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ETHICAL ACCOUNTING PRACTICES AND FINANCIAL REPORTING QUALITY

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ABSTRACT

Despite the large numbers of regulatory body governing the accounting profession, financial reporting and its end products (financial statements) still lack external validity and reliability. The broad objective of this study was to investigate 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 practicing and non-practicing 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 in practicing the profession and that further work should be done on the subject area taking into account religiosity.

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

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1.0 INTRODUCTION

The broad objective of a financial reports or financial statements is to communicate economic forecast and information about resources and performance of the reporting firm (Alexander & Britton, 2000). This information is intended to assist them in making well-reasoned investment, credit, and financial decisions as well as accurately report the economic resources and obligations of a company (Amos, 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 informatio (IASB, 2008).

Ethical accounting practices are governed by different code of conduct of ethics issued by accounting bodies and agencies globally and locally. Globally, the International Federation of Accountants (IFAC) set out code of ethics for professional accountant which includes integrity, objectivity, professional competence and due care, confidentiality and professional behavior. These codes of ethics can be applied to both professional accountants in public practices and professional accountants in business (IFAC, 2006). In Nigeria, various bodies and agencies regulate the operations of accountants as well as their ethical dealings and practices. These bodies include 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 behavior (Enofe, Edemenya & Osunbor, 2015; Fatoki, 2015), notwithstanding the profession having a 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 is particular to the profession. Generally, according to worlds' practice, if an individual commits an offense or crime, for example, a murder case, it is generally known that the accused will be prosecuted and if found guilty, will be made to face the full wroth 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 product (financial statements and reports) still lacks public confidence due to the failure and ultimate collapse of some hitherto too big to fail firms. Eron, WorldCom, and Global crossing in 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 (Salaudeen, Ibukunle, Chima, 2015; Yunanda & Majid, 2011).

In Nigeria, an arm in her educational sector - 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). So, the question the council members were asking was, where was all this money before? Conspicuously, it is evident that this financial report by the new management led to the probe of previous management. Not quite long, early this year, the same arm of government (JAMB) came out and reported that a snake swallowed N36 million (Vanguard Newspaper, February 17, 2018). It is so sad that the ethical accounting practices is not carried out to the latter with utmost high standards.

This current study was motivated by the uniqueness of our explanatory variables (using 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 them 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 was addressed.

1. What is the effect of professional behavior 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 of objective of this paper is to investigate the effect of the ethical accounting practices on financial reporting quality. Specifically, the objectives are to;

1. examine the effect of professional behavior 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. Ho: Professional behavior has no Significant effect on financial reporting quality
2. Ho: Objectivity has no impact on financial reporting quality
3. Ho: Integrity has no significant effect on financial reporting quality
4. Ho: Confidentiality has no significant impact on financial reporting quality
5. Ho: Professional competence, due care are 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 enterprises (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 present authentic/ genuine information about the economic performance, financial position and the activities of the business in relation to its cash flows generation with the main purpose of providing information that are useful to shareholders and other stakeholders of the organisation. 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 imperative that the financial reports of firms should have high quality so as to increase the confidence of the users.

Financial reporting quality could be assessed directly and indirectly. Directly, it could be measured using accruals model, value relevance models, using specific elements in the annual reports and operationalizing the qualitative characteristics (Beest, Braam, &Boelens, 2009). Also, it could be indirectly measured using earnings management, financial restatements and timeliness (Barth, Landsman, & Lang, 2008; Schipper &Vincent, 2013; Cohen, Krishnamoorthy, & 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 it decision usefulness. The main merit of this model is that it uses accruals to measure earnings management, and calculated based on the information present in the financial statement (Beest et al., 2009). However, it has some demerits too, which one of it is a problem of distinguishing between discretionary and non-discretionary accruals (Healy& Whalen, 1999 as cited in Beest et al., 2009), also another demerit is that it excludes non-financial components in the financial statement (Beest et al, 2009), and thus in era of human accounting and environmental accounting, this model will not report the true and fair view of financial statements.

Value relevance models measure the quality of financial reports by focusing on the correlations between accounting figures and stock market reactions (Barth et al., 2008; Nichols & Whalen, 2004). The prices of stock are believed to represent the market value of the firm, while accounting figures represents the firms value based on accounting procedures (Beest et al., 2009). The model is quite useful but has some drawbacks of 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 are designed to separate the information or non-useful and/or misleading information (Kythreotic, 2014). The enhancing characteristics as defined by IASB (2008), cannot alone determine the quality of financial reports, so the fundamental characteristics (Relevance and Faithful Representation) are key to determining the quality of financial reports. The enhancing characteristics are: comparability, timeliness, verifiability and understandability

Financial statement is 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 means that the financial statement can and influence 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 faithful representation of the entity (Cheng, Evans & Wright, 2010). Faithful representation means that the financial report should reflect and represent the real economic position of the financial information reported, that is the information must show high level of objectivity and balance. Faithful representation feature asserts that financial statements should present faithfully and economic event devoid of manipulations.

Financial information users rely on the information made available to them through financial report for decision making. Despite its importance, the financial statement may not always be credible and reliable because it may contain material errors, intentional manipulation of accounting figures as well as misrepresentation of earnings (Dechow et al., 1995). This arises as the managers do have the opportunistic behaviour of manipulating the accounting figures for the purpose of prevention of debt violation, beat earnings benchmark or for bonuses and compensation. This subsequently reduces the quality of financial reporting. Furthermore, another critical attribute that is required of a financial report is comparability. According to Beest et al. (2009), comparability 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 allowsusers to compare financial statement in order to (assess the economic performance, financial position and cash flows of the firm) allow users to compare financial report across time and among other companies in the same period.

Timeliness enhances the quality of financial reporting as it shows that the information provided must be 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). When this is released on time, it should 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)

2.2 Ethical Accounting Practices

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

2.2.1 Professional behavior and Financial Reporting Quality

The principle of professional behavior imposes an obligation on professional accountants to pertinent laws and directions and evade any activity that may convey dishonor to the profession. Adeniyi (2005) advises that auditor must keep away from realities and conditions that are significant to the point that a sensible and educated outsider, knowing about all applicable data including shields connected would sensibly close an association's or an individual from the affirmation group's respectability, objectivity or expert incredulity had been traded off. D'Asquilla (2001), opines 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 ethics behavior on ground.

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 bias or unduly influence the professional judgment of the professional accountant should be avoided. In Oraka and Okegbe (2015) view, this principle requires four basic needs of credibility, professionalism, quality of service and confidence. An accountant that holds high the objectivity of the profession will produce a quality financial report, than those who impair objectivity (Ogbonna & Ebimobowei, 2011). This is to say that objectivity have 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 in 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 merely honestly but fair dealing and truthfulness. Fatoki (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 have a positive relationship on 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 and the SPSS analysis.

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 relationships 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), confidentiality have a negative and significant relationship on financial reporting quality using disclosures as proxy. These two findings prompted the researcher to know the reason for this. It could be because of their small 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 sure does positively affects financial reporting quality. Therefore, the attainments and maintenance of professional competence sure does improve on the quality of financial reports.

2.2 Empirical Literature

Studies exploring the effects of ethical accounting practices on the quality of financial reporting reviewed include (Babayanjua *et al*, 2017; Enofe *et al*, 2015; Ogbonna & Ebimobowei, 2012; Eginiwin & Dike, 2014; and 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. Survey research design was adopted method with a target population of120 respondents consisted of top executives of big four accounting firms, 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, and recommended that there is a need to improve on ethical awareness and training among professional accountants in Nigeria as well as accounting students in institution 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, auditors and accountant were the major source of data through explanatory case study approach. 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. The data was sourced from questionnaires administered to respondents. 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 high level of ethical standing would be employed Ethics and compliance department should be put in place by firms to direct and monitor ethics implementation in their day-to-day operations. Also 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 everyday 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 was analysed using econometric models such as diagnostic test, Augmented Dickey-Fuller, ordinary least square and Granger Causality. The results reveal that ethical accounting standards is 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 recommend 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 to proxy for firm financial reporting variables. The researcher identified some key accounting ethics variables which help 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 the questionnaire, and data for the study and analysis were drawn from the one hundred and eighteen (118) copies of the administered questionnaire returned by the respondents of the selected twenty (20) companies for the study. Based on the findings, the results revealed that there is 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), recommended that government and Professional Accounting bodies" world over should adopt or design/update of better ethical codes conduct because of the ever changing environment and that Accountants should always adhere to ethically conduct in discharging their official responsibilities, so as to produce a quality and reliable financial statements.

Looking at their various findings and submissions, none of these studies have 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 have not be examined.

2.3 Review of Theories

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

2.3.1The Theory of Planned Behavior

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

Psychologically, explaining human behavior 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 have tended to focus on an intermediate level, the fully functioning individual whose processing of available information mediates the effects of biological and environmental factors on behavior. The theory of planned behavior states that attitude towards behavior, subjective norms, and perceived behavioral control, together shape an individual's behavioral intentions and behaviors.

Utilitarian Theory

This is an ethical theory which states that the best action is the one maximizes satisfaction (Bentham, 1984; Mill, 1998). Jeremy Bentham was the founder of this ethical theory, which describes satisfaction as 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 work place. 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 (Wikepedia, 2018).

2.2.1 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 exist 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 affects 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 to other agreements. Agency theory is relevant to our study because it explains and ensures that the agent who is the employees or the board acts in the best interest of the principal in carrying out his ethical duties and board room functions. Also, it will also guild the study on how to handle any sort of agency problem that may occur. 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, environment where the organization operates.

2.2.2 Stakeholder's Theory

Against the backdrop of the Agency theory, the 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 to whom are also users'financial reports in taking economic, business and investment decisions. This theory is also relevant to other fields such 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 is anchored on the utilitarian theory. This theory is a psychological theory that link 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 state that morally appropriate behaviors will not harm others but instead increase happiness or utility**.** It further state that an action is right if it tends to promote happiness and wrong if it tends to promote the reverse of happiness and not just the happiness of the performer of the action but also that of everyone affected by it. The theory of utilitarianism has received considerable attention in the behavioral literatures, especially in the area of ethics which is the key purpose of this study and secondary objectives are to explore the applicability of theory of utilitarianism in predicting effect of Ethical Accounting practices on financial reporting quality.

3.1.2. Models Specification

Flowing from the theoretical framework and extant literature and the above, 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; Aifuwa et al., 2018). 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, 2010). 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 (2010) that 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 behavior of accountants also plays a major role in improving the quality of financial reports. The behavior includes complying with relevant laws and regulations and also avoiding any action that discredits the profession (IFAC, 2010). The professional behavior of accountants could be key to the restoring the professions public confidence and trust. Therefore, we should the relationship as;

FRQ = *f*(PRB)……………………..………(5)

Combining all individual functional relationship, we had a single model as adapted from the work of Babayanjua *et al*, (2017);

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)***

3.3 Research Design

Leaning on the positivist research philosophy and the deductive research approach, the research design adopted for the current study is the mono-method quantitative research design with the help of a survey strategy. Survey research strategy was adopted for this study because it will enable the researcher get information from the respondents on the subject matter under investigation. The population of this study consists of all practicing and non-practicing accountants (including tax experts) in Universities in Edo state. Our target population consist of practicing and non-practicing accountants in the University of Benin, Benin city, Edo state 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.

3.4 Research Instruments

This study used primary source of data, which was collected using structured questionnaires modified from the works of Enofe *et al,* (2015) and Beest *et al,* (2009) to suit our study. The questionnaires were carefully structured and simply designed for easy answering and to obtain consistence in respondent's responses. The questionnaires were 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 study.

3.5 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 used, was determined by Komogorov – Smirnov and Shapiro – Wilk test of normality test. The normality of variables of data will determine whether to use a parametric or non – parametric test on the hypotheses. The study employed the deductive approach in which inferential computation will be used to explain the relationship between variables under investigation. Therefore, the Spearman's rank correlation was used to test the hypotheses, the justification for the use of this inferential statistics are; our data is not continuous i.e. discrete hence not normally distributed; we are looking for relationship between variables that are categorical in nature (Pallant, 2007). Analysis was done with the help of Statistical Package for Social Sciences (SPSS) version 21.

4 DATA ANALYSIS, INTERPRETATION AND DISCUSSION OF FINDINGS

In this section, preliminary analysis was done 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

Before we can go ahead to use the data gotten from the questionnaire, we must check for the reliability. The overall Cronbach's Alpha shows is **.885** reliable. George and Mallery (2003) provide 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", hence we can see that Cronbach's alpha is **.885**, which 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 that its p values should not be 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 will use a more adequate non-parametric statistics equivalent (Spearman's rank Correlations). Most of the data presented in Likert's scale always violates the normality assumption because they 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 that various relationship between our dependent variable and independent variables. All variables were statistically significant at 1% except for confidentiality **COF** and having positive associations with correlation coefficients for Professional Behaviour, Integrity, Objectivity, Professional due care and competency were 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), 0.525 and not significant at the 0.01 level (p =.881) respectively. Consequently, the study failed to accept the null hypotheses stated on Professional Behaviour, Integrity, Objectivity, Professional due care and competency and gladly accepted null hypothesis stated on confidentiality.

4.2 Discussion of Findings

The objective of this study was to investigate the effect of the ethical accounting practices on financial reporting quality. A survey of both practicing and non-practicing 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 qualilitative characteristics was used to proxy financial reporting quality. Our result gave corroborating evidences on the subject matter as expected on 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 opines 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 ethics behavior on ground. Secondly, it was discovered that objectivity do significantly and positively affect financial reporting quality. This finding is further buttressed by Ogbonna and Ebimobowei (2011), who believed that accountant that holds high the objectivity of the profession will produce a quality financial report, than those who impair objectivity. Integrity also significantly and positively affect financial reporting quality. This finding is in tandem with works of Eginiwin & Dike, (2014) and Enofe *et al*, (2015), who also saw that integrity have a positive relationship on financial reporting quality.

Confidentiality positively and insignificantly have 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 affects 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 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 in respect to quality financial reports
2. Relationships that bias or unduly influence the professional judgment of the professional accountant 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.					