Effectiveness of Accounting Ethics on Financial Reporting Quality of Commercial Enterprises in Nigeria

Bamidele Sunday Mogaji
Department of Accounting, Federal University Lafia. Email: talk2sonydelex@gmail.com

Samson Okpanachi Daniel
Department of Accounting, Federal University Lafia. Email: samsondan38@gmail.com

Abstract

The paper examines the effectiveness of accounting ethics on the financial reporting quality of commercial enterprises in Nigeria. Structured questionnaire was administered to the respondents as a primary data collection instrument. Survey and ordinary least-square regression were employed as the research design and statistical analysis respectively so as to examine effects of accounting ethics on financial reporting. The findings revealed that there is positively and significantly associative effectiveness between accounting ethics and the objectivity of financial reporting quality. There is positively and significantly associative effectiveness between accounting ethics and the integrity of financial reporting quality. There is positively and significantly associative effectiveness between accounting ethics and the faithful disclosure of financial reporting quality. Based on the result, it was recommended that the processes of employment of accountants by commercial enterprises should be integrated with the high level of ethical standards. Regulatory ethics and compliance managerial administration should be put in place in the monitoring and directing of ethical implementation by commercial enterprises so as to enhance their daily operational activities. It is also recommended that the custodians of ethical practices for better financial reporting and documenting organized reports should morally and practically adhere to the professional codes of conducts issued by the Institute of Chartered Accountants of Nigeria (ICAN) in discharging daily professional responsibilities.

Keywords: Accounting Ethics, Financial Reporting Quality, Commercial Enterprises, Codes of Conduct

1. Introduction

The concept of financial reporting quality in financial accounting has been carefully explored by accounting scholars, consequent upon the outcome of significant corporate collapses. The quality of financial reports is critical for ensuring their impact and usefulness in the decision-making process by users (Asyik et al., 2023). In addition to its economic relevance, financial reporting quality extends to non-financial information, providing valuable insights for economic decision-making (Herath et al., 2017; Asyik et al., 2022).

Financial scandals can be caused by errors resulting from unethical behaviors and poor judgments by business leaders (Schaede, 2019). This has been widely demonstrated through instances of audit failures and corporate collapses, where a lack of focus on professional and ethical principles such as integrity, honesty, due care, objectivity, and prioritization of public interests over individualistic motives becomes apparent. This is reflective from a society's belief that accounting professionals act on public interest. The rate of abuses on accounting professional serves as evidence for more interventions on accounting ethics.

The definition of ethics has been given by different scholars in literature. Fisher and Lovell (2003) views ethics as the branch of philosophy that concentrates on formal academic reasoning about what is right and what is wrong. Hornby (2010) describes ethics as the moral values governing human behaviour. The similarity of Fisher and Lovell (2003) adnd Hornby (2010 is the measure of morally acceptable conduct in both definitions. Salaudeen, Ibikunle and Chima (2015) asserted that the accountants and auditors have provisionally and significantly given out a meaningful, reliable, efficient, realistic and unbiased information in the globally corporate entity, which shows the association between accounting ethics and financial reporting quality.

Ethics has different subject matters in relation to conflicts and its interpretations from ethical challenges significant issue presently to overall real life aspect. Ethics can be investigated within different branches and under different analysed grids as well as modern or classical trends (Filipe, Alberto, & Ferreira, 2011). Furthermre, accounting ethics is a branch of applied ethics that seeks to study moral values and judgments as they apply to the accounting profession. The lack of ethical standard and increased levels of prominent frauds on the part of accountant has led to the downfall of some companies over the past two decades resulting to the question of integrity in accounting profession. The Nigerian society over the years has witnessed its fair share of corporate scandals in the financial sector (Societe General Bank, Oceanic bank, Skye bank, Savannah Bank, Intercontinental Bank etc.) and non-financial sector (Cadbury Plc and African Petroleum) of the economy (Enofe, Edemenya & Osunbor, 2015). Ogbonna and Ebimobowei (2012) argued that any organization that lacks ethical consideration may not survive for a long time to achieve its desired goals and objectives and that of its stakeholders. These failures of corporate entities have been attributed to accountants' not adhering to the codes of conduct evidenced not only in the contents of financial reports but also in its reliability by end users. Hence, adequate care has to be taken on how these financial reports are prepared.

An accounting profession is a professional distinguishable mark with the responsible acceptance to exercise within the public interest action (IFAC, 2005). The professional bodies' ethics codes are the main qualities in terms of integrity, independence, competence, objectivity, and judgment. The Professional Ethics from the introduction of ICAEW's Guidelines involves skillfulness, fair-dealing, courtesy, truthfulness, honesty, and diligence as five qualitative principles and fundamental qualities (Gowthorpe, 2005). The technological bubble failure by WorldCom, Enron, and Arthur Anderson's failure led to the historical background and development for the establishment of highly ethical standards for the accountants' necessity (Rockness & Rockness, 2010).

In 2002, the provision or preparation of financial information due to inadequate confidence by accounting personnels (accountants) led the United States' Congress to establish and create the Sarbanes-Oxley (SOX) Act, and Public Company Accounting Oversight Board (PCAOB) respectively so that the accountants would have been improved to have educational ethics practices especially during the confrontation for decision-making challenges. Globally, the professional codes of conduct is now widely and strictly adhered to by the accounting professionals as a result of the widespread and failure of corruption and commercial enterprises respectively in the business and societal environments (Ogbonna, & Appah, 2011). However, accounting professionals must responsibly adhere to the professional ethical codes of conduct for financial accounting reports in order to have the reliability, relevancy, timeliness, accuracy, understandability, comprehensiveness of financial accounting reports.

Nzotta (2008) opined that financial accounting reporting creates a foundational avenue for decision-making economy on behalf of stakeholders especially the shareholders so as to establish decision-makings relating to the commercial enterprises' financial investments. The accounting professional's financial statements should have certain fundamental properties that allow varied readers to understand the report's content. Due to this, an accounting professional is responsibly accountable for his morally decisional implications for the betterment of other financial users. That is why an accounting professional (accountant) should not only jeopardize his morally standing ethics and societal stakeholders especially the shareholders due to fraudulent acts (Catacutan, 2006).

The fundamental objectivity of financial statements (reports) is to expressively communicate the association between economic and informative measurements and usefulness of performance and resources from the usefulness of reporting entity to all stakeholders (Alexander, & Britton, 2000). International Accounting Standard Board [IASB] (2008) stated that provision of highly qualified financial reporting information should be significantly positive so as to effectively and efficiently influence all stakeholders especially providers of capital in order to make investment and credit capital and other resourceful allocations as an enhancing efficient funds. The financial reporting quality reveals a limitation, measuring the commercial enterprise's financial reports, its status and functions of its economic values, which are honestly presented and measured during a time lag (Talebinia, Salehi & Jabberzabe, 2011). The system of financial reporting does not only depend sophisticated techniques and individual's decisional actions or institutional ethics but also truthful trust in the whole system (Enderl, 2006; Brenkart, 2004). The professionally and publicly certified accountant, managers of investment and researchers have variedly affected the confidential quality in financial accounting reporting systems by different industrial sectors and professional bodies and associative organisations, even in line with accounting ethics for auditing through the preparation of financial statements (Mahdavikhou & Khotanlou, 2011). Generally, professional accountants have obligatory responsibilities to all the financial stakeholders beyond their immediate shareholders so as to ethically and essentially behave within their ethical standards and expected traits (Carrol, 2005).

Appah (2010) asserted that ethical challenges and weakness are encountered and faced by Individual accountants, which led to temptation for choosing either right or wrong. Therefore, accountancy's claim and professionalism's features lead to ethical commitments and standards.-, which serves as an assurance that the accountancy bodies generally will not adhere with their selfishness in conflicting with the public interest's duties. According to Mathews and Perera (1996), every profession has an internal code of ethics that requires its members to behave ethically. The reasoning behind this is evident. In the past, Nigerian society observed the share fairness from corporate scandalous business problems in financial institutions such as Oceanic Bank, Societe General Bank, etc. and non-manufacturing commercial enterprises such as African Petroleum, Cadbury Plc, etc.

According to Ogbonna (2010) postulated where some organization does not consider accounting ethics as priority might not attain long-run targeted objectives and goals especially to all their stakeholders, ascribing the accountants' failure arise as a result of non-integrated rules, guidelines, and regulations of ethical conducts presently seen in financial statements and other financial conducts, which leads to the scrutinizing internal and external works of the accountant profession (Aguolu, 2006). The Code of Corporate Governance [CCG] (2011) created the ethics committee's composition in a commercial enterprise for the committee to responsible deliberate on ethical challenges and issues so as to uphold organizational ethical standards. Though, mostly occurred ethical scandals arise due to compromise of integrity and selfishness from the managerial administration and auditors led to organizational detriment, which can be established from the manipulation of Enron' financial balance sheet from upper management, and overstatement of audited financial statements by Cadbury, concealment of 22 billion as its indebtedness, etc so as to exercise the true and fair financial reports. All these had negated and violated the critical and appraisal rules, guidelines, and regulations of ethical practices, affecting the quality of financial reporting standards.

The aim of the paper is to investigate the accounting ethics' effective association and quality of financial reports in commercial enterprises in Nigeria, stating specific objectives are to: examine the effective association between accounting ethics and financial reports objectivity of commercial enterprises in Nigeria, assess the effective association between accounting ethics and financial reports integrity of commercial enterprises in Nigeria and investigate the effective association between accounting ethics and financial reports disclosure of commercial enterprises in Nigeria.

The research questions to be address are: what is the effective association between accounting ethics and financial reports objectivity of commercial enterprises in Nigeria?, to what extent does accounting ethics affect the financial reports integrity of commercial enterprises in Nigeria? What is the effective association between accounting ethics and financial reports disclosure of commercial enterprises in Nigeria?,

2. Literature Review

2.1 Conceptual Review

2.1.1 Concept of Ethics

Ethics are morally governed principles adopted by individual persons to guide his way of behaviours so as to distinguish right or wrong decision-making. Likewise, ethics and ethical values are ways of behaviours that are naturally not violating the organizational rules and policies nor infringing the common laws of the general populace, which may lead to criminal act or felony, but not affecting someone morality sense as well as judgmental sense of right from wrong decisions through interest conflict, insider and outsider's dealings, and objectivity, independence, disclosure and confidentiality, integrity compromised for formal secrets, official documents destruction for financially official rewards and benefits that are morally and religiously against moral norms and principles as well as ethical standards (Ogbonna & Appah, 2011).

Ethics is defined as good and badly evil, right and wrong questions, believing people are living a daily ethical wilderness, arguing in a disorderly turmoil among all human beings (Nwagboso, 2008). Aguolu (2006) states that ethics are a body of rules, principles, properties and morals of personal conduct and unwritten regulations governing the actions of an individual or a group of individuals or a community in their dealings with one another or as it relates to other individuals with whom they may have business or other social connections. As a matter of fact, ethical behaviour is vital for society to function in a well-ordered manner. The need for ethics in society is so vital that many commonly held ethical principles of a society such as honesty, fidelity and excellent pursuits can be integrated into law. Ethics is defined as a morally systemic principles, standardized action, and values, which is applicable to normally choose within multiple and morally behavioural ideals properly required for functional society in accordance with loyalty, honesty, fairness, promise as well as codified excellent legislation in order to portrait accountability and excellence (Hayes, Schilder, Dassen, & Wallage, 1999).

The reflection of ethical concepts and theories is termed as meta ethics such as business ethics, while ethical theories is the consideration of substantive proposals in accordance with morally acceptable conducts such as public service. Applied ethics is an enquiry of related deliberation to specifically attach to a field of study such as professional ethics (Ajibolade, 2008). The formal ethical code assures the professional members to be utmost observance of the moral aspects of their professional work; an accessibility of reference technique for managerial officers to hold ethical issues as mindful thoughts; concrete applicable terms will have been translated from abstract ideas to almost all situations; standardized fashionable profession will have been acted by all professional members (Mathews, & Perera, 1996). Also, professional ethics creates professional accountants with certain benefits such as professional determinant posture for conducive professional relationship and prosperity (Nwagboso, 2008).

2.1.2 Accounting Ethics

The moral association management necessitates the ethical acceptably and rapidly human society and social association development, which responsively change the conditions of professional codes of conduct and standards through social contracts and the establishment of standard practice as well as expected professional behaviour of the professional accountant under the professional association supervision (Saghafi, Rahmani, & Rabie, 2010). For example, the code 3 of AICPA's principle, the obligatory behavior of members should be acceptable in accordance with the public interest, honorably public trust, and demonstrative commitment to professionalism. These professional responsibilities are prioritized and stated as follows responsibility for society, client, other professional members, and self-person, which the society interest shall prevail over other interest when discharging professional services.

2.1.3 Financial Reporting Quality

The major objective of financial reporting is to create highly qualified financial reporting data on the bases of economic and financial institutions, assisting for decision making economy, which will be impactful and essential for favorable capital suppliers as well as other financial stakeholders (IASB, 2006; IASB, 2008). The quality of financial reporting indicates a limit that honestly presents a commercial enterprise's financial reports, its socio-economic status, and features measured during given period of time (Talebnia, Salehi, Jabbarzade & Kangarluei, 2011). Financial reporting quality refers to the degree to which financial reports accurately and transparently represent an entity's financial performance and position (Akinadewo et al., 2023). It encompasses the reliability, relevance, completeness, and comparability of financial information disclosed in an organization's financial statements (De Maria, 2018; Falana et al., 2023). High financial reporting quality indicates that the financial statements provide a true and fair view of the entity's economic activities and financial health. Reliable financial information is free from material errors and bias, and it faithfully represents the economic reality of the organization

(Awotomilusi et al., 2023). Users of financial statements should be able to depend on the accuracy of the information for decision-making. Relevant financial information is timely and capable of influencing the decisions of users (Akinadewo et al., 2023). It is important for financial reports to provide information that is pertinent to the economic decisions of various stakeholders, such as investors, creditors, and regulators (Igbekoyi et al., 2024).

2.1.4 Importance of Accounting Ethics to Commercial Enterprises in Nigeria

The basic purpose of a code of ethical conduct is to provide an organisation with a clear standard for ethical behaviour. Accounting ethics assist in shaping the behaviour of accounting professionals towards meeting stakeholders' expectations. Accounting ethics rightly contribute to profit which is distributed to all stakeholders according to their interest in the entity. Oghene and Yomere (2008) stated that the purpose of ethics in organisation is to ensure business men and women operate within a framework of code of conduct that facilitates, if not encourages public confidence in their product and services. As observed by the International Federation of Accountants (IFAC), the introduction of a code of ethics assists in building a value-driven organisation and typically deals with an organisation's fundamental values, commitment to employees, standards for doing business, and its rapport with the wider society.

Accounting ethics can also be seen to have a constructive impact in the reduction of fraud cases, corruption, theft and mismanagement of fund by employee. The study of Abdol-mohammadi and Reinstein (2012) revealed that though ethical education impacted on the attitudes and behaviour of professional accountants, but yet to confirm if ethics education have potential of moderating Enron-like fraud. An ethically-minded corporate entity invests less in advertising and their products and services are of great demand. Accounting ethics help an organisation to build its integrity and culture on a solid ground. Before an organisation can enjoy the benefits of accounting ethics, it must invest both in organisational asset and human capital development. Heysel (2013) opined that the investments in human capital and organisational asset take the form of both financial resource and time.

Arowoshegbe, Uniamikogbo and Atu (2017) in their study unravelled the impact of ethics on audit quality. They discovered that accounting ethics have a positive and significant relationship with audit quality. Their study also showed that accounting ethics play a vital role in improving the auditor's expertise. Therefore, there is a need to regulate and strictly enforce accounting ethics both by the standard setters and other stakeholders such as the organisations, professional bodies and tertiary institutions. Nwanyanwu (2018) in his own study revealed that good accounting ethics can help in alleviating fraud in Nigerian banks.

2.2 Empirical Review

Maradesa (2024) examined accounting ethics and quality of financial reporting among corporate entities in Lagos state. To achieve the objectives of the study three null hypotheses were tested at 0.05 level of significance. The study adopted the ex post facto research design while the multistage sampling technique was used to select the sample. The sample of the study was twenty-nine percent (29%) which is six (6) companies out of twenty-one (21) companies in Lagos State. Inferential statistics of Pearson Product Moment Correlation (PPMC) was used to test the relationship that existed between the variables while Simple Linear Regression Analysis was used to measure, explain and predict the connections among the variables at $p<0.05$ level of significance. The findings of the study revealed that there was significant negative relationship between disclosure of financial information and quality of financial reporting. There was however, significant positive relationship between integrity of financial information and quality of financial reporting; while there was significant negative relationship between conformity with applicable legal requirements and quality of financial reporting. The study concluded that high ethical standard is fundamental in achieving objective, reliable and transparent financial reporting. The study recommended that companies should provide sufficient disclosures in the financial report which will aid the understanding of information contained in the financial report and lastly companies should ensure consistency in the choice of accounting methods and principles used in measuring and reporting their financial information which will enhance the quality and comparability of financial report.

Samuel et al. (2024) investigated the impact of ethical accounting practices on financial reporting quality by using the extended theory of planned behaviour (ETPB) and integrating religiosity as a moderating variable. Using a survey method, data was obtained from 371 chartered accountants who were in good standing as of April 2023. The collected data were then analysed using partial least squares structural equation modelling. The results revealed that there is a significant positive relationship between ethical accounting practices (attitude, subjective norm, perceived behavioural control and ethical judgement) and financial reporting quality of accounting practitioners. Furthermore, a moderation test was conducted, which demonstrated that religiosity enhances the positive correlation between ethical accounting constructs (attitude, subjective norm and ethical judgement) and financial reporting.

Adewara, et al., (2024) examined the implementation of International public sector accounting standards (IPSAS) on financial reporting quality in the Nigerian public sector. Three regression models (transparency, accountability, and comparability) were formed to represent financial reporting quality in the Nigerian public sector. A survey design was utilized, and questionnaires were directly distributed to participants, who were the Revenue Officers of Ekiti State Internal Revenue Service (EKSIRS). The total population consisted of 521 revenue officers and a census sampling method was employed, covering the entire population at 100%. Out of the distributed questionnaires, 417 were returned with complete responses and used for the analysis. Descriptive, correlation and regression analysis were employed in the analysis of the data. The result revealed that IPSAS has a significant and positive relationship on financial reporting quality (transparency, accountability and comparability) in the Nigerian public sector. It was recommended that for more financial reporting quality in the Nigerian public sector to be enhanced, government should be ready to imbibe the spirit of professionalism in various public offices and impose appropriate sanctions to individual or corporate bodies that violate this principle.

Nkuranga & Tarus (2023) examined the effect of accounting ethics on quality of financial reporting among listed commercial banks in Rwanda stock exchange. The objectives of the study were to investigate the effect of accounting integrity on the quality of financial reporting among listed commercial banks in Rwanda, to determine the effect of accounting objectivity on the quality of financial reporting among listed commercial banks in Rwanda and to examine the effect of accountants' professional competence and due care on the quality of financial reporting among listed commercial banks in Rwanda stock exchange. Theories underpinning the study are business entity theory, going concern theory and agency theories. The study used correlation design with a quantitative approach. The sample size was 363 respondents who included accounting, finance and auditing staff, heads of departments and members of the boards of directors of the four selected commercial banks. However, only 203 completed the survey. Stratified simple random and purposive sampling techniques were used to select this sample. Data was analyzed through descriptive analysis. Findings showed that accounting integrity has a statistically significant effect on the quality of financial reporting among selected commercial banks in Rwanda; accounting objectivity has a statistically significant effect on the quality of financial reporting among selected commercial banks in Rwanda and professional competence and due care have no statistically significant effect on the quality of financial reporting among selected commercial banks in Rwanda. The study recommends strengthening professional knowledge and training by investing in continuous training and development programs. Promotion of ethical practices, enhancement of staff and management collaboration and learning culture across the surveyed commercial banks are also recommended.

Alkhabbaz and Suresh (2023) investigated the influence of the adoption of International Public Sector Accounting Standards (IPSAS) on the comparability of financial reports within India's public sector. The research employed both primary and secondary data sources, with primary data gathered from employees in the accounts departments of Public Sector Enterprises (PSEs) in India. A well-designed questionnaire, based on a 5-point Likert scale, was utilized, and out of the 100 distributed questionnaires, 75 were returned and considered as the sample, maintaining a significance level of 5%. Data analysis was conducted using SPSS software, incorporating Spearman's correlation test to examine the hypothesis. The study's outcomes and recommendations suggested a significantly positive impact of IPSAS adoption on enhancing financial report comparability in India’s public sector.

Similarly, Aboukhadeer et al. (2023) aimed to ascertain the significance of adhering to governance standards and International Public Sector Accounting Standards (IPSAS) in elevating the quality of accounting information. The study encompassed board directors, non-audited members, internal auditors, accountants, and department heads in various government entities within Libya's Government Sector. A total of 400 questionnaires were distributed to these stakeholders, and the collected data underwent analysis using SPSS and PLS-SEM. The study revealed that five latent variables associated with governance standards and IPSAS compliance (ensuring sound governance, disclosure, responsibilities of the board of directors, preservation of stakeholders' rights, and fair equal treatment) exerted a positive and significant influence on the quality of accounting information among employees in Libyan banks.

Sanni et al. (2023) explored the impact of accounting standards on corrupt practices in Ogun State, Nigeria, utilizing a survey research design with questionnaires administered to staff in selected Ministries, Departments, and Agencies (MDAs). The regression analysis revealed a positive and significant effect of accounting standards on deterring corruption, emphasizing that adherence to standards alone might not entirely eliminate corruption in Nigeria. Tawiah (2020) investigated the relationship between IPSAS and corruption in developing countries, finding a significant negative association. Egolum and Ndum (2021) focused on Anambra State, examining how IPSAS implementation positively influenced financial reporting quality, enhancing accountability and transparency, and reducing corruption in the state's civil service.

Paul (2020) investigated the impact of regulatory agencies on creative accounting practices. The study used descriptive and survey research design to achieve its aim. It employed a multi-stage sampling technique, also questionnaires were distributed among 405 respondents consisting of preparers of accounts, users of accounts, and regulators. Out of the number distributed, the respondents returned 241 copies, and all of them were found suitable. The study used Ordinary

Least Squares (OLS) to analyze the data and test the hypothesis. The empirical findings showed that the regulatory agencies jointly show a significant impact on creative accounting practices, but the level of contribution to the overall impact by each regulatory agency varies. The study concludes that Nigeria's regulatory agencies are weak and inefficient in enforcing compliance with the relevant rules. The study recommends that the institutional capacity of the regulatory agencies should be strengthened by enforcing compliance with financial reporting rules and regulation. Most of these agencies should develop capacity in the areas of manpower, information technology infrastructures, and funding.

Azona (2019) investigated the effects of accounting ethics on financial reporting quality of commercial banks in South Sudan. Using descriptive survey design and one hundred and twenty nine (129) accountants, the study concluded that accounting ethics have significant effect on financial reporting quality. The empirical literature underscores the relevance of replicating the study in the consumer goods industry, as evidence is indicative of the existence of a relationship between ethics and the quality of professional conduct which dog tales to quality of output of the system. On the basis of the foregoing we propose that accounting ethics has a effects on financial reporting quality of commercial banks in South Sudan.

Wang and Miraj (2018) explored challenges related to IPSAS adoption in South Asian countries, including India, Pakistan, Bangladesh, Nepal, and Sri Lanka. The study, relying on secondary sources, revealed variations in IPSAS adoption among these nations, such as Nepal issuing Nepal Public Sector Accounting Standards (NPSAS) based on IPSAS, ongoing adoption processes in Bangladesh, Pakistan adopting cash basis standards, and Sri Lanka developing 10 accounting standards based on IPSAS. India faced challenges like a lack of experienced staff, delays in financial reporting, and an absence of a finalized adoption timetable.

Agwor and Okafor (2018) examined the nexus between accounting ethics and financial reporting quality using tourism and hospitality firms in Rivers State. The study adopted the quantitative design and questionnaires were distributed. Accounting ethics were gauged by means of professional independence and competence while financial reporting quality, qualitative attributes of reliability and understandability. The ordinary least square (OLS) estimation technique was used and findings support the assertion that variability in accounting ethics can account for between79% and 91% of the variability in financial reporting quality. Understandability was significant at 5% level in linking with both competence and independence, however, reliability was found to be significant at 5% level, only with independence. This implies that accounting ethics had a significant link with financial reporting quality.

Duenya et al. (2017) investigated the impact of the adoption of International Public Sector Accounting Standards (IPSAS) on accountability in public sector financial reporting in Nigeria. The study utilized the perspectives of accounting personnel (AP), academics (AA), and auditors (AU), with a sample of 130 respondents drawn from a population of 193 individuals within Benue State. Data analysis employed statistical tests, including the Chi-Square goodness of fit test, Kruskal Wallis H test, Mann-Whitney U test, and Cohen effect size. The findings indicated that the adoption of IPSAS in Nigeria would enhance accountability and decision-making in the public sector. Additionally, the study revealed significant differences in the perceptions of AP, AA, and AU regarding the impact of IPSAS adoption on Nigeria's public sector financial accountability

Yosep (2016) postulated that the effectiveness of accountant's objectivity and quality of financial report in Indian publicly quoted Deposit Money Banks (commercial banks). The observation of this research was that Indian IIA had been underlined the significant and important objectivity in the accounting and auditing internal control practices. The professional standards reveal that accountants and internal auditors must be objective in carrying out their work. The accountants and internal auditors; Objectivity should infer to the mentally attitudinal strength of personal and organisational objectivity.

3. Methodology

The survey design was adapted as the research design so as to elicit information from the respondents under examination. The use of a 5-likert scale through a well-structured questionnaire as the primary data from all Nigerian professional accounting practitioners, which the professional accounting practitioners in Benin City, Edo State of Nigeria were sampled as the sample size through the fifty administered questionnaires. The gathered questionnaires were analyzed using the Ordinary Least Square (OLS) regression statistical analysis.

4. Presentation, Analysis and Interpretation of Data

The findings from the generated data are presented below:

Table1: Accounting ethics and Financial Reporting Objectivity

Dependent Variable: OBJ				
Method: Least Squares				
Sample: 150				
Included Observations: 50				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	17.80177	2.394912	7.43316	0.00
OBJ	0.08438	0.24067	0.3506	0.027
R-Squared	0.4255	Mean Depend.. Variable		18.6
Adjusted R-Squared	0.4182	S. D. Depend.. Variable		5.206
S.E. of Regression	5.2532	Akaike info criter.		6.195
Sum Square Resid.	1324.608			6.271
Log Likelihood	-152.870	Hannan-Quinn criter.		6.224
F-statistics	4.12292	Durbin-Watson stat.		2.20
Prob. (F-statistics)	0.0000			

Source: Author's computation, 2024

The outcome from table1 shows the association between accounting ethics and quality of financial reporting within the objectivity of financial reports. The R-square reveals 0.42 as 42% the systematic variation on the objectivity of financial report as it explains the explanatory variable. However, there is positively significant association between accounting ethics and the objectivity of financial reporting information with prob (F-stat) of 0.0000 on 5% significance level. The auto correlation is absent as shown from Durbin Watson value of 2.20.

Test of Hypothesis One

$H0_1$: There is no significant association between accounting ethics and Financial Reporting objectivity of Commercial Enterprises in Nigeria. From the regression analysis run given the coefficients in table 1 above, it shows that Accounting Ethics has a significant association on Financial Reporting objectivity of Commercial Enterprises in Nigeria, given (t= 0.3506; sig. 0.027). Thus, Accounting Ethics has a significant association on Financial Reporting objectivity of Commercial Enterprises in Nigeria.

Table 2: Accounting ethics and financial report Intergrity

Dependent Variable:INT				
Included Observations: 50				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	20.4918	210418	9.73862	0.00
INT	-0.1662	0.24067	-0.7858	0.0059
R-Squared	0.6127	Mean Depend.. Variable		18.92
Adjusted R-Squared	0.5787	S. D. Depend.. Variable		4.5974
S.E. of Regression	4.6155	Akaike info criter.		5.9359
Sum Square Resid.	1022.527			6.0124
Log Likelihood	-146.397	Hannan-Quinn criter.		5.9650
F-statistics	8.61743	Durbin-Watson stat.		1.9147
Prob. (F-statistics)	0.0000			

Source: Author's computation, 2024

The outcome from table 2 shows a link between accounting ethics and quality of financial reporting within the integrity of financial reports. The R-square reveals 0.61 as 61% the systematic variation on the integrity of financial report as it explains the explanatory variable. However, there is positively significant association between accounting ethics and the integrity of financial reporting information with prob (F-stat) of 0.0000 on 5% significance level. The auto correlation is absent as shown from Durbin Watson value of 1.91

Test of Hypothesis Two

$H0_2$: There is no significant association between accounting ethics and Financial Reporting integrity of Commercial Enterprises in Nigeria. From the regression analysis run given the coefficients in table 2 above, it shows that Accounting Ethics has a significant association on Financial Reporting intergrity of Commercial Enterprises in Nigeria, given (t= -0.7858; sig. 0.0059). Thus, Accounting Ethics has a significant association on Financial Reporting integrity of Commercial Enterprises in Nigeria. It is supported by Maradesa (2024) and Samuel et al. (2024) who concluded that high ethical standard is fundamental in achieving objective, reliable and transparent financial reporting.

Table 3: Accounting ethics and Financial Reporting Disclosure

Dependent Variable: DIS				
Included Observations: 50				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	11.8163	210418	9.73862	0.00
DIS	0.3260	0.24067	-0.7858	0.0429
R-Squared	0.6827	Mean Depend.. Variable		14.9
Adjusted R-Squared	0.6635	S. D. Depend.. Variable		3.5355
S.E. of Regression	3.4214	Akaike info criter.		5.3371
Sum Square Resid.	561.8764			5.4136
Log Likelihood	-131.428	Hannan-Quinn criter.		5.3662
F-statistics	4.3247	Durbin-Watson stat.		2.2172
Prob. (F-statistics)	0.0429			

Source: Author's computation, 2024

The outcome from table 3 showed a link between accounting ethics and quality of financial reporting within the faithful disclosure of financial reports. The R-square reveals 0.68 as 68% the systematic variation on the faithful disclosure of financial report as it explains the explanatory variable. However, there is positively significant association between accounting ethics and the faithful disclosure of financial reporting information with prob (F-stat) of 0.04230 on 5% significance level. The auto correlation is absent as shown from Durbin Watson value of 2.20.

Test of Hypothesis Three

H0$_3$: There is no significant association between accounting ethics and Financial Reporting Disclosure of Commercial Enterprises in Nigeria. From the regression analysis run given the coefficients in table 3 above, it shows that Accounting Ethics has a significant association on Financial Reporting Disclosure of Commercial Enterprises in Nigeria, given (t= -0.7858; sig. 0.0429). Thus, Accounting Ethics has a significant association on Financial Reporting Disclosure of Commercial Enterprises in Nigeria. It is supported by Maradesa (2024) and Samuel et al. (2024) who concluded that high ethical standard is fundamental in achieving objective, reliable and transparent financial reporting.

4.1 Major Findings

In examining the association between accounting ethics and Financial Reporting objectivity of Commercial Enterprises in Nigeria, the null hypothesis was rejected and the alternate hypothesis was accepted. Therefore, Accounting Ethics has a significant association on Financial Reporting objectivity of Commercial Enterprises in Nigeria. It is supported by Maradesa (2024) and Samuel et al. (2024) who concluded that high ethical standard is fundamental in achieving objective, reliable and transparent financial reporting.

Similarly, in investigating the association between accounting ethics and Financial Reporting integrity of Commercial Enterprises in Nigeria, the null hypothesis was rejected and the alternate hypothesis was accepted. Therefore, Accounting Ethics has a significant association on Financial Reporting integrity of Commercial Enterprises in Nigeria. It is corroborated by Nkuranga & Tarus (2023) which showed that accounting integrity has a statistically significant effect on the quality of financial reporting among selected commercial banks in Rwanda.

Finally, in determining the association between accounting ethics and Financial Reporting disclosure of Commercial Enterprises in Nigeria, the null hypothesis was rejected and the alternate hypothesis was accepted. Therefore, Accounting Ethics has a significant association on Financial Reporting Disclosure of Commercial Enterprises in Nigeria. It is supported by Aboukhadeer et al. (2023) which suggest that the five latent variables associated with governance standards and IPSAS compliance (ensuring sound governance, disclosure, responsibilities of the board of directors, preservation of stakeholders' rights, and fair equal treatment) exerted a positive and significant influence on the quality of accounting information among employees in Libyan banks.

The general major finding therefore shows that accounting ethics had a significant link with financial reporting quality. The result is consistent with the works of (Agwor & Okafor, 2018; Azona, 2019) amongst others, that ethics in the accounting profession is vital to financial reporting quality of companies. These results clearly support the fundamental role of accounting ethics in enhancing the quality of financial reporting in Nigeria, and the world over.

5. Conclusion and Recommendations

The research's objectivity is to examine the ethics' effectiveness and quality of financial reporting. The administered questionnaires were adopted to test the apparent hypotheses, analysing it with the Ordinary Least Square (OLS) regression statistical technique. The findings revealed that there is positively and significantly associative effectiveness between accounting ethics and the objectivity of financial information. There is positively and significantly associative effectiveness between accounting ethics and the integrity of financial information. There is positively and significantly associative effectiveness between accounting ethics and the faithful disclosure of financial information. Generally, the analysed data through multiple ordinary least square regression revealed to be positively significant association between accounting ethics and quality of financial reporting of commercial organizations in Nigeria, which this has consistently shown in the research of Agwor & Okafor (2018). Based on the outcomes, the research has been concluded that there is a significant association between accounting ethics and Financial Reporting objectivity, integrity and disclosure of Commercial Enterprises in Nigeria.

The research recommends the following suggestions in accordance with the review of financial reporting:

1. Men and women applicants should be employed with highly endowed ethical standards in accordance with the improvement of employment procedures.

2. There should be highly commensurate in ethical placement in line with the departmental compliance in all commercial enterprises in Nigeria so as to monitor and direct the ethical implementation in their daily operations.

3. Firms reporting structure should adhere strictly to the financial reporting framework issued by the International Financial Reporting Standards for better and more acceptable financial reports.

4. Also, the custodians of ethical practices for better financial reporting and documenting organized reports should morally and practically adhere to the professional and practical codes of conducts issued by the Institute of Chartered Accountants of Nigeria (ICAN) in exercising daily responsibility.

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