across the globe.

Extant literature has suggested that these codes will improve financial reporting quality as well as foster growth in the accounting professional. Specifically, integrity is seen to impact financial reporting quality (Beest, et al., 2009; Ogbonna & Ebimobowei, 2012; Eginiwin & Dike, 2014; Enofe, et al., 2015). Therefore, the relationship between integrity and financial reporting quality can be represented as;

FRQ = f(INT)……………………..………(1)

Also, the Objectivity principle requires a professional accountant to provide evidence that proves that transactions actually took place. It is assumed that it will increase financial reporting quality and extant literature have also suggested this (Ogbonna & Ebimobowei, 2012; Eginiwin & Dike, 2014; Enofe et al, 2015). Therefore, the expression of this relationship would be;

FRQ = f(OBJ)……………………..………(2)

A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques (IFAC, 2005). This, if adhered to strictly will improve the financial reporting quality. Therefore we showed the relationship as,

FRQ = f(PCD)……………………..………(3)

As advised by IFAC (2005) confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties. Scholars are of the view that this ethical principle does not significantly affect financial reporting quality (Ogbonna & Ebimobowei, 2012; Enofe et al, 2015). To this end we showed the relationship as;

FRQ = f(COF)……………………..………(4)

Lastly, the behaviour of accountants also plays a major role in improving the quality of financial reports. The behaviour includes complying with relevant laws and regulations and also avoiding any action that discredits the profession (IFAC, 2005). The professional behaviour of accountants should be key to restoring the professions public confidence and trust. Therefore, we show the relationship as;

FRQ = f(PRB)……………………..………(5)

3.1.2 Model Specification

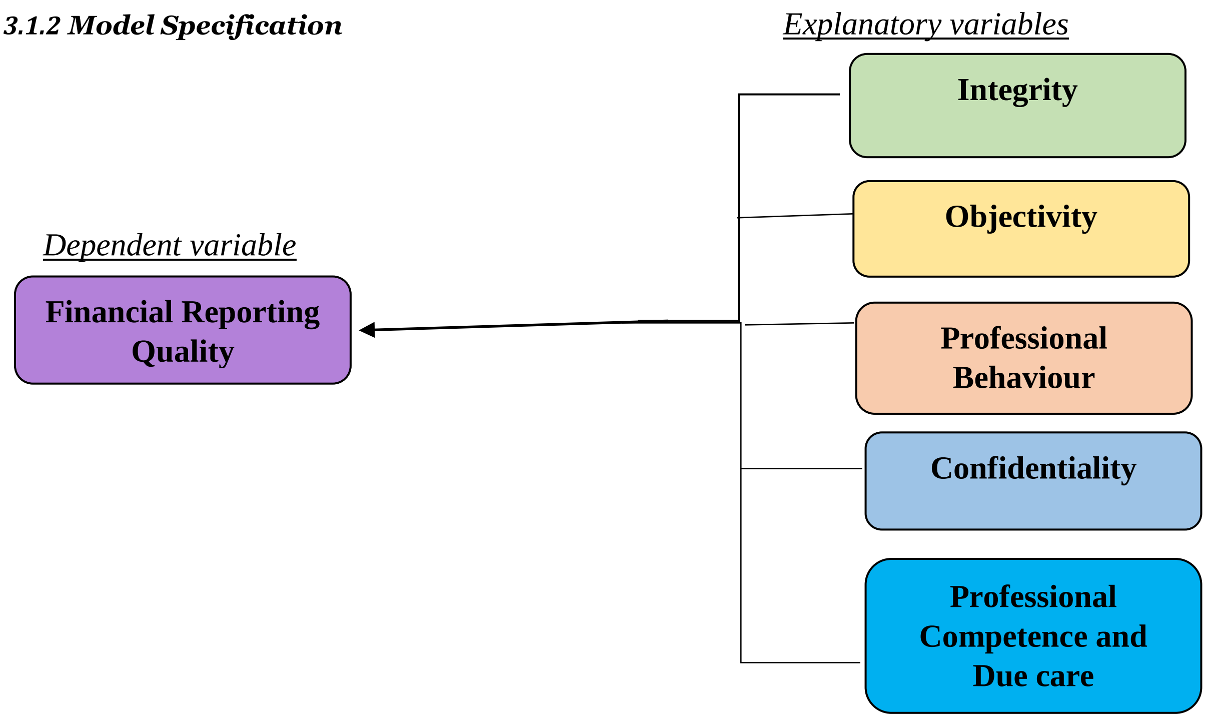

Figure 1: Schematic Representation of variables in the study

Flowing from the theoretical framework and extant literature we collected equations one to five in a functional relationship to develop the model for the study. The model is shown below;

Financial Reporting Quality = f (Ethical Accounting Practices)---------------------(6)

FRQ = f (Integrity, Objectivity, Professional Competence and Due Care, Confidentiality, Professional Behaviour) ----------------------------(7)

$FRQ = \beta_0 + \beta_1 ING + \beta_2 OBJ + \beta_3 PCD + \beta_4 COF + \beta_5 PRB + \varepsilon$-------------------------(8)

Where;
FRQ - Financial Reporting Quality,
ING – Integrity,
OBJ – Objectivity,
PCD - Professional Competence and Due Care,
COF - Confidentiality,
PRB- Professional Behaviour,
β_0 - Slope
$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$- Coefficients
ε – Error term
$\beta_1, \beta_2, \beta_3, \beta_5 \geq 0$, $\beta_4 <= 0$ (***a priori Expectation)***

3.2 Research Design

Leaning on the positivist research philosophy and the deductive research approach, the research design adopted for the current study was the mono-method quantitative research design with the help of a survey strategy. A survey research strategy was adopted for this study because it enabled the researchers get information from respondents on the subject matter under investigation. The population of this study consisted of all practising and non-practising accountants (including tax experts) in Universities in Edo state. Our target population consisted of practising and non-practicing accountants in the University of Benin, Benin City, and Ambrose Alli University, Ekpoma. The sample size was scientifically derived using Taro Yamane's (1967) size formula, which yielded a hundred and forty-three (143). We selected the respondents for the study randomly, so as to ensure that all sampled respondents have equal chances of being selected.

3.3 Research Instruments

This study used primary source of data, which was collected using a structured questionnaire modified from the works of Enofe et al. (2015) and

Beest et al. (2009) to suit our study. The questionnaire was carefully structured and simply designed for easy answering and to obtain consistency in respondent's responses. The questionnaire was divided into two parts, namely – Section I and II. Section I comprised five (5) items relating to respondents' socio-demographic data while section II consisted of 5-point Likert's scale statement that explained key variables of the study.

3.4 Techniques for Data Analysis

The study employed both descriptive and inferential statistics. The reliability of our scales used in eliciting responses was determined by the Cronbach Alpha statistics i.e. to determine the internal consistency of the item of scale constructed in the questionnaire. The normality of variables was determined by the Kolmogorov – Smirnov and Shapiro – Wilk test. This gave us a clear pathway on whether to use a parametric or non – parametric test on the hypotheses. Consequently, the Spearman's rank correlation was used to test the hypotheses, the justification for the use of this inferential statistics are; our data are not continuous i.e. discrete hence not normally distributed; we are looking for a relationship between variables that are categorical in nature (Pallant, 2007). Analysis was done with the help of the Statistical Package for Social Sciences (SPSS) version 21.

4. DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

In this section, a preliminary analysis was done on the data collected, and are analyzed and interpreted using tabular form. The hypotheses formulated in section one is also tested in this section. All questionnaire administered were retrieved successfully.

Table 1: Reliability Statistics

Cronbach's Alpha	N of Items
.885	39

Source: Author's Computation, 2018

Our study employed the Cronbach's Alpha statistics to check the internal consistency of scale used in the questionnaire. The overall Cronbach's Alpha stood at **.885**. George and Mallery (2003) provided the following rules of thumb: "_ > .9 – Excellent, _ > .8 – Good, _ > .7 – Acceptable, _ > .6 – Questionable, _ > .5 – Poor, and_ < .5 – Unacceptable", therefore the result can be rated "Good" and indicates a high level of internal consistency for our scale

Table 2: Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
FRQ	.186	143	.000	.947	143	.000
INT	.174	143	.000	.950	143	.000
OBJ	.177	143	.000	.937	143	.000
PDC	.224	143	.000	.902	143	.000
COF	.161	143	.000	.942	143	.000
PRB	.129	143	.000	.967	143	.002
NB: Financial Reporting Quality (FRQ), Integrity (INT), Objectivity (OBJ), Professional due care and competency (PDC), Confidentiality (COF), Professional Behavior (PB).						

Source: Author's Computation, 2018

Table 2 above revealed that our samples do not come from a normally distributed population. The Kolmogorov Smmirnov & Shapiro-Wilk assumption is that the determination of the normality of a sample holds if its p-value is not significant i.e. it must be greater than 0.05 for it to be said that it is normally distributed. All our variables were not normally distributed, therefore instead of using a parametric statistic (e.g. Pearson Product Moment Correlation), we used a more appropriate non-parametric statistics equivalent (Spearman's rank Correlations). Most of the data presented in Likert's scale always violates the normality assumption because they are discrete in nature and not continuous (Pallant, 2008).

4.1 Hypothesis Testing

Table 3: Spearman's Rank Correlations

Correlations								
			FRQ	PRB	INT	OBJ	PDC	COF
Spearman's rho	FRQ	Correlation Coefficient	1.000	.589**	.574**	.431**	.498**	.525**
		Sig. (2-tailed)	.	.000	.000	.000	.000	.881
		N	143	143	143	143	143	143

****. Correlation is significant at the 0.01 level (2-tailed).**
NB: Financial Reporting Quality (FRQ), Integrity (INT), Objectivity (OBJ), Professional due care and competency (PDC), Confidentiality (COF), Professional Behaviour (PB).

Source: Author's Computation, 2018

Table 3 above reveals the various relationships between our dependent variable and independent variables. All variables were statistically significant at 1% except for confidentiality (**COF)** with a correlation coefficient of 1.000 (p =.881)**.** Having positive associations with ethical accounting practices were Professional Behaviour, Integrity, Objectivity, Professional due care and competency which yielded correlation coefficients as follow: 0.589 and significant at the 0.01 level (p =0.001), 0.574 and significant at the 0.01 level (p =0.001), 0.431 and significant at the 0.01 level (p =0.001), 0.498 and significant at the 0.01 level (p =0.001) respectively. Consequently, the study failed to accept the null hypotheses stated on Professional Behaviour, Integrity, Objectivity, Professional due care and competency and gladly accepted the null hypothesis stated on confidentiality.

4.2 Discussion of Findings

The objective of this study was to investigate the effect of ethical accounting practices on financial reporting quality. A survey of both practising and non-practising accountants of staff in the University of Benin, Benin city and Ambrose Alli University, Ekpoma. The IFAC code of conducts on accountants were used as ethical accounting practices proxy, while the IASB qualitative characteristics were used to proxy financial reporting quality. Our result gave corroborating evidence on the subject matter as expected on the model expectations (a priori expectations) as also in line with the utilitarian theory.

Professional Behaviour significantly and positively affect financial reporting quality, our findings were corroborated by D'Asquilla (2001), who opined that accountants have positive attitudes in respect to quality financial reports. This can be justified due to the pressure management puts on them as regards quality reporting and ethical behavior. Secondly, it was discovered that objectivity significantly and positively affects financial reporting quality. This finding is further buttressed by Ogbonna and Ebimobowei (2011), who believed that accountants who hold high the objectivity of the profession will produce a quality financial report, than those who impair objectivity. Integrity also significantly and positively affects financial reporting quality. This finding is in tandem with works of Eginiwin & Dike, (2014) and Enofe et al. (2015), which also saw that integrity have a positive relationship on financial reporting quality.

Confidentiality positively and insignificantly has an impact on financial reporting quality. Our result is consistent with the works of Ogbonna and Ebimobowei (2011) and Enofe et al. (2015), who also saw that confidentiality does not significantly affect financial reporting quality. This could be as a result of the Statistical estimation technique and small population used in their study.

Lastly, it was found out that professional due care and competency affect financial reporting quality. A professional accountant has a continuing duty to maintain professional knowledge and skill at the level required to ensure that a client or employer receives competent professional service based on current developments in practice, legislation and techniques.

5. CONCLUSION AND RECOMMENDATIONS

In this study, the effect of ethical accounting practices on the financial reporting quality was investigated. On the basis of the findings, the study concludes that a high ethical standard is fundamental in achieving an objective, reliable and transparent financial report. The following recommendations are provided to improve the financial reporting framework:

1. Accountants should uphold high positive attitudes with respect to quality financial reports.
2. Relationships that bias or unduly influence the professional judgment of the professional accountants should be avoided.

3. Professional accountants should behave with integrity in all professional, business and financial relationships
4. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties.
5. A professional Accountant should act diligently and in accordance with applicable technical and professional standards when providing professional service.

In addition to the above, it is also recommended to the academics that similar studies may be carried out on the effect of religion on financial reporting quality and also the sample size could be increased to have a robust result for better generalization.

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QUESTIONNAIRE

Department of Accounting,
Faculty of Management Sciences,
University of Benin,
Benin City.
Nov, 2018.

Dear Sir/Madam,

REQUEST FOR YOUR COOPERATION IN COMPLETING THIS QUESTIONNAIRE

I am a postgraduate student undergoing the Master's degree program in Accounting from University of Benin. As part of the requirement for the program, I am undertaking a study on the effect of ethical accounting practices on financial reporting quality. In this regard, you have been duly selected as a member of the sample.

I wish to appeal to you to assists this study by kindly sparing a few minutes to complete this questionnaire. You are not required to disclose your identity. I also wish to assure you that your answer will be treated in strict confidence and used for the stated academic purpose only.

For any complaints or observations on the statements used in the questionnaire can be sent to aifuwahopeosayantin@gmail.com or call 08113232082. Thank you.

Section A: Demography of Respondents

Please tick in the boxes provided, the option that reflects your demographic status

Q1- What is your status as an accountant?

1. Practicing Accountants ( )
2. Non-Practicing Accountants ( )

Q2- What is your Professional Qualification?

1. ACA ( )
2. CNA ( )
3. ACTI ( )
4. Others ( )

Q3- What is your Religion Status?

Muslim ( ) Christianity ( ) Other ( )

Q4- What is your Educational Qualification?

1. PhD ( )

2. Master's Degree ( )
3. First Degree/HND ( )
4. Diploma/NCE ( )
5. Others ( )

Q5- Which of the following falls within your Work Experience?

1. 1 to 5 years ( )
2. 6 to 10 years ( )
3. 11 to 15 years ( )
4. 16 to above ( )

Section B: Financial Reporting Quality

Below are lists of statement that may affect your assessment on ***financial reporting quality in Nigeria***. Kindly indicate the extent you agree or disagree with the statements using the questionnaire guide;

Questionnaire guide: *Strongly Disagree (SD), Disagree (D), Not Sure (NS), Agree (A), Strongly Agree (SA).*

S\n	STATEMENTS	SD	D	NS	A	SA
	Relevance					
1	The annual reports disclose forward looking information					
2	The annual reports disclose information in term of business opportunities and risk					
3	The firms in Nigeria uses fair value measurement basis					
4	The annual report provides feedback information on how various market events					
	Understandability					
5	The annual report is well organized					
6	The notes to the balance sheet and the income statement are clear					
7	Graphs and tables clarify the information presented					
8	The use of language and technical jargon is easy to follow in the annual reports					
	Comparability					
9	The notes to changes in accounting policies explain the implications of the change					
10	The notes to revisions in accounting estimates and judgments explain the implications of the revisions					
11	The result of current accounting period are compared with results in previous accounting period					
12	Information in the annual reports is comparable to information provided by other organizations					
	Timeliness					
13	The annual reports are published in time					
14	Previous reports are easily retrieved when needed					
	Faithful representation					
15	The annual report explains the assumptions and estimate made clearly					
16	The annual reports explains the choice of accounting principles clearly					
17	The reports includes an unqualified auditor's reports					
18	The annual reports extensively discloses information on corporate governance issues					

Section C: Ethical Accounting Practices

Below are lists of statements that may affect your assessment on ***ethical accounting practices***. Kindly indicate the extent you agree or disagree with the statements using the questionnaire guide;

Questionnaire guide: *Strongly Disagree (SD), Disagree (D), Not Sure (NS), Agree (A), Strongly Agree (SA).*

S\n	STATEMENTS	SD	D	NS	A	SA
	Integrity					
19	Adherence to high ethical standards helps boost the integrity of financial statements.					
20	Accountants engaging in insider dealings tend to compromise the integrity of financial reports.					
21	Acceptance of gift items by professional accountants affects the integrity of financial report.					
22	Violation of ethical core values undermines the integrity of financial reports.					
	Objectivity					
23	The objective presentation of financial statement is not affected by ethical values prevalent in an organization.					
24	Financial statements should be prepared and presented in accordance with ethical guidelines within the organisation.					
25	Ethical standards are duly observed in the presentation of financial statement of Nigerian firms					
26	Professional accountants are always objective in the preparation of financial statements					
	Professional Competence and due care					
27	Ethics has a significant effect on the faithful disclosure of financial reports.					
28	Disclosure of items in the financial statement is affected by personal interest of the professional accountant.					
29	Financial statement disclosure is affected by the professional competence of accountants.					
30	Quality disclosure of items in the financial statement is a reflection of compliance with ethical standards.					
	Confidentiality					
31	Information acquired as a result of professional and business relationships should not be used for the personal advantage					
32	Business dealings should be strictly business					
34	Accountants do uphold to high standards on confidentiality					
35	Personal information should not be brought in to the business scenario					
	Professional Behaviour					
36	Accountants strictly adhere to the local professional standards and rules					
37	Accountants strictly adhere to governments rules and regulations guiding the profession					
38	Accountants religion affect his professional Behaviour					
39	Accountants display high professional competence in doing the work.					