



PROFESSIONAL ACCOUNTING ETHICS AND FINANCIAL REPORTING QUALITY OF ORGANIZATIONS IN NIGERIA

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Abstract

This study on professional accounting ethics and financial reporting quality of organizations was carried out to examine the relationship between professional accounting ethics and financial reporting quality. Professional accounting ethics is founded on the objectivity principle, integrity and independence while financial reporting quality is viewed in terms of reliability, comparability, timely reporting etc. the population of the study was made up of 182 staff and a sample size of 125 was determine using Taro Yamen formula. Primary data were collected through structured questionnaire. Data collected were analyzed using the Pearson's Moment Correlation technique. The findings revealed that objectivity principle, integrity and independence have significant relationship with financial reporting quality of organizations. It was discovered from the findings that all variables for professional accounting ethics have strong positive relationship with financial reporting quality of organizations. It was then concluded that professional accounting ethics have positive significant relationship with financial reporting quality. Based on the findings of the study, it was then recommended that organizations in Nigeria should do more by engaging the services of professional accountants that will be trained to acquire the needed skills and ethical principles to ensure qualitative financial reporting.

Keywords: Professional ethics, financial reporting quality, Accounting.

1.0 Introduction

Ethics are acceptable standards of behavior that define how people ought to act. Ethics deals with the character, conduct, and morals of human beings. It deals with good or bad, right or wrong behaviour. It evaluates conduct against some absolute criteria and puts negative or positive values on it. It is the reflective study of

what one ought to do, or how one ought to live. Cole (2002) conceptualized that ethics is a set of moral principles or values used by organization to steer the conduct of the organization itself and its employees in all their business activities, both internal and external, and in relation to the outside world.

According to International Federation of Accountants (2006) in its code of ethics for professional accountants, a distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest. This code establishes the fundamental principles of professional ethics for professional accountants and provides a conceptual framework for applying those principles. The conceptual framework provides guidance on fundamental ethical principles. Professional accountants are required to apply this conceptual framework to identify threats to compliance with the fundamental principles to evaluate their significance and, if such threats are other than clearly insignificant, to apply safeguards to eliminate them or reduce them to an acceptable level. This is done such that compliance with the fundamental principles is not compromised. The professional accountant ethics include objectivity, integrity, due diligence, independence, confidentiality, professional behavior, professional competence and due care among others.

The end point of accounting processes is financial reporting. This entails reporting about the economic value of the business or organization to interested parties that may rely on it for decision making. Glautier and Underdown (2001) stated that the primary objective of financial reporting is to communicate economic measurement of information about resources and information about the resources held by entity and performance of the reporting entity, which is useful to those having the right to such information.

Steering and Working Committees on Accounting (2004), which examined how public

confidence in financial reporting can be restored, noted that accounting and auditing systems, and policy in the management process, requires a set of best practices for governance and financial reporting. The extent to which financial reporting is perceived to be true and trusted depends on far more than the actions and decisions of individuals or sophisticated “mechanisms” for the whole system (Enderle, 2006). This is because business practices, environments, and culture are known to possess the capability, in varying degrees, to affect the value of the financial reporting systems and, hence, its confidence (Gilligan, 1977; Langenderfer & Rockness, 1990; Paradise & Dejoie, 1991).

1.2 Statement of Problem

Ethics in professional accounting are of utmost importance. However, the widespread corruption in the society and the failure of organization in every parts of the world have once more increased the need for accounting professionals to adhere strictly to the codes of professional ethics prescribe by international accounting bodies. According to Ogbonna and Appeah (2011), the widespread corruption in the business environment seems to be the order of the day in all societies. Recently, business ethics have attracted renewed attention globally due to the several notorious corporate scandals like those of Enron, WorldCom, Arthur Anderson, Tyco International, Adelphia, Cadbury PLC, Lever Brothers PLC amongst others (Ojeka, Ogundana & Iyoha, 2017). Unfortunately, these collapses have led to a widespread disregard for the reputation of the accounting profession. Additionally, the growing importance of government regulations, the amplified scrutiny of media, and the increasing pressure from different

stakeholders have placed the business ethics challenge on the strategic agenda of virtually all firms (Weaver, Trevino & Cochran, 1999). The ethical lapses among public accountants have necessitated a revision of the accounting professional standards (Rist, 2002). Interestingly, professional accountant working in accounting firms are faced with new challenges within the profession as a result of the debacles of large corporations (Swift, 2002).

1.3 Objectives of the study

The main objective of this study was to examine the relationship between professional accounting ethics and financial reporting quality of organizations in Nigeria. The specific objectives were:

- i) Examine the relationship between objectivity principle and financial reporting quality
- ii) Examine the relationship between integrity principle and financial reporting quality
- iii) Examine the relationship between independence principle and financial reporting quality

1.4 Research questions

The structured questions were;

- i) How related is objectivity principle and financial reporting quality?
- ii) What is the relationship between integrity principle and financial reporting quality?
- iii) How related is independence principle and financial reporting quality?

1.5 Hypotheses statements

Ho: There is significant relationship between objectivity principle and financial reporting quality

Ho2: There is no significant relationship between Integrity principle financial reporting quality

Ho3: There is no significant relationship between independence principle and financial reporting quality.

2.0 Literature Review

2.1 Ethics

Fisher (2004) highlighted the concept of an individual's personal belief about what is right or wrong, good or bad. It is the arbiter of an individual's evaluation of the "rightness" or otherwise of his or her actions. Miner (2002) defined ethics as right or wrong actions that stems from the value an expectation of society. Mintz and Morris (2007) notes that ethics are acceptable standards of behavior that define how people ought to act (i.e., prescriptive), and not how people really act (i.e., descriptive).

Nevertheless, the generic sociological meaning of the concept of ethics seems to provide a common ground for most of them. Sociologically speaking, ethics are provided in order to render behavior intelligible and to "prevent conflicts from arising by bridging the gap between action and expectation" (Scott & Lyman, 1968). Though it is often regarded as subjective, it is traceable to the foundation of an individual's belief system and judged within its context. On the other hand, Logsdon and Yuthas (1997) noted that the ethical stance of a firm is constructed based on the expectation of society. In essence, this refers to the legitimate claims made by the constituencies to whom the firm interacts. According to

Hanekom (1984), the question of ethics is one that is linked with the history of mankind. Ethics deals with the character, conduct, and morals of human beings. It deals with good or bad, right or wrong behaviour. It evaluates conduct against some absolute criteria and puts negative or positive values on it. It is the reflective study of what one ought to do, or how one ought to live. Cole (2002) conceptualized that ethics is a set of moral principles or values used by organization to steer the conduct of the organization itself and its employees in all their business activities, both internal and external, and in relation to the outside world. Ethics is interpreted to be a certain culture of society that includes a specific form of values while in the scholarship researching. Thus, it is an ideology from social context or codes of conduct. The interpretation of the meaning associated with ethics varies greatly from society to society.

Ethical problems are a very relevant issue present in many aspects of real life. These situations can be examined through several branches and under several grids of analysis, modern or classic (Filipe *et al.*, 2011). A squishing mark of the accounting profession is its acceptance of the responsibility to act in the public interest (IFAC, 2005). Key qualities which appear in the codes of ethics of professional bodies include independence, integrity, objectivity, competence, and judgment. For example, the ICAEW's introduction to its 'Guide to professional Ethics' (ICAEW, 1997) includes a list of five fundamental principles which either expressly mentions or clearly implies all of these qualities, along with other related qualities such as honesty, fair-dealing, truthfulness, courtesy, skill and diligence (Growthorpe, 2005).

2.2 Professional Ethics for Accountants

Professional ethics for professional accountants provides a conceptual framework for applying those principles. The conceptual framework provides guidance on fundamental ethical principles. Professional accountants are required to apply this conceptual framework to identify threats to compliance with the fundamental principles to evaluate their significance and, if such threats are other than clearly insignificant, to apply safeguards to eliminate them or reduce them to an acceptable level. This is done such that compliance with the fundamental principles is not compromised.

Professional accountant is required to comply with the following fundamental principles:

i) Integrity

The principle of integrity imposes an obligation on all Chartered Accountants to be straightforward and honest in professional and business relationships. Integrity also implies fair dealing and truthfulness.

ii) Objectivity

A professional accountant should not allow bias, conflict of interest, or undue influence of others to override professional or business judgments. The principle of objectivity imposes an obligation on Chartered Accountants to be fair, intellectually honest, and free of conflicts of interest. Regardless of service or capacity, Chartered Accountants should protect the integrity of their professional services and maintain objectivity in their judgment. According to Izedonmi (2012), the principle of objectivity imposes a serious obligation on all accountants whether in private practice or industry to avoid jobs, assignments, relationships, and situations

that are capable of compromising their professional judgment due to either coercion, undue influence from people, conflict of interest or even bias.

iii) Independence

Independence is an attitude of mind characterized by integrity and

objectivity in approach to audit assignment.

Arowoshegbe, Uniamikogbo and Atu (2017) stated that auditor's independence means that when performing his statutory duties, an auditor considers the interest of third parties, most of whom are unknown to him who will be placing reliance on the accuracy of financial statements prepared by him, to be of paramount importance. According to the Institute of Chartered Accountants of Nigeria (ICAN) (2009), Independence of an Auditor is of two types:

iv)

Professional Competence and Due Care

A professional accountant has a continuous duty of maintaining 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

2.3 Concept of Financial Reporting

Glautier and Underdown (2001) stated that the primary objective of financial reporting is to communicate economic measurement of

an information about resources and information about the resources held by entity and performance of the reporting entity, which is useful to those having the right to such information. According to Alexander and Britton (2000), the fundamental objective of corporate report is to communicate economic measurements of and information about the resource and performance of the reporting entity, which is useful to those having the rights to such information. Nzotta (2008) stated that financial reports assist the user in evaluating the past and present performance of the organization and its ability to maximize the wealth of the shareholders. Furthermore, it assesses the ability of the firm to create value and objective assessment of the value created over time, financial reports insights into these resources held by an organization, the claims to these resources including the obligation of the firm to transfer resource to other entities and owners, and the effects of transactions, events, and circumstances that changes its resource and claims to these resources (Glauter & Underdown, 2001; Nzotta 2008).

2.4 Theoretical Framework

Homa (2015) is of the view that there are five ethical theories, namely: Utilitarianism, Egoism, Deontological Ethics, Categorical Imperative, and Virtue Ethics. Utilitarianism focuses on the question of whether the action benefits the people more than it harms them. It takes into consideration the impact by everyone, including the individual. Individuals' self-interests are cast aside. All actions recommended are done to enhance the good of the largest number of people, which is what philosophers termed as "altruism" (Duska, 2011).

Egoism focuses on whether the action is good for us. Concerns of oneself take priority over what might be best for others. It does not consider what is fair to all human beings, but focuses on the belief that people should act in their best interest (Duska, 2011). Deontological Ethics focus on fairness. Fairness takes priority over any consequences the actions would have. The overall key points to this theory are a focus on fairness, rights, commitments, and doing the right thing. People should not only think of their own wants and desires but also that of others (Duska, 2011).

Categorical Imperative goes along with deontological theory, and the focus is on people being treated fairly. There is also a focus on leading by example. If you want others to act ethically, then you must also act ethically. This theory shows that all people are equal and must abide by the same rules (Duska, 2011). Virtue Ethics focus on character traits that are acknowledged across cultures. There is a focus on reaching the end goal or purpose to achieve full potential. Focus is on virtues and moral character and not on duties, rules, or consequences. The emphasis has been taken away from the consequences of the actions, and it focuses on the kind of person who is performing the action (Sadler, 2011).

2.5 Empirical review

The following studies were reviewed to support the study:

Kim and Shawn (2022) in their study on ethics and financial reporting argue that Since COVID-19's current economic suffering is still being felt, it is crucial to comprehend how businesses have responded strategically to previous external shocks and the connection

between their courses of action and post-shock firm performance. This led them to examine; whether firms' financial reporting practices are associated with the financial crisis and; also to find out if firms with conservative financial reporting during the crisis periods exhibit better performance in post- crisis periods. Using the ordinary least squares (OLS) models and conservatism proxy, their study established that firms are ethically conservative in financial reporting during the financial crisis. Additionally, they discover that companies who exhibited greater accounting conservatism during the financial crisis performed better in the years after the crisis. Their study findings' have consequences for practice by offering advice on accounting conservative ethics for businesses looking to become more resilient to financial setbacks brought on by economic events.

Ogunwale et al. (2022) stated that, the importance of financial reporting in the public sector has a big impact on how transparent and accountable the government is. One will understand this as contained in their study which investigated the effect of organizational factors and International Public-Sector Accounting Standards (IPSAS) adoption on the relevance of financial reporting of Nigerian public institutions. Data for their study were extracted from the audited financial statements of ninety public institutions for 2017 and 2018 while panel regression analysis was conducted on the data. Their study's conclusions showed that the adoption of IPSAS and organizational features together had a substantial impact on relevance. Also, that IPSAS adoption demonstrated an independent effect on relevance of financial reports

Owolabi & Adeleye (2019) did a study on Professional Ethics and Quality of Financial Report of Nigerian Deposit Money Banks. The purpose of this study was to evaluate the effects of professional ethics on the quality of financial reporting on Nigerian deposit money banks. The study looked at the effect of objectivity, integrity, independence, professional competence and due care, and professional behavior on quality of financial reporting amongst deposit money banks in Nigeria. Descriptive survey design was utilized to conduct the study. The target population of this study was deposit money banks in Nigeria while purposive sampling technique was used to select 8 of the banks that has international recognition. The study targeted 120 respondents to participate in the study and questionnaires were used as tools to collect data from respondents. The questionnaire was sent to accountant, auditors and managers distributed over all the 8 deposit money banks and soft copies of the questionnaire was sent to them using several information technology platforms. Study results established that objectivity, integrity, independence, professional competence and due care and professional behaviour all had positive and significant effect on timeliness (TML) (Adjusted R2 = 0.805, F = 76.815, p < .05) and verifiability (VRF) (Adjusted R2 = 0.735, F = 52.065, p < .05). The study recommends that management of deposit money banks should ensure that their accountants are professionals and that employment of staff should only be by merit. The management should also focus more on on-the-job training opportunities for employees.

Karashioglu & Humta (2021) did a study on investigation of Accounting Ethics Effects on Financial Report Quality & Decision Making:

Evidence from Kabul-based Logistic Corporations This study examines accounting ethics' impact on financial report quality and decision-making Kabul based logistic corporations in Afghanistan. The study examines the effect of accounting ethics on financial report quality and decision making. Total of 30 valid questionnaires, which were collected through Google Form, were analyzed by SPSS 24. To examine the suggested hypotheses, correlation analysis, and linear regression analysis were employed. For examining the reliability of adopted scales, Cronbach's Alpha was used. The study results demonstrated that accounting ethics significantly positively impact financial report quality and decision-making in Kabul-based logistic corporations. This study's findings fill the gap in Afghanistan's accounting literature by empirically investigating accounting ethics' impact on financial report quality and decision-making Kabul based logistic corporations.

Musa (2019) did a study on professionalism and accounting ethics on financial reporting. This paper focuses on evaluating the concept of professionalism and ethics of accounting standards on the quality of financial reports in Nigeria. To achieve this objective, data was collected from primary and secondary sources. Questionnaires were distributed with the use of simple random sampling technique in selecting a sample size of 75, consisting of accountant and auditors and relevant data obtained. Accounting ethics was measured with professional independence and professional competence, while financial reporting quality was measured using the qualitative attribute of dependability and understandability. Ordinary Least Square was utilised to develop a theoretical equation model to test the formulated hypotheses. Understandability was significant at 5% level in

associating with both competence and independence respectively. Reliability was found to be significant at 5% level, only with independence. On the basis of these findings, therefore, it was recommended that corporate bodies should establish ethics compliance department to enhance the enforcement of ethical compliance in the various economy institutions.

Onyedikachi et al (2024) did a study on accounting ethics and the quality of financial reporting. The study examines the effect of accounting ethics on financial reporting quality of companies in Abia State Nigeria. The study employs a quantitative research design. The study particularly used the survey design in collecting data from professional accountants on accounting ethics and quality of financial reporting. The population of the study consisted of the 413 members of professional accounting bodies in Abia State. Using a convenient sampling technique, the 54 questionnaires returned are used as sample size for analysis. The type of questionnaire used contains structured questions and a rating scale of 5- point Likert and the data is analyzed using a multivariate regression. The study found that, integrity has a significant effect on value relevance of financial reports while objectivity has insignificant effects on value relevance of financial report. Further findings revealed that, objectivity has a significant effect on timeliness of financial reports while integrity has insignificant effects on timeliness of financial reports. In line with the findings, it is recommended that, regulators should mandate comprehensive ethics training for accounting professionals at all levels. Also, they should incorporate ethical considerations into accounting curricula to nurture a strong ethical foundation as well as require companies to provide enhanced disclosures on their ethical practices and policies, demonstrating their commitment to maintaining

high ethical standards which is capable of spurring value relevance of companies' financial report

Flugrath Bennie and Chen (2007) conducted a study on ethics and financial reporting quality using a sample of 112 professional accountants and primary data. The results indicate that the presence of ethics has a positive impact on the quality of financial reports prepared by professional accountants. Berrone, Surocia and Tribo (2009) carry out a study on ethics and stakeholders' satisfaction in 515 companies using OLS regression analysis. Their study revealed that a strong corporate ethical code was positively related to high levels of stakeholder satisfaction. In turn, stakeholder satisfaction has a positive influence on the financial performance of the firm. Ogbonna and Appah (2011) investigated the effect of ethics on financial reporting quality in using a sample of 123 accountants. The study found that ethical compliance by accountants positively and significantly affects the quality of financial reports.

Ogbonna and Ebimobowei (2012) evaluated the effect of ethical accounting standards on the quality of financial reports of banks in Nigeria, they found out that ethical accounting standards affect the quality of financial reports of banks in Nigeria.

Lodla, Shakeel, and Saeed (2013), in their study on the effect of ethical behaviour on employee performance, found that ethical guidance and ethical values have positive influence on employees' performance, which have direct positive impacts on organization's growth. These findings were also corroborated by those of Onyeaghala-Obioma et al. (2014). Using the Spearman Rank Order Correlation and T-

statistics, their study found that there is a significant relationship between adherence to ethics and performance of business organizations.

Nabil, Osman, and Ziad (2014) investigated the effect of accounting ethics in improving managers' behaviour and decision-making. Using partial least squares (PLS), their study concludes that accounting ethics has a significant influence on improving managers' behaviour and decision- making.

3.0 Methodology

3.1 Research design

The study adopted a survey design as the most appropriate for this study as qualitative variables were used. Primary data were collected through the use of a structured questionnaire.

3.2 Population of the study

The population of this study is made of 182 professional accountants within the study area. These were made up of both ICAN and ANAN holders.

3.3 Sample size

The sample size was derived using the Taro Yamen formula as follow

$$n = \frac{N}{1 + N(e)^2}$$

$$n = \frac{182}{1 + 182(0.05)^2}$$

$$= 125$$

3.4 Sampling technique

Stratified random sampling technique was adopted in arriving at the sample for the study.

3.5 Sources of data

Primary sources of data were utilized in the study

3.6 Model specification

Financial reporting quality is the dependent variable while professional ethics, proxied by objectivity, integrity and independence. Mathematically it was stated as $FRQ = f(OBJ, INT, IND)$

Where FRQ = financial reporting quality

OBJ = objectivity

INT = integrity

IND = independence

3.7 Reliability Test

A pretest was used to ascertain the reliability of the research instrument. This was done by first making the questionnaire available to my mates for criticism. It will be given the professionals for criticism and the supervisor will make final corrections for administration

3.8 Data Analysis

The pearson product moment correlation (PPMC) was used for the analysis. the formula is given as:

$$r = \frac{N\sum xy - (\sum x)(\sum y)}{\sqrt{(N(\sum x^2) - (\sum x)^2)(N(\sum y^2) - (\sum y)^2)}}$$

Where: N = Number of pairs of score
 $\sum xy$ = Sum of the products of paired scores
 $\sum x$ = Sum of x scores
 $\sum y$ = Sum of y scores
 $\sum x^2$ = Sum of squared x scores
 $\sum y^2$ = Sum of squared x scores

4.0 Data presentation, analysis and discussion of results

4.1 Data Presentation

The data used for the study are presented below:

Table 4.1 Objectivity principle, Integrity principle, Independence principle and Financial reporting quality of firms

Options	Objectivity principle	Integrity	Independence	FRQ
Strongly Agree	83.00	81.00	98.00	100.00
Agree	66.00	76.00	81.00	65.00
Undecided	45.00	51.00	41.00	41.00
Disagree	41.00	41.00	33.00	30.00
Strongly Disagree	16.00	12.00	15.00	20.00

Source: Author’s computation

4.2 Data Analysis

The Pearson’s Product Moment Correlation (PPMC) technique is used to analyse the data. The output of the analysis is shown below alongside the results, interpretation and discussion.

Table 4.2: Table of output of the analysis

		OBJ	INT	IND	FRA
LSS	Pearson Correlation	1	0.981*	0.980**	0.959*
	Sig. (2-tailed)		.003	.003	.010
	N	5	5	5	5
MDT	Pearson Correlation	0.981**	1	0.961**	0.903*
	Sig. (2-tailed)	.003		.009	.036
	N	5	5	5	5
DDT	Pearson Correlation	0.980**	0.961*	1	0.973*
	Sig. (2-tailed)	.003	.009		.005
	N	5	5	5	5
QSD	Pearson Correlation	0.959*	0.903*	0.973**	1
	Sig. (2-tailed)	.010	.036	.005	
	N	5	5	5	5
**. Correlation is significant at the 0.01 level (2-tailed).					
*. Correlation is significant at the 0.05 level (2-tailed).					

The results in the table 4.2 above show that objectivity principle, integrity and independence are strong, positively, linearly and significantly associated with financial reporting quality as

demonstrated by the pearson correlation of 0.981, 0.980 and 0.959 respectively; and the p-values that are all less than 0.05. this is similar to the relationship between objectivity principle,

integrity and independence as well as financial reporting quality on one side and data mining is another which as reflected by the pearson correlation are 0.981, 0.961 and 0.903 respectively to indicate a strong, positive linear and significant relationship among the variables.

In the same vein, objectivity principle has positive, strong and significant relationship with integrity, independence and financial reporting quality as the Pearson correlation 0.980, 0.961 and 0.973 respectively. In addition, the p-values being 0.003, 0.009 and 0.005 are all less than 0.05. Besides, the relationship between financial reporting quality and independence principle, integrity as well as objectivity principle are strong, linear, positive and significant as indicated by the Pearson correlations which are

greater than 0.9 and the p-values that are all less than 0.05.

4.3 Test of Hypotheses: Hypothesis One

HO: There is no significant relation between objectivity principle and financial reporting quality of companies.

From the table (4.3) below, $r = 0.959$, while $p\text{-probability (sig.)} = 0.010$, therefore clarity is established on the fact that objectivity principle strongly and significantly influences financial reporting quality of companies. Thus, the null hypothesis is rejected, while the alternate hypothesis accepted.

Table 4.3: Correlations for Objectivity principle and financial reporting quality

		OBJ	FRQ
OBJ	Pearson Correlation	1	0.959*
	Sig. (2-tailed)		.010
	N	5	5
FRQ	Pearson Correlation	0.959*	1
	Sig. (2-tailed)	.010	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Version 20.

4.4 Hypothesis Two

HO There is no significant relationship between integrity principle and financial reporting quality.

Table 4.4 Correlations for integrity and financial reporting quality

		INT	FRQ
INT	Pearson Correlation	1	.903*
	Sig. (2-tailed)		.036
	N	5	5
FRQ	Pearson Correlation	.903*	1
	Sig. (2-tailed)	.036	
	N	5	5

*. Correlation is significant at the 0.05 level (2-tailed).

Source: SPSS Version 20.

The result in table 4.4 above shows that integrity principle has a positive, linear and strong effect on financial reporting quality of companies. The table also shows a significant level of 0.036 which is less than the 0.05 a priori significant level, therefore, a comparison of both indicates a significant relationship between integrity principle and financial reporting quality. Therefore, the null hypothesis is rejected, while

the alternate is accepted to imply that integrity does significantly contribute to financial reporting quality of companies.

4.5 Test of Hypothesis Three

HO There is no significant relationship between independence principle and financial reporting quality.

Table 4.5: Independence principle and financial reporting quality

		IND	FRQ
IND	Pearson Correlation	1	.973**
	Sig. (2-tailed)		.005
	N	5	5
FRQ	Pearson Correlation	.973**	1
	Sig. (2-tailed)	.005	
	N	5	5

** . Correlation is significant at the 0.01 level (2-tailed).

It is also seen that the result in table 4.5 above that independence principle has a positive, linear and strong effect on financial reporting quality of companies. The table also shows a significant level of 0.005 which is lesser than the 0.05 a priori significant level, therefore, a comparison of both indicates that independence principle do significantly enhance financial reporting quality.

Therefore, the null hypothesis is rejected, while the alternate is accepted.

5.0 Discussion of Findings

The study empirically examines the relationship between professional accounting ethics and financial reporting quality of companies by utilizing objectivity principle, integrity as well as independence principle as

measures for professional accounting ethics on financial reporting quality of companies. These variables were sufficiently operationalized through the research instrument and received as feedbacks from respondents for analysis.

It is evident from the results that objectivity principle, integrity and independence does have positive and significant relationship with financial reporting quality.

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