

UNETHICAL ACCOUNTING PRACTICES AND FINANCIAL REPORTING QUALITY

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**BEING A RESEARCH PROJECT WRITTEN AND SUBMITTED TO THE
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REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF SCIENCE (BSc.)
DEGREE IN ACCOUNTING**

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DECLARATION

I, **IMAFIDON OSARIEMEN PRUDENCE**, do hereby declare that:

This project report is based on a study undertaken by me in the Department of Accounting, University of Benin under the supervision of Prof. J.P Otakefe.

This work has not been previously submitted for the award of degree elsewhere.

All ideas and views are product of my personal research and where the views of others have been expressed, they have been duly acknowledged.

All liabilities arising from the study are entirely mine, and not those of the supervisor.

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CERTIFICATION

We certify that this work was carried out by Osariemen Prudence IMAFIDON, with matriculation number MGS2003356 in the Department of Accounting, University of Benin, Benin City.

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DEDICATION

This research work is dedicated to God Almighty for his loving kindness, favour and grace shown to me and for seeing me through my academic pursuit and aspirations. I also dedicate this work to every great legend in the field of management sciences, I have only succeeded in this work because I built on the foundation they have laid.

ACKNOWLEDGMENTS

The completion of my undergraduate research project marks a significant milestone in my academic journey, and I am grateful for the opportunity to express my deepest appreciation to the individuals and institutions that have supported me throughout this endeavor.

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ABSTRACT

Objective- This study focused on unethical accounting practices and their impact on financial reporting quality in Nigeria. It specifically examined the roles of institutions and regulatory bodies in addressing these issues. Geographically, our sample was drawn from Nigeria. The paper tested the hypothesis that there are no significant factors contributing to the persistence of unethical accounting practices among accountants and auditors, regulatory bodies do not face substantial challenges that hinder their ability to enforce ethical standards and address misconduct in financial reporting, and unethical accounting practices do not negatively impact the quality of financial reporting and diminish investor confidence in the Nigerian financial system. *Methodology -* For this study, the population comprised 154 staff of accounting departments and audit units of quoted companies in Nigeria. To choose the sampled companies in Nigeria, the Simple Random Sampling technique was adopted in this study. The research instrument used for this study is the questionnaire administered to accounting professionals, auditors, financial regulators, company executives, key officials from regulatory bodies and industry experts. The response to each of the question in Section B was based on the five-point likert scale and denoted as 1- Strongly Agree; 2- Agree; 3- Undecided; 4- Disagree; 5- Strongly Disagree. The data collected were analysed using both descriptive and inferential statistics. In addition, the hypotheses of the research have been tested using EViews student version 12 through ENTER for data analysis. *Findings -* The results revealed a significant negative relationship between variables. *Research limits -* Data used for this study need to be subjected to more statistical tests in order to establish a more robust validity and reliability. It is necessary to acquire further strengthened data and assume a variety of conditional situations. It is expected that subsequent studies can use larger samples and diversified by sector, a broader geographic base and a multi-faceted analysis. *Practical implications-* The study underscored the need for policymakers to prioritize ethical governance in the financial sector. Strengthening the regulatory framework and promoting ethical practices can enhance financial stability and investor confidence.

CHAPTER ONE

INTRODUCTION

1.1 Background to the Study

In recent years, unethical practices by accountants and external auditors have contributed significantly to financial losses in Nigeria, with investors losing billions of dollars. These practices often involve the deliberate falsification and overstatement of financial statements, executed through collusion between accountants, auditors, and company management. Notably, cases such as the Cadbury Nigeria Plc scandal highlight how earnings were deliberately overstated to mislead investors and regulators, resulting in significant financial harm (Okoye & Alao, 2020). Such unethical conduct has also led to the replacement of local Nigerian executives in multinational corporations, as seen in both Lever Brothers Nigeria Plc and Cadbury Nigeria Plc, where expatriates were appointed to manage the crisis (Otusanya, 2021).

Companies placed under receivership due to financial distress have suffered additional losses due to professional misconduct by their official receivers (Adeyemi & Fagbemi, 2020). This misconduct raises concerns about the true role of accountants and auditors, who claim to act in the public interest. In reality, they may have contributed to the collapse of companies and banking institutions through failure to detect or report fraudulent activities (Adeyemi & Uadiale, 2021). Despite the presence of regulatory frameworks, such as the Companies and Allied Matters

Act (CAMA, 2020) and the Banks and Other Financial Institutions Act (BOFIA, 2020), which require accountants and auditors to detect and report fraud, compliance has been inadequate. This paper explores these regulatory gaps by examining cases of fraud and deliberate misrepresentation of financial accounts, highlighting the challenges faced by Nigeria's professional accounting bodies, particularly the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and the Institute of Certified Public Accountants of Nigeria (ICPAN), amongst others in protecting the public interest (Otusanya & Lauwo, 2022).

Archival evidence suggests that some ICAN, ANAN, and ICPAN members have engaged in professional misconduct, yet the organizations' "Investigation and Disciplinary Machinery" has been ineffective in addressing these issues (Akinbuli, 2021). The reluctance of these professional accounting bodies to investigate or sanction erring members raises concerns about the integrity of the profession and its ability to safeguard corporate transparency and accountability. The lack of meaningful action against offending accountants suggests that these bodies whether by design or default, shields its members from critical scrutiny, thereby undermining the credibility of financial reporting in Nigeria (Owolabi, 2022).

1.2 Statement of the Research Problem

Unethical accounting practices have increasingly compromised the integrity of financial reporting in Nigeria, leading to significant financial losses, corporate distress, and erosion of investor confidence (Otusanya & Lauwo, 2022). Despite the existence of statutory provisions such as the Companies and Allied Matters Act (CAMA, 2020) and the Banks and Other Financial Institutions Act (BOFIA, 2020), instances of fraudulent financial reporting, falsification of accounts, and professional misconduct by accountants and auditors remain prevalent (Adeyemi & Uadiale, 2021). The involvement of certified accountants and auditors in financial scandals, such as those involving multinational corporations like Cadbury Nigeria Plc, highlights the failure of existing regulatory frameworks and oversight mechanisms to enforce accountability (Otusanya, 2021). The Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and the Institute of Certified Public Accountants of Nigeria (ICPAN), tasked with maintaining professional standards and disciplining errant members, has been criticized for their reluctance to investigate or sanction unethical behavior within its ranks (Akinbuli, 2021; Owolabi, 2022).

This persistent issue raises important research questions which will guide this study::

- i. What are the key factors contributing to the persistence of unethical accounting practices among accountants and auditors in Nigeria?

- ii. What challenges do Institutions and regulatory bodies face in enforcing ethical standards and addressing instances of misconduct in financial reporting?
- iii. What impact do unethical accounting practices have on the quality of financial reporting and investor confidence in the Nigerian financial system?

1.3 Research Objectives

The broad objective of this study is to examine the effects of unethical accounting practices on the quality of the financial report The specific objectives of this research are to:

- i. To identify and analyze the key factors contributing to the persistence of unethical accounting practices among accountants and auditors in Nigeria.
- ii. To assess the challenges faced by regulatory bodies in enforcing ethical standards and addressing instances of misconduct in financial reporting.
- iii. To examine the impact of unethical accounting practices on the quality of financial reporting and investor confidence in the Nigerian financial system.

1.4 Research Hypothesis

To guide this study, the following hypotheses are proposed using the H0.

Where ;

HO = null hypothesis

HO₁: There are no significant factors contributing to the persistence of unethical accounting practices among accountants and auditors in Nigeria, including pressure from management, lack of regulatory oversight, and organizational culture.

HO₂: Regulatory bodies, including the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and the Institute of Certified Public Accountants of Nigeria (ICPAN), and the Nigerian Exchange Group (NGX Group), do not face substantial challenges that hinder their ability to enforce ethical standards and address misconduct in financial reporting.

HO₃: Unethical accounting practices do not negatively impact the quality of financial reporting and diminish investor confidence in the Nigerian financial system.

1.6 Scope of the Study

This study focuses on unethical accounting practices and their impact on financial reporting quality in Nigeria. It will specifically examine the roles of institutions and regulatory bodies particularly the Nigerian Stock Exchange (NSE), Securities and Exchange Commission (SEC), Financial Reporting Council (FRC), Institute of Chartered Accountants of Nigeria (ICAN),

Association of National Accountants of Nigeria (ANAN), Institute of Certified Public Accountants of Nigeria (ICPAN), Central Bank of Nigeria (CBN), and 20 listed companies on the Nigerian Stock Exchange (across various sectors) in addressing these issues. The research will primarily consider incidents of unethical behavior, and data shall be collected primarily through questionnaires administered to accounting professionals, auditors, financial regulators, company executives, key officials from regulatory bodies and industry experts.

Geographically, our sample will be drawn from Nigeria, by concentrating on the Nigerian financial landscape, the study aims to provide a comprehensive understanding of the factors contributing to unethical practices, the effectiveness of regulatory enforcement, and the implications for financial reporting quality and investor confidence.

1.7 Significance of the Study

This study holds significant relevance for multiple stakeholders within the Nigerian financial landscape. First, it aims to enhance understanding of the underlying factors contributing to unethical accounting practices, providing valuable insights for accounting professionals, regulatory bodies, and educators. By identifying these factors, the study can inform training and development programs that promote ethical behavior among accountants and auditors.

The research highlights the challenges faced by regulatory bodies such as the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), Institute of Certified Public Accountants of Nigeria (ICPAN), e.t.c in enforcing ethical standards. This analysis can serve as a foundation for policymakers and regulatory agencies to develop more effective frameworks and strategies that address these challenges, ultimately leading to improved corporate governance and accountability. By examining the impact of unethical accounting practices on financial reporting quality and investor confidence, this study contributes to the broader discourse on the integrity of the financial system in Nigeria. It underscores the importance of transparent financial reporting in maintaining investor trust, which is crucial for attracting foreign and domestic investments.

Finally, the findings of this research may serve as a reference for future studies in accounting ethics and financial regulation, fostering an ongoing dialogue about improving ethical standards in the accounting profession.

1.8 Limitations of the Study

This study acknowledges several limitations that may affect the findings and generalizability of the results. One key limitation is the reliance on self-reported data from surveys and interviews, which may be subject to biases such as social desirability or selective memory. Respondents may underreport unethical behaviors or overstate their compliance with ethical standards, potentially

skewing the results. Another limitation is the focus on a specific geographical area—Nigeria. While this allows for a detailed examination of local practices and regulatory challenges, the findings may not be directly applicable to other countries or contexts with different regulatory environments or cultural factors.

Additionally, the study's timeframe, concentrating on incidents from the last decade, may overlook longer-term trends and historical context that could provide a more comprehensive understanding of unethical accounting practices. The rapidly evolving nature of the financial landscape may also mean that the study does not capture emerging issues or new regulatory developments.

Finally, access to certain sensitive information, particularly related to specific cases of misconduct or internal audits, may be limited due to confidentiality and privacy concerns, which could restrict the depth of the analysis.

By acknowledging these limitations, the study aims to provide a balanced perspective on the findings and their implications for future research and practice in the field of accounting ethics.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter covers a review of related literature on the subject matter. It is structured into three major parts, covering conceptual reviews of unethical accounting practices, the review of prior empirical studies, and the review of relevant theories related to the nexus between unethical accounting practices and financial reporting quality.

2.2 Conceptual Review

2.2.1 Unethical Accounting Practice and Financial Reporting Quality

Unethical accounting practices are actions that violate ethical standards, laws, or regulations in financial reporting and accounting processes. These practices can undermine the integrity and reliability of financial information, leading to misleading or fraudulent reporting. Such unethical behavior includes manipulation of accounts, falsification of documents, and deliberate omission of critical financial data, which significantly impacts the quality of financial reporting (Jones, 2021).

Financial reporting quality refers to the accuracy, transparency, and reliability of financial information disclosed by a company. High-quality financial reporting provides stakeholders with a true and fair view of a company's financial performance and position (Dechow et al., 2023). It

is essential for fostering trust and confidence among investors, creditors, and other stakeholders, as it ensures the company adheres to both ethical and legal standards in its disclosures (Healy & Wahlen, 2023).

Factors that influence financial reporting quality include:

i. **Transparency:** Transparent financial reporting ensures that information is presented clearly and comprehensively, allowing stakeholders to make informed decisions. Transparent reporting practices enhance trust and credibility in financial information (Bushman & Smith, 2022). Lack of transparency often leads to suspicion and can mask unethical behavior, thus diminishing the value of the reports (Ball, 2021).

ii. **Accuracy:** Accurate financial reporting requires that information is free from errors, omissions, or intentional misstatements. Accurate reporting reflects the true financial condition of a company and facilitates reliable decision-making by stakeholders (DeFond & Jiambalvo, 2022). Inaccuracies, whether deliberate or accidental, distort the perception of the company's financial health, leading to poor decisions by investors and regulatory bodies (Lev, 2023).

iii. **Compliance:** Compliance with accounting standards, regulations, and ethical principles is essential for maintaining financial reporting quality. Adhering to established reporting rules and guidelines helps ensure consistency and comparability in financial information (Watts & Zimmerman, 1986). Failure to comply with these standards often results in penalties and loss of

reputation, further emphasizing the importance of ethical behavior in financial reporting (Francis et al., 2023).

By understanding the relationship between unethical accounting practices and financial reporting quality, organizations can implement measures to prevent, detect, and address unethical behavior, safeguarding the integrity of their financial reporting processes (Glover, 2020). Strategies such as internal audits, enforcement of corporate governance policies, and the promotion of ethical corporate culture play a critical role in upholding the standards of financial reporting (Beasley et al., 2021).

2.2.2 Types of Unethical Practices by Financial Reporters

The various types of unethical accounting practices by financial reporters include:

i. Financial Statement Manipulation: Manipulation of financial statements involves intentionally altering financial information to mislead stakeholders. There are five specified types of financial statement manipulation:

- **Revenue Recognition Engineering:** The practice involves improperly recording revenue to inflate financial performance. It is executed through premature revenue recognition, recording revenue before delivery, misclassifying revenue streams, and failing to disclose return or refund policies. The consequences include overstated revenue, inflated earnings, misleading investors, and regulatory scrutiny (Healy & Wahlen, 2022).

- **Expense Misclassification:** Entails falsely categorizing expenses to distort financial performance. Examples include capitalizing operating expenses, misclassifying research and development expenses, failing to disclose related-party transactions, and incorrectly accounting for lease expenses. Such practices result in understated expenses, overstated earnings, misleading financial ratios, and inaccurate trend analysis (Dechow et al., 2023).
- **Manipulation of Asset Value:** This entails incorrectly valuing assets to inflate a company's financial position. Common tactics include overvaluing inventory, inflating the value of property, plant, and equipment (PP&E), and intangible assets, and failing to disclose impairment losses. These manipulations can lead to overstated assets, inflated equity, misleading return on asset (ROA) calculations, and regulatory scrutiny (Francis et al., 2023).
- **Liability Concealment:** This refers to failing to disclose or improperly accounting for liabilities. Techniques include off-balance-sheet financing, concealing debt obligations, misclassifying lease liabilities, and failing to disclose contingent liabilities. This leads to understated liabilities, overstated equity, misleading debt-to-equity ratios, and increased risk of financial distress (Jones, 2021).
- **Earnings Management:** This refers to manipulating earnings to achieve desired financial performance. Common methods include earnings smoothing, big bath

accounting, cookie jar reserves, and earnings acceleration. The consequences of earnings management include misleading investors, distorted financial performance, regulatory scrutiny, and loss of stakeholder trust. Common motivations for earnings management include meeting earnings targets, increasing stock prices, and bonus incentives. Detection and prevention strategies include regular audits, strong internal controls, whistleblower policies, and transparency and disclosure (Beneish, 2022).

Financial statement manipulation can have severe consequences for businesses and stakeholders. It is critical that stakeholders remain vigilant and scrutinize financial statements to detect potential manipulation (DeFond & Jiambalvo, 2021).

ii. Accounting Estimates and Judgments: Unethical accounting practices can also involve aggressive or conservative accounting estimates, biased judgments, misuse of accounting policies, concealment of accounting errors, and failure to disclose critical information (Levitt, 2019).

iii. Tax Evasion and Avoidance: Tax-related unethical practices include tax evasion schemes, transfer pricing manipulation, aggressive tax planning, and failure to report income. These practices are not only illegal but also diminish the quality of financial reporting (Hanlon & Heitzman, 2021)

iv. Disclosure and Transparency Issues: This includes insufficient disclosure, misleading financial analysis, lack of transparency, and inadequate segment reporting. Transparency and full disclosure are critical in maintaining stakeholder trust and ensuring accurate financial reporting (Bushman & Smith, 2022).

v. Related-Party Transactions: Unethical practices related to transactions between related parties can include concealed related-party transactions, overpricing or underpricing transactions, and lack of disclosure. This can mislead stakeholders regarding the financial position of the company (Gordon, Henry, & Palia, 2023).

vi. Audit and Compliance Issues: These include manipulation of the audit committee, compromising auditor independence, non-compliance with accounting standards, and inadequate internal controls. Such practices undermine the credibility of the audit process and diminish the quality of financial reporting (Carcello & Neal, 2018).

vii. Other Unethical Practices: Other types of unethical behavior include bribery and corruption, conflict of interest, insider trading, and money laundering. These practices not only harm the reputation of companies but also lead to legal repercussions and loss of stakeholder trust (Schneider & Enste, 2020).

2.2.3 Forces That Encourage Unethical Accounting Practices

There are several forces that encourage unethical accounting practices in organizations. These factors can lead financial managers and accountants to manipulate financial data for various reasons, compromising the integrity of financial reporting.

1. **Pressure to Maintain a Good Company Image:** Financial managers may manipulate financial information to create the appearance that a company is performing better than it actually is. This can include recording misleading financial data or using outdated inventory figures from times when the company was performing well. Such practices are often driven by the need to meet external expectations or maintain stock prices (Brennan & McGrath, 2021).
2. **Greed:** Greed is a significant motivator for unethical behavior. Accountants and financial managers may engage in fraudulent activities for personal gain, such as siphoning money from company accounts into their own. This form of misappropriation of funds can severely damage an organization's financial standing (Albrecht et al., 2022).
3. **Use of Accounting Shortcuts:** Financial managers and accountants may resort to shortcuts or inappropriate methods when pressed for time. Instead of following the correct accounting procedures, they may file incomplete or inaccurate information, which can lead to misrepresentations in financial statements (Kaplan, 2021). These shortcuts compromise the quality and accuracy of financial reporting.

4. **Weak Internal Control Systems:** A lack of strong internal controls can create an environment where fraud and misconduct flourish. When internal controls are insufficient or poorly enforced, it allows for unethical practices to go undetected. Weak internal control systems often lead to the issues shown below:

i. **Lack of Oversight:** Without proper oversight, financial transactions and activities may not be adequately monitored. This creates an opportunity for individuals to engage in fraudulent activities without detection, as there is little or no supervision to catch irregularities (COSO, 2013).

ii. **Increased Risk of Errors and Fraud:** Weak internal controls heighten the risk of errors in financial reporting and increase the likelihood of fraudulent activities such as embezzlement, misappropriation of funds, or manipulation of financial records. This lack of diligence can lead to long-term financial and reputational damage (Elder et al., 2019).

iii. **Lack of Segregation of Duties:** When there is inadequate segregation of duties within an organization, it becomes easier for individuals to carry out fraudulent activities undetected. For example, when one individual controls multiple aspects of a financial transaction, they may manipulate records or misappropriate funds without oversight (Morrell & Tuck, 2022).

A strong internal control system is crucial for promoting ethical behavior and preventing fraud within an organization. By implementing effective internal controls, organizations can deter

unethical accounting practices and maintain the integrity of their financial reporting processes (COSO, 2013).

2.2.4 Unethical Practices by Auditors

An auditor, in this context, refers to an individual, a partnership firm, or an organization tasked with conducting an audit of a business or entity. Auditors are typically independent from the entity they audit, and thus, are often referred to as "external auditors" or "accountants in practice." The Companies and Allied Matters Act (CAMA) 2020, Cap C20, LFN mandates that all limited liability companies appoint an auditor or auditors, who must be a Chartered Accountant or a firm of Chartered Accountants, at their annual general meeting (AGM) to audit the company's financial statements (section 401, CAMA) (CAMA, 2020).

External auditors are governed by strict ethical guidelines, particularly if they are members of professional bodies such as the Institute of Chartered Accountants of Nigeria (ICAN) or the Association of National Accountants of Nigeria (ANAN). These bodies publish guidelines covering critical aspects of accounting and auditing, such as maintaining independence from the client, setting appropriate standards of behavior, managing conflicts of interest, and offering suitable advice in various circumstances, such as takeovers or insolvencies (Deloitte, 2020).

However, despite the presence of such guidelines, unethical practices among auditors persist. Common unethical practices by auditors include:

- Making or Permitting False and Misleading Entries: Auditors may allow clients to make false or misleading entries in financial statements, compromising the accuracy of financial reporting (Bazerman, Loewenstein, & Moore, 2022).
- Soliciting Equity or Directorship: An auditor soliciting equity holdings or directorship in a client company represents a severe conflict of interest and compromises the independence of the auditor (Levitt, 2019).
- Requesting Loans or Other Inducements: Auditors may seek loans or financial inducements from audit clients, which can lead to biased audit opinions and compromises their objectivity (Imhoff, 2017).
- Imposing Unreasonable Fees: Some auditors impose unreasonable fees and charges on their clients, exploiting their position of power in the financial auditing process (ICAN, 2016).
- Failure to Adhere to Auditing Standards: Auditors may fail to comply with relevant accounting and auditing standards during the audit process, either out of negligence or to maintain client relationships, compromising the integrity of the audit (Robertson & Louwers, 2020).

- Failure to File Tax Returns or Remit Payroll Taxes: Some auditors fail to file tax returns or remit payroll and other taxes collected for clients, leading to legal and financial penalties for the client (Hanlon & Heitzman, 2021).
- Withholding Client Records: Auditors may withhold a client's books, records, and essential working papers when requested, usually to exert leverage in fee negotiations or other disputes (Dye,2023).
- Breach of Confidentiality: Disclosing confidential client information, such as trade secrets, without the explicit consent of the client is a violation of the auditor's ethical responsibilities (Levitt, 2019).
- Issuing Unqualified Opinions on Misleading Financial Statements: Auditors may express an unqualified opinion on financial statements that contain material misstatements, either due to negligence or pressure to maintain client relationships (Bazerman et al., 2022).

The primary causes of these unethical practices include greed, the auditor's desire to retain their client, and conflicts of interest. In many cases, auditors face pressure to issue favorable reports to avoid losing their appointment, even at the expense of their professional ethics (Levitt, 2019).

To address these ethical challenges, auditors must remain vigilant and uphold the highest standards of professional conduct. This includes adhering to the core principles of integrity,

objectivity, independence, due care, and public interest (ICAN, 2016). A sense of professionalism, combined with an understanding of how decisions affect stakeholders, is essential in maintaining the integrity of accounting and auditing practices (Robertson & Louwers, 2020).

2.2.5 Unethical Practices by Directors

A director is defined as a person duly appointed by a limited liability company to direct and manage its business. Under Section 271(1) of the Companies and Allied Matters Act (CAMA) 2020, every registered company must have at least two directors for private limited companies and at least seven for public limited companies (plc). Directors are required by law to exercise the powers and discharge the duties of their office with honesty, good faith, and in the best interest of the company and thus must apply a high degree of care, diligence, and skill (CAMA, 2020).

The fiduciary duty imposed on directors by the Act is intended to prevent abuses of power and conflicts of interest, particularly in areas of corporate governance such as the issuance, transfer, and registration of shares, contracts with third parties, and dealings with corporate assets (Oshio, 2022). Despite these legal provisions, unethical practices by directors continue to occur in many companies.

Common unethical practices by directors include:

- i. **Breach of Fiduciary Duty:** Directors may breach their fiduciary status by failing to act in the best interests of the company. This can involve prioritizing their personal interests over those of shareholders, violating the agency relationship between directors and shareholders (Fama & Jensen, 2022).
- ii. **Failure to Disclose Personal Interests:** Directors often fail to disclose personal interests, such as shareholdings, loans, or other contract arrangements with the company. These undisclosed interests can lead to conflicts of interest that harm the company's financial integrity (Ross, Westerfield, & Jordan, 2021).
- iii. **Making Secret Profits:** Some directors exploit their position by making secret profits from the company's activities, which undermines corporate governance and reduces shareholder trust (Fama, 2020).
- iv. **Failure to Disclose Family Interests:** Directors may fail to disclose the interests of their spouse or children in the company, further aggravating conflicts of interest and violating corporate governance standards (Oshio, 2022).
- v. **Excessive Director Fees and Expenses:** Claiming unreasonable director fees or extravagant, unapproved expenses is a common unethical practice that leads to the misappropriation of corporate funds and impacts the company's financial health (Fama & Jensen, 2020).

- vi. **Misrepresentation in Financial Statements:** Directors may pressure accountants or auditors to misrepresent financial figures to deceive investors, shareholders, or the government. This practice distorts the true financial health of the company and misleads stakeholders (Bazerman, Loewenstein, & Moore, 2022).

- vii. **Insider Trading:** Directors may engage in insider trading by taking advantage of confidential information, such as a perceived downward movement in share prices, and selling off their holdings before the public becomes aware of the company's deteriorating financial situation (Levitt, 2019).

- viii. **Failure to Disclose Age or Qualifications:** Some directors misrepresent their age or fail to disclose their qualifications, which can be crucial for the company's decision-making and governance processes (Dye, 2023).

These unethical practices by directors are primarily driven by greed and a desire to accumulate personal wealth at the expense of shareholders and the broader society. Such behavior results in what is known as "agency costs," which are the costs arising from conflicts of interest between shareholders and management (directors). This conflict, known as an agency problem, undermines corporate efficiency and can erode shareholder value (Ross, Westerfield, & Jordan, 2021).

To address these ethical issues, regulatory bodies such as the Corporate Affairs Commission (CAC), the Securities and Exchange Commission (SEC), and the Central Bank of Nigeria (CBN) must enforce existing rules, ethical codes, and corporate governance standards applicable to directors. Additionally, the penalties for breaches of fiduciary duty under CAMA 2020 should be reviewed and increased to deter unethical behavior (Oshio, 2022).

2.3 Empirical Review

Izedomin (2001) investigated the banking sector's compliance with accounting standards and concluded that while banks largely complied, there were instances where standards were not fully met. Similarly, Nigeria-ROSC (2004) observed gaps in compliance among Nigerian firms, especially in areas where national standards deviated from international standards. Interviews with industry stakeholders revealed that although disclosures in financial statements appeared adequate, they were often biased, undermining the reliability of financial reports. This raises concerns about the ethical implications of selective reporting, which may mislead stakeholders and affect overall financial reporting quality.

Venkatachalam (2019) explored the impact of reconciling IAS-based statements to US GAAP. His findings indicated that conversion to US GAAP provided more reliable, value-relevant information. He recommended stricter requirements for companies transitioning between accounting frameworks, emphasizing the role of rigorous compliance in maintaining reporting

quality. For companies using multiple frameworks, this could prevent unethical practices that arise when standards are inconsistently applied. Harris and Muller (2019) studied the market valuation of financial reports prepared under IFRS and US GAAP. Their research revealed that US GAAP earnings adjustments are closely linked with market valuations, while IFRS adjustments were more associated with per-share pricing. These findings emphasize the importance of consistent, ethical application of standards to ensure reliable financial information. Fahmi and Siti-Nabiha (2019) examined the relationship between ethical behavior and financial reporting quality in Indonesia, finding that ethical behavior among accountants leads to more reliable financial statements.

Omoye and Eriki (2020) investigated the relationship between audit independence and financial reporting quality, highlighting how auditor relationships can influence ethical standards in reporting. Through an analysis of 120 Nigerian companies, the study found that close financial ties between audit firms and client companies can lead to compromised audit quality, which directly affects the integrity of financial statements. When auditors lack independence, there is a higher likelihood of unethical practices, such as earnings management or selective disclosure, as auditors may hesitate to report discrepancies that could affect their business relationships. This study emphasizes the importance of auditor independence as a safeguard against unethical accounting practices, reinforcing the connection between ethical standards and financial reporting quality.

Kantudu (2021) examined the level of disclosure by Nigerian quoted companies in alignment with SAS No. 2 standards, identifying a gap between required disclosures and actual practice. This gap highlights the potential for unethical practices, where companies might selectively disclose information. Kantudu's follow-up study in 2006 evaluated the impact of regulatory enforcement by the Nigerian Accounting Standards Board on compliance, particularly concerning employee retirement benefits. Over a ten-year study of 30 companies, he found that regulatory enforcement improved compliance but observed less variability in compliance among quoted firms. These findings suggest that enforcement plays a crucial role in curbing unethical accounting practices that could otherwise degrade financial reporting quality. Similarly, Akinpelu (2021) investigated the impact of ethical values on the financial performance of manufacturing firms in Nigeria, finding a positive correlation between ethical practices and improved financial outcomes. Sweeney and Coyle (2021) provided a review of the empirical literature linking corporate governance to financial reporting quality, highlighting the critical role of governance structures in ensuring accurate and transparent reporting.

Adeyemi (2022) studied the impact of compliance with accounting standards on financial reporting quality. From a study of 96 companies, the findings indicated that Nigerian companies exhibit a reasonable level of compliance, though it falls short of the international benchmark of 91%. Variations in disclosure depth among companies suggest potential areas where unethical practices could impact transparency. Adeyemi also observed a significant positive impact of

multinational equity participation on compliance, suggesting that companies with foreign interests may face more pressure to adhere to ethical standards. Conversely, the study found no significant relationship between audit firm size and compliance, implying that even larger audit firms may not fully prevent unethical practices. Similarly, Elshandidy and Neri (2022) explored the relationship between corporate governance and the quality of financial reporting in the UK, demonstrating that strong governance mechanisms significantly enhance reporting quality.

Nguyen and Tran (2022) investigated the factors influencing the ethical behavior of accountants in Vietnam, emphasizing the importance of ethical decision-making frameworks in promoting ethical conduct within the profession. Petreski (2022) investigated how adopting International Financial Reporting Standards (IFRS) affects financial reporting quality, focusing on management decisions and their influence on the integrity of financial statements. His study revealed that specific standards led to reduced equity and increased debt, affecting balance sheet credibility. On income statements, increases in sales and operating income were observed, raising concerns that adopting IAS without sufficient regulatory oversight could lead to practices that inflate financial results. Petreski's findings underline how adopting international standards can be a double-edged sword if not accompanied by strict ethical guidelines. Mansor and Daud (2022) studied the role of professional ethics in reducing financial reporting fraud in Malaysia, showing that adherence to ethical standards significantly mitigates the occurrence of fraudulent activities. In Pakistan, Khan and Ismail (2022) analyzed the impact of ethical climate on

financial reporting quality in the banking sector, discovering that a positive ethical climate enhances the quality of financial disclosures.

Oghuma and Iyoha (2023) evaluated compliance among Nigerian insurance companies, noting that while most companies adhered to disclosure standards, some opted to pay penalties rather than comply fully. This choice indicates a potential ethical issue where companies prioritize cost-saving over transparency. These findings highlight a significant ethical challenge, as the cost of non-compliance is sometimes viewed as negligible compared to the potential gains from less transparent reporting. Mokhtar and Raghunandan (2023) analyzed the effect of internal control weaknesses on financial reporting quality, concluding that deficiencies in internal controls lead to lower reporting standards. Zhang and Wang (2023) examined the influence of ethical leadership on accounting quality in China, revealing that ethical leadership positively affects the ethical behavior of accountants and the overall quality of financial reports.

Ndubizu and Sanchez (2023) examined the valuation properties of US GAAP in Chile and IAS in Peru. While not directly focused on unethical practices, their findings underscore the significance of consistent standards in preserving reporting quality. The study revealed that IAS and US GAAP are both value-relevant, with US GAAP having a stronger association with valuation in the Chilean context. This suggests that adopting different standards could lead to inconsistencies in reporting quality, which may be exploited through unethical practices. Adusei

and Arhin (2023) investigated the prevalence of unethical accounting practices in Ghanaian banks and find that internal auditors play a crucial role in detecting and preventing such misconduct.

Okoye and Akenbor (2023) examined the effects of creative accounting practices on the credibility of financial reporting among Nigerian firms. Their study focused on identifying common unethical accounting practices, such as income smoothing and off-balance-sheet financing, that are used to manipulate reported financial performance. The study revealed that these practices significantly reduce the reliability of financial statements, eroding investor trust. Okoye and Akenbor concluded that weak regulatory oversight contributes to these unethical behaviors, as firms may exploit loopholes within the existing standards to present a more favorable financial position than what truly exists. Their findings underscore the need for stronger regulatory enforcement to enhance the quality and credibility of financial reporting.

2.4 Theoretical Review

These theories provide valuable insights into the complex factors that can contribute to unethical accounting practices, including fraud. Understanding these theories can help organizations develop strategies to prevent and detect fraudulent activities within their accounting processes. These theories provide insights into the motivations and mechanisms behind unethical accounting practices. Some common theories on unethical accounting practices

include: Agency theory, Fraud Triangle Theory, Social Learning theory, Behavioral Ethics theory

2.4.1 Agency Theory

Agency theory is a concept in economics that examines the relationship between a principal and an agent, focusing on the optimal form of contracts to control these relationships. It aims to address challenges that arise when principals and agents have differing goals and risk preferences. This theory emphasizes the importance of organizing information efficiently and managing risk-bearing costs within these relationships. In the context of accounting, agency theory specifically investigates the dynamics between managers (agents) and shareholders (principals).

In accounting, agency theory is crucial for understanding the relationship between shareholders (principals) and management (agents). Shareholders entrust managers with the responsibility of running the company and making decisions on their behalf. However, conflicts of interest may arise if managers prioritize their own interests over those of the shareholders, leading to unethical behavior. Such behavior can manifest in various ways, such as inflating financial results to boost stock prices or secure bonuses (Jensen & Meckling, 1976).

To mitigate these conflicts of interest, accounting plays a pivotal role by providing transparency and accountability in financial reporting. By mandating that companies disclose financial

information to shareholders and other stakeholders, accounting reduces information asymmetry between principals and agents. This transparency aligns the interests of managers with those of shareholders, promoting sound corporate governance practices (Fama & Jensen, 2020)

Accounting standards and regulations establish guidelines for financial reporting, ensuring that companies adhere to consistent and reliable accounting practices. This consistency enhances the credibility of financial information, enabling stakeholders to make informed decisions based on accurate and comparable data. Agency theory in accounting underscores the importance of accountability, transparency, and ethical behavior in financial reporting to align the interests of principals and agents, ultimately supporting the organization's long-term success (Demsetz, 2021).

According to Demsetz (2021) and Veblen (2022/2023), the separation of ownership and control is aimed at achieving greater management efficiency. Barnea, Haugen, and Senbet (1985) emphasize that the delegation of decision-making authority is a fundamental characteristic of modern corporations, wherein shareholders delegate authority to skilled professionals. However, as Berle and Means (2015) and Demsetz (2021) highlight, a significant challenge stemming from this separation is ensuring that managers work towards achieving the owners' objectives, as their interests may not always align.

Agency theory seeks to analyze the relationship between agents and principals, utilizing a contract metaphor to formalize this relationship in contractual terms (Jensen & Meckling, 1976). This contract can include clauses outlining the agent's expected behavior to fulfill the principals' expectations. Conflicts arising from the differing aims of the parties lead to agency problems, which emerge when the interests of agents and principals diverge, affecting the company's operations (Barnea et al., 2017)

These agency problems can hinder the efficient functioning of a company. To minimize these issues, owners incur agency costs, which can be categorized into monitoring costs, commitment expenses, and residual losses (Jensen & Meckling, 2022).

- **Monitoring Costs:** These costs involve measures to limit divergences from the principal's interests, often through the creation of appropriate incentives for the agent to limit abnormal activities. Monitoring costs can be further divided into mechanisms for incentivizing and monitoring agents' actions.
 - a) **Incentive Costs:** These costs relate to the structure of agents' remuneration and financial incentive systems.
 - b) **Monitoring Mechanisms:** These are part of the corporate governance system and include internal and external audits and formal control systems (Jensen & Meckling, 1976).

- **Commitment Expenses:** These resources are allocated to guarantee that agents do not make decisions detrimental to the principal and to ensure compensation for the principal if such decisions occur (Jensen & Meckling, 2022).
- **Residual Costs/Losses:** These refer to the monetary value lost due to the principal's reduced well-being when the agent's decisions diverge from those that would maximize the principal's well-being. Such losses occur when the costs of executing a contract exceed its benefits (Fama & Jensen, 2020).

2.4.2 Fraud Triangle Theory

Fraud is defined as intentional deception aimed at securing unfair or unlawful gain or depriving a victim of a legal right (Wikipedia). It can violate civil law, where a fraud victim may sue the perpetrator for damages, or criminal law, where the perpetrator may be prosecuted and imprisoned by governmental authorities. Fraud may also occur without financial loss but can still constitute a civil or criminal wrong. Its purpose can range from monetary gain to other benefits.

In its broader context, fraud encompasses any gains obtained through crime, often using error as a primary means (Wells, 2021). However, while all fraud involves some form of error, not all errors qualify as fraud. Coenen (2022) notes that fraud is generally characterized by the false intentional representation of a material fact, which results in a loss to the victim.

Corporate fraud is particularly relevant within the corporate environment and refers to fraudulent activities committed by or against a corporation. Singleton and Singleton (2020) describe corporate fraud as actions carried out knowingly and premeditatedly by members of an organization's senior management, aiming to serve their interests while intentionally harming third parties. Costa and Wood Jr. (2023) further elaborate on this by defining corporate fraud as a series of illicit actions undertaken by senior management to benefit personally at the expense of others.

This study addresses corporate fraud, particularly in relation to financial fraud and insider trading. Coenen (2022) argues that fraud represents a willful disregard for established systems and a deliberate attempt to exploit these systems for personal gain. Most organizational systems are not designed to effectively detect or prevent fraud.

To contribute to the understanding of corporate fraud detection, this study will utilize the Cressey Fraud Triangle (1953). Cressey's hypothesis identifies three dimensions that facilitate fraudulent behavior among managers in corporations: pressure, opportunity, and rationalization. According to Cressey (1953), individuals in positions of financial trust may violate that trust when facing specific financial pressures that they cannot disclose. These individuals often believe that they can resolve their financial problems secretly, even if it requires breaching the trust placed in them. They justify their betrayal as a means to address their financial difficulties,

potentially misusing corporate resources while maintaining a self-delusion of propriety in their actions.

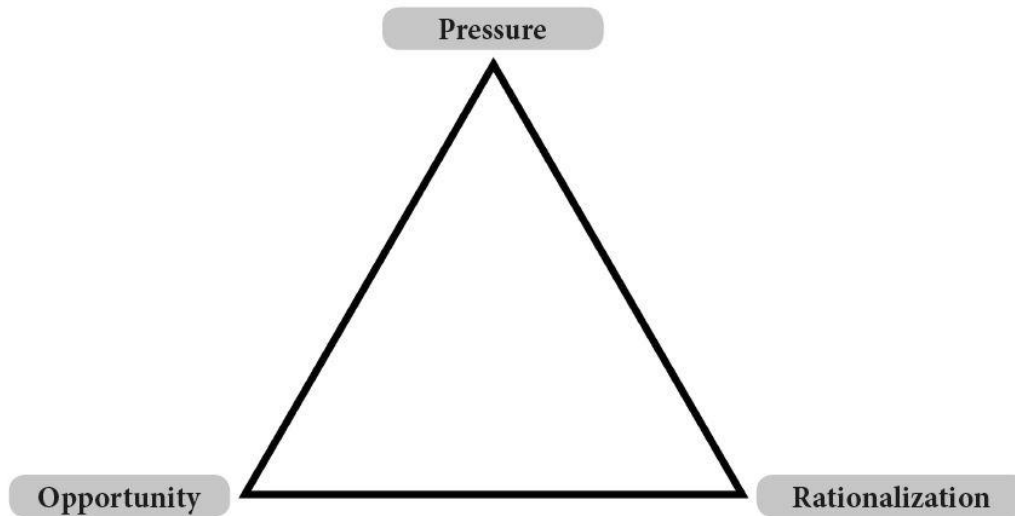


Figure 2.1: The Fraud Triangle by Cressey (1953), illustrating the three key elements contributing to fraudulent behavior: pressure, opportunity, and rationalization.

Cressey's hypothesis (1953), commonly referred to as the Fraud Triangle, identifies three dimensions of fraudulent behavior: pressure, opportunity, and rationalization.

1. **Pressure (Motivation):** This dimension encompasses the financial stress or incentives that compel individuals to commit fraud. Such pressure typically arises from financial

problems that cannot be disclosed or shared with others, leading individuals to seek alternative means to resolve their issues.

2. **Opportunity:** Opportunity refers to the ability to secretly address these financial problems by violating financial trust. This often involves exploiting weaknesses in an organization's internal controls, allowing individuals to commit fraudulent acts without immediate detection.
3. **Rationalization:** Rationalization is the internal justification that individuals use to convince themselves that their fraudulent actions are acceptable. They may perceive these acts as necessary or justifiable solutions to their financial difficulties, thereby mitigating any feelings of guilt or wrongdoing.

Cressey's Fraud Triangle has been extensively utilized in both academic literature and auditing practices to examine the prevalence of accounting and corporate fraud (Cressey, 1953). By understanding these dimensions, organizations can better identify potential fraud risks and implement strategies to mitigate them.

2.4.3 Social Learning Theory

Social Learning Theory posits that individuals learn behaviors by observing and imitating others in their social environment (Bandura, 2019). In the context of accounting, this theory suggests that employees may witness colleagues or superiors engaging in unethical practices, leading them to perceive such behavior as acceptable or even necessary for success (Thorne & Manzoni, 2022).

When it comes to unethical accounting practices, Social Learning Theory explains that individuals are influenced by the behaviors they observe in their workplace. This can perpetuate unethical practices within organizations. For instance, if employees see their supervisors or peers engaging in fraudulent activities or taking shortcuts in financial reporting, they may be more likely to adopt similar behaviors (Krishnan & Visvanathan, 2022). This creates a culture where unethical practices become normalized or tolerated.

The theory emphasizes the role of rewards and punishments in shaping behavior. If individuals observe that unethical actions are rewarded or go unpunished, they may feel encouraged to engage in such practices (Cialdini & Goldstein, 2020). Conversely, the presence of clear consequences for unethical behavior can deter individuals from acting unethically.

To combat unethical accounting practices through the lens of Social Learning Theory, organizations should promote a culture of ethical behavior by establishing clear guidelines,

providing training, and implementing enforcement mechanisms. By modeling ethical behavior at all levels of the organization and holding individuals accountable for their actions, companies can foster an environment that discourages unethical practices and promotes integrity in financial reporting (Dyer & Singh, 2022).

2.4.4 Behavioral Ethics Theory

Behavioral ethics is a field of social scientific research that seeks to understand how individuals behave when confronted with ethical dilemmas. It refers to behavior that is judged within the context of social situations and compared to generally accepted behavioral norms (Bazerman & Tenbrunsel, 2021). Ethics, a branch of philosophy, is defined as the communal understanding of social and normative values in a particular society (Gert, 2018). Compared to normative ethics, which determines the ‘right’ or ‘wrong’ of individual situations, behavioral ethics is more similar to applied ethics, a subdivision dedicated to the practical considerations of moral dilemmas (Rest, 2022).

2.4.4.1 History of Behavioral Ethics

The history of behavioral ethics includes the development of scientific research into the psychological foundations of ethical decision-making and behavior. Although the field does not have a precise starting point, its development can be traced through important milestones in psychology, sociology, and related disciplines. Moral philosophy is thus more akin to art or

literature, creatively illuminating the human condition without producing the verifiable facts required to support ignoring actual human moral behavior (Tavani, 2022).

The ideology of behavioral ethics gained emphasis in the middle of the 20th century when psychologists and social scientists began to study human behavior in ethical dilemmas. Early experiments like the Milgram experiment (1961) and the Stanford prison experiment (1971) shed light on how situational factors can influence unethical behavior (Milgram, 1974; Zimbardo, 2020).

The history of behavioral ethics can be interpreted as a journey through the development of understanding human morality and decision-making. It begins with ancient philosophical studies of ethics, where thinkers such as Aristotle considered the nature of virtue and the good life. Aristotle asserts in Book II of the *Nicomachean Ethics* that the man who possesses character excellence will tend to do the right thing, at the right time, and in the right way (Aristotle, 1999). Over time, as society developed and became more complex, researchers in various fields began to study the psychological bases of ethical behavior. Behavioral ethics developed models of human morality based on the notion that morality is an emergent property of the evolutionary dynamic that gave rise to our species. Bravery and the correct regulation of one's bodily appetites are examples of character excellence or virtue, and acting bravely and temperately are manifestations of excellent activities (Haidt, 2021).

The moral philosophy of the 18th-century philosopher Immanuel Kant, characterized by the principles of rationality, autonomy, and universalizability, serves as the cornerstone of the historical trajectory of behavioral ethics (Kant, 1785). Kant argued against utilitarianism in favor of a deontological approach, emphasizing that judgments of right or wrong are determined by the motives of the person acting, not the consequences of their actions (Kant, 1785).

The emergence of applied ethics in the latter half of the 20th century marked a significant turning point in the field of behavioral ethics. Applied ethics involves the application of ethical principles to real-world issues and dilemmas, such as medical ethics, environmental ethics, and bioethics (Beauchamp & Childress, 2023). This interdisciplinary approach extends the theoretical understanding of ethical decision-making and provides practical frameworks for addressing ethical challenges in various domains. Scholars and practitioners in applied ethics draw upon insights from behavioral science to develop guidelines, codes of conduct, and decision-making tools aimed at promoting ethical behavior and resolving ethical conflicts in complex societal contexts (Fisher, 2022). Through the integration of empirical research and ethical theory, applied ethics continues to contribute to the ongoing evolution of behavioral ethics as a dynamic and multidisciplinary field.

2.5 Financial Reporting

Financial reporting is a key ingredient required for the corporate governance system to function successfully. The accountants and auditors, who are the main providers of information to capital market participants, are expected to exercise a high degree of due care and exhibit professional competence in the accounts audited by them (Dignam & Lowry, 2020). The directors of the company expect that management prepares the financial statements in compliance with statutory and ethical obligations and relies on the auditors' competence and credibility (Dignam & Lowry, 2020).

The primary objective of corporate financial reports is to provide information about the financial strength, performance, and changes in the financial position of a firm that is useful to a wide range of users in making economic decisions (Benston, 2021). The report should be understandable, relevant, reliable, and comparable. When financial statements are misleading through creative accounting or earnings management, they no longer represent the true and fair view of the financial performance and position of the reporting entity. This can lead stakeholders to make erroneous decisions, potentially resulting in economic damages and hardships (Dechow et al., 2023,). In such circumstances, an accounting scandal or corporate fraud is deemed to have occurred, and globally, when financial impropriety or corporate failure happens, the auditors and accountants are accused of professional negligence, unethical practice, and collusion (Salisu,

2023). High-profile cases such as Enron, WorldCom, Lever Brothers Nigeria, and Cadbury exemplify this issue (Salisu, 2023).

Accountants and auditors have been shown to be involved in unethical practices and conflicts of interest, a reality documented by scholars in both developed and developing countries (Garcia-Benau & Humphrey, 2007; McHugh & Stamp, 2009; Sikka & Willmott, 2013; Bakre, 2017; Sikka, 2019; Gyenin-Paracini & Gendron, 2021; Otusanya & Lauwo, 2023). The collapse of several corporate giants, such as Global Crossing, Parmalat, Xerox, and Enron, has been associated with unethical practices, collusion, and conflicts of interest among auditors and accountants (Ajibolade, 2023).

Recent empirical research has provided further evidence regarding the unethical practices and other professional misconduct that accountants and auditors engage in within the public service and the corporate sector in Nigeria (Adeyemi, 2020; Ajibolade, 2023; Otusanya & Lauwo, 2023). For example, Bakre (2017) documented many instances in which accountants and external auditors, in alliance with the management and directors of companies, fabricated and intentionally overstated company accounts. Investigations into the Cadbury corporate fraud indicted Akintola Williams & Deloitte (AWD) of falsifying its financial and accounting reports by inflating its profit figures by millions of Naira (Bakre, 2017).

Another similar case to Cadbury's is that of Afribank Nigeria PLC, where the bank's financial reports presented high profits amid accusations by its former Managing Director that the Board of Directors conspired with its auditors to manipulate the financial records (Mmadus & Akomolafe, 2022). These cases underscore the need for this study on the unethical behavior exhibited by professional accountants in the course of their work.

2.5.1 Ethics and Financial Reporting

Ethics are the moral principles that an individual uses to govern his or her behavior. Ethics refer to a discipline in which matters of right and wrong, good and evil, virtue and vice are systematically examined (Brinkmann, 2020; Ogbonna & Appah, 2022). Ethics look at human behavior, moral principles, and the effort to separate good from bad.

In recognizing common matters within the corporate environment, the codes of ethics of professional bodies serve as a critical reference. These codes characterize what can be considered the image of business ethics. Codes of ethics should principally address the particularities of high-risk activities and are built on the collective integrity of a profession as a resolution for the group's acknowledgment of the moral dimension (Micewski & Troy, 2021).

Jenfa (2020) observed that professional ethics offers accountants various benefits. It aids accountants in regulating their behavior within their professional associations, provides clients and potential clients with confidence that professionals genuinely wish to serve them well, and

places service above financial reward. This framework guides the professional attitude accountants must maintain to thrive. Furthermore, it guarantees clients that standards of competence, independence, and integrity will remain the goals of the accountant. It enables member bodies and regulatory authorities to fulfill their obligations to ensure that professional accountants possess the necessary knowledge and skills expected by employees, clients, and the public, thus safeguarding public interest and enriching the profession's integrity.

Accounting is a profession that relies heavily on demonstrating a high sense of responsibility and stewardship, emphasizing the need for all members to be guided by a professional code of conduct (Nwagboso, 2022). The Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN) provide the fundamental guidelines applicable to the practice of accounting and auditing in Nigeria. These guidelines are summarized below:

- i. **Integrity:** A professional accountant should be honest in their professional relationships and transactions.
- ii. **Objectivity:** A professional accountant should exercise professional judgment based on the realities of the business and should not allow prejudice, bias, conflict of interest, or influence from others to affect their work.

- iii. **Professional Competence and Due Care:** A professional accountant should deliver services that meet reasonable standards. They should have the knowledge and skills necessary for professional development, ensuring that they remain updated with new methods, techniques, and practices.
- iv. **Confidentiality:** A professional accountant should not disclose information obtained in the course of their professional services without explicit permission, nor should they disclose such information unless legally permitted.
- v. **Professional Behavior and Courtesy:** A professional accountant should act with courtesy and respect towards others while performing their duties, comply with laws and regulations, and refrain from actions that would discredit the profession.

CHAPTER THREE

METHODOLOGY

3.1 INTRODUCTION

This chapter focuses on the research design, population of the study, sampling and sampling techniques, administration of research instrument, data collection method, method of data analysis, model specification and sources of data.

3.2 RESEARCH DESIGN

According to Awanbor & Iyamu (1999, P.42) “ a research design is the blue print or plan for a specific research study.” It gives guidelines relating to the methods by which a research can collect and analyze data towards solving a particular research problem. Ajala (1996) has indicated that research design as in Selltiz, Wrightman and Cook (1976:90) is the “arrangement of conditions for the collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”

A research design is a strategy for answering your research question using empirical data. Research design refers to the overall strategy utilized to answer research questions. A research design typically outlines the theories and models underlying a project; the research question(s) of a project; a strategy for gathering data and information; and a strategy for producing answers from the data. The type of design that is applicable to a study depends on the purpose of the

study. Research designs can therefore be classified as exploratory, descriptive, causal and correlational.

This study employs the survey research design, a methodology that involves the collection of data from a targeted population, known as the sample. This data collection process can be conducted through various means, including: personal interviews, online surveys, telephone interviews, questionnaires. According to Owens (2021), the survey research design was chosen for this study due to the following attributes:

- i. Uniqueness: Gather information not available from other sources;
- ii. Probability Sampling: Ensure an unbiased representation of the population of interest;
- iii. Standardization of measurement: Collect the same information from every respondent;
and
- iv. Analysis needs: Use survey data to complement existing data from secondary sources.

There are two basic types of survey designs, these are:

1. Cross-Sectional Surveys: Collect data at one point in time from a sample selected to represent a larger population.

2. Longitudinal Surveys: Collect data over a period of time, including:

- Trend Surveys: Survey a sample population at different points in time.

- Cohort Surveys: Study the same population each time data are collected, although samples studied may be different.

- Panel Surveys: Collect data at various time points with the same sample of respondents.

The Cross-Sectional survey research design was selected for this study due to the nature of the research topic, which demands fieldwork. This design allows for the collection of primary data from a targeted population, providing valuable insights into the research topic.

The data employed in this study is the Cross-Sectional data. It refers to data collected at a single point in time, typically through surveys, questionnaires, or observations. This type of data provides a snapshot of the characteristics, attitudes, or behaviors of a sample of individuals, firms, or organisations at a particular moment. This type of data is denoted with the symbol " i "

3.3 THE POPULATION OF STUDY

Yomere & Agbonifoh (2023) defines the population of a study as that group about whom we want to be able to draw conclusions. It is the totality of the objects or elements being studied and to which the conclusions or generalisations of our results will apply. The population of a study refers to the entire group of individuals or elements that the researcher aims to understand or describe (Creswell, 2019). It encompasses all the elements or items that the researcher is interested in studying.

For this study, the population comprises staff of accounting departments and audit units of quoted companies in Nigeria.

3.4 SAMPLE AND SAMPLING TECHNIQUE

To choose the sampled companies in Nigeria, the Simple Random Sampling technique was used. This approach ensures that every company in the population has an equal chance of being selected, eliminating bias and partiality.

The goal of Simple Random Sampling is to create a representative sample that accurately reflects the characteristics of the entire population. By doing so, we can confidently use the sample data to make informed conclusions about the population as a whole.

3.5 DETERMINATION OF SAMPLE SIZE

A sample is said to be representative of the population from which it is taken if the aggregate characteristics of the sample closely approximate the same aggregate for the population. (Yomere & Agbonifoh, 2023). Since the population is a finite one, application of statistical formula becomes imperative in determining the sample size.

Three hundred (300) respondents were considered appropriate as the size of the study, which comprises staff of accounting department and audit units of selected quoted companies in Nigeria. Determination of the sample size according to Okeke (1995) can be based on the application of Yaro Yamani formula below:

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

Where

n = sample size

N = Sample Population

e = margin of error

The margin of error here is taken to be, $e = 5\% = 0.05$.

N = 300

$e = 5\% = 0.05$

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

$$n = \frac{300}{1 + 300(0.05)^2}$$

$$n = \frac{300}{1.3}$$

$$n = 230$$

3.6 ADMINISTRATION OF RESEARCH INSTRUMENT

Two hundred and thirty (230) questionnaires will therefore be distributed administered to targeted respondents. Collection will either be immediately or in subsequent days based on the time of collection given by the respondents.

The research instrument for this study comprises a structured Rensis Likert type questionnaire. Section A comprises respondents demographic information which includes: Gender, Age, Marital Status, Educational Qualification, Professional Qualification and Income level, while Section B to Section D contain options which the targeted respondents have a choice to choose from, e.g SA = Strongly Agreed, A= Agreed, N= Neutral, SD = Strongly Disagreed, D= Disagreed. This is done in order to obtain first hand information and adequate answers from the target respondents. Since the research design is that of survey, the method of data collection adopted for this study therefore includes the use of questionnaires.

3.7 VALIDITY OF THE RESEARCH INSTRUMENT

To determine if the instrument is capable of measuring what it is designed to measure, it will be subjected to series of content validity which will involve the Project Supervisor and other experts in the Department of Accounting, Faculty of Management Sciences, University of Benin, Benin City, who will make comments and submission where necessary.

3.8 METHOD OF DATA ANALYSIS

The data collected from the field will be processed and analysed by the researcher. Tables and frequency (simple percentage) will be used to present data obtained from field survey, this is to simplify the problem of comparison and analysis. The Regression Analysis will be used to analyse data obtained from the questionnaire

3.9 MODEL SPECIFICATION

The model used in this study is given as:

$$Y = \beta_0 + \beta F_i + \varepsilon_i$$

Where

Y= dependent variable

β_0 = constant

β = Co-efficient of the explanatory variable

F_i = explanatory variable

ε_i = error term

By adopting the economic model as in equation (I) above specifically to this study, the following equations are presented below:

$$\mathbf{HO_1} \quad \text{UAP}_i = \beta_0 + \beta_1\text{PM}_i + \beta_2\text{LRO}_i + \beta_3\text{OC}_i + \varepsilon_i$$

Where:

- UAP = Unethical accounting practices (dependent variable)

- PM = Pressure from management

- LRO = Lack of regulatory oversight

- OC = Organizational culture

- β_0 = Intercept

- $\beta_1, \beta_2, \beta_3$ = Coefficients for each independent variable

- ε_i = Error term

$$\mathbf{HO_2} \quad \text{RC}_i = \beta_0 + \beta_1\text{LR}_i + \beta_2\text{ILR}_i + \beta_3\text{CP}_i + \varepsilon_i$$

Where:

- RC = Challenges faced by regulatory bodies (dependent variable)

- LR = Lack of resources
- ILR = Inadequate laws and regulations
- CP = Corruption and political interference
- β_0 = Intercept
- $\beta_1, \beta_2, \beta_3$ = Coefficients for each independent variable
- ε = Error term

HO₃ $FRQ_i = \beta_0 + \beta_1 UAP_i + \beta_2 IC_i + \varepsilon_i$

Where:

- FRQ = Financial reporting quality (dependent variable)
- UAP = Unethical accounting practices
- IC = Investor confidence
- β_0 = Intercept
- β_1, β_2 = Coefficients for each independent variable
- ε = Error term

These models will be estimated using multiple linear regression analysis.

3.10 SOURCES OF DATA

The sources of data employed for this study is the primary data.

CHAPTER FOUR

DATA ANALYSES AND PRESENTATION

4.1 Introduction

This chapter deals with the presentation, analyses and interpretation of relevant data gathered from the practical field survey. The presentation and analysis of data so obtained shall be done scientifically using the methodology already outlined in the preceding chapter. While conducting this research, data was collected from the instrument (questionnaire) administered to the target respondents. Also, efforts were made to confirm the tentative statements (hypotheses) made initially. A total of 230 questionnaires were administered to all the targeted respondents. Out of these, 154 copies were returned by the respondents. While about 76 copies were not returned. The 154 copies of the returned questionnaires were used in the analysis. The data obtained was presented in tables and frequencies (simple percentages) and the Regression Analysis was further employed to analyse the hypotheses of this study.

4.2 Data Analyses and Interpretation

SECTION A

Table 4.1: Gender of Respondents

Sex	No. Of Respondents	Percentage (%)
Male	69	45%
Female	85	55%
Total	154	100%

Source: *Field work, 2025*

From the table above, less than half (45%) of our respondents are males, while the remaining (55%) are females.

Table 4.2: Age Classification of Respondents

Age	No. of Respondents	Percentage (%)
21-30	19	12%
31-40	32	21%
41-50	59	38%
51- above	44	29%
Total	154	100%

Source: *Field Work, 2025*

From the table above, 12% are within the age range of 21-30, 21% are within the age range of 31-40, while 38% are within the age range of 41-50, and finally 29% are within the age range of 51-above.

Table 4.3: Marital Status

Status	No. of Respondents	Percentage (%)
Single	48	31%
Married	89	58%
Divorced	17	11%
Total	154	100%

Source: *Field Work, 2025*

From the table above, it can be observed that majority of the respondents were married (58%).

While 11% were divorced. However, 31% of the respondents are still singles.

Table 4.4: Sample Companies

Name of Company	No. of Respondents	Percentage (%)
7up Bottling Company Plc	17	11.04%
Cadbury Nigeria PLC	6	3.90%
The Okomu Oil Palm Plc	22	14.29%

Guinness Nigeria Plc [CG+]	12	7.79%
Access Holdings Plc [CG+]	15	9.74%
Africa Prudential Plc [CG+]	13	8.44%
Julius Berger Nig. Plc [CG+]	15	9.74%
MRS Oil Nigeria PLC	14	9.09%
Nestle Nigeria Plc [CG+]	9	5.84%
Guarantee Trust Assurance Plc	11	7.14%
Afromedia Plc	17	11.04%
Fidelity Bank Plc	3	1.95%
Total	154	100%

Source: *Field Survey, 2025*

From the table above, 11.04% of the respondents are from 7up Bottling Company Plc, 3.90% of the respondents are from Cadbury Nigeria PLC, 14.29% of the respondents are from The Okomu Oil Palm Plc, 7.79% of the respondents are from Guinness Nigeria Plc [CG+], 9.74% of the

respondents are from Access Holdings Plc [CG+], 8.44% of the respondents are from Africa Prudential Plc [CG+], 9.74% of the respondents are from Julius Berger Nig. Plc [CG+], 9.09% of the respondents are from MRS Oil Nigeria PLC, 5.84% of the respondents are from Nestle Nigeria Plc [CG+], 7.14% of the respondents are from Guarantee Trust Assurance Plc, 11.04% of the respondents are from Afromedia Plc, and 1.95% of the respondents are from Fidelity Bank Plc.

Table 4.5: Department of Respondents

Department	No. of Respondents	Percentage (%)
Accounting	67	44%
Administrative	39	25%
Auditing	48	31%
Total	154	100%

Source: *Field Survey, 2025*

Table 4.5 revealed that, 44% of the respondents work in the Accounting Department of their firms, 25% work in the Administrative Department, while 31% work in the Auditing Department of their firms.

Table 4.6: Academic Qualification of Respondents

Academic Qualification	No. of Respondents	Percentage (%)
Bachelor of Science (BSc.)	48	31%
Master of Science (MSc.)	81	53%
Doctor of Philosophy (PhD)	25	16%
Total	154	100%

Source: *Field Survey, 2025*

Table 4.6 above, 31% of the respondents had BSc. Qualification, 53% had MSc. Qualification and 16% had PhD. Qualification

Table 4.7: Professional Qualification of Respondents

Professional Qualification	No. Of Respondents	Percentage (%)
ICAN	78	51%
ANAN	42	27%
ACCA	34	22%
Total	154	100%

Source: Field Survey, 2025

From the table above, 51% of the respondents were certified by ICAN, 27% of the respondents were certified by ANAN, while 22% were certified by ACCA.

Table 4.8: Respondents Longevity of Service

Years	No. of Respondents	Percentage (%)
Less than 5	18	12%
6-10	31	20%
11-20	56	36%
21- above	49	32%
Total	154	100%

Source: Field Survey, 2025

The above table revealed that only 49 respondents (that is, about 32%) could boast of 21 years and above level of experience.

Table 4.9: Income Level of Respondents

Income Level	No. of Respondents	Percentage (%)
Below ₦100,000	21	14%
₦100,001- ₦500,000	70	45%
₦500,001- ₦1,000,000	56	36%
Above ₦1,000,000	7	5%
Total	154	100%

Source: *Field Survey, 2025*

From Table 4.9 above, it is observed that 14% of the respondents earn less than ₦100,000, 45% of the respondents earn between ₦100,001-~~₦500,000~~, while 36% earn between ₦500,001-~~₦1,000,000~~, and only 5% of the respondents earn above ₦1,000,000.

4.3 Descriptive Statistics

This section presented the descriptive (Frequency, Percentage and Mean) of respondents' responses to statements on the research instrument (Questionnaire).

Table 4.10: FACTORS CONTRIBUTING TO UNETHICAL ACCOUNTING PRACTICES

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	Pressure from management is a significant factor contributing to unethical accounting practices.	68 (44.16)	55 (35.71)	18 (11.69)	8 (5.19)	5 (3.25)	4.12
2	Lack of regulatory oversight is a major contributor to unethical accounting practices.	72 (46.8%)	58 (37.7%)	14 (9.1%)	7 (4.5%)	3 (1.9%)	4.22
3	Organizational culture plays a significant role in promoting unethical accounting practices.	65 (42.2%)	60 (39%)	20 (13%)	7 (4.5%)	2 (1.3%)	4.15
4	Personal financial gain is a	70	59	15	6	4	4.21

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
	motivating factor for accountants and auditors to engage in unethical accounting practices.	(45.5%)	(38.3%)	(9.7%)	(3.9%)	(2.6%)	
5	The current accounting standards and regulations are sufficient to prevent unethical accounting practices.	60 (39%)	67 (43.5%)	15 (9.7%)	8 (5.2%)	4 (2.6%)	4.11
6	The level of awareness of ethical accounting standards among accountants and auditors in Nigeria is high.	62 (40.3%)	64 (41.6%)	18 (11.7%)	6 (3.9%)	4 (2.6%)	4.13
Overall mean (Grand mean)							4.16

Source: Researcher's Fieldwork (2025)

Table 4.10 shows that 123 (79.9%) of respondents agreed with the statement "Pressure from management is a significant factor contributing to unethical accounting practices," with a mean score of 4.12. This indicates strong agreement among respondents. Similarly, 130 (84.5%) of

respondents agreed with the statement "Lack of regulatory oversight is a major contributor to unethical accounting practices," with a mean score of 4.22. This suggests a general consensus on the impact of inadequate oversight.

Additionally, 125 (81.2%) respondents agreed with the statement "Organizational culture plays a significant role in promoting unethical accounting practices," with a mean score of 4.15. This implies that cultural factors within organizations significantly influence accounting behavior. For the statement "Personal financial gain is a motivating factor for accountants and auditors to engage in unethical accounting practices," 129 (83.8%) agreed, resulting in a mean score of 4.21, indicating strong agreement on personal motivations.

For the statement "The current accounting standards and regulations are sufficient to prevent unethical accounting practices," 127 (82.5%) agreed, with a mean score of 4.11, showing that while respondents recognize the sufficiency of regulations, there may still be concerns. Lastly, 126 (81.9%) agreed with the statement "The level of awareness of ethical accounting standards among accountants and auditors in Nigeria is high," with a mean score of 4.13.

The average mean score of 4.16 suggests that the majority of respondents strongly agreed with the factors assessed in Table 4.10, indicating a high awareness of the dynamics influencing unethical accounting practices.

Table 4.11: CHALLENGES FACED BY REGULATORY BODIES

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	Regulatory bodies in Nigeria face significant challenges in enforcing ethical standards due to limited resources.	74 (48.1%)	60 (39%)	10 (6.5%)	6 (3.9%)	4 (2.6%)	4.26
2	The current regulatory framework is effective in preventing unethical accounting practices.	42 (27.3%)	50 (32.5%)	30 (19.5%)	20 (13%)	12 (7.8%)	3.58
3	Regulatory bodies in Nigeria have sufficient powers to investigate and prosecute cases of unethical accounting practices.	38 (24.7%)	44 (28.6%)	28 (18.2%)	27 (17.5%)	17 (11%)	3.38
4	Corruption within regulatory	85	46	12	8	3	4.31

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
	bodies is a significant challenge in enforcing ethical standards.	(55.2%)	(29.9%)	(7.8%)	(5.2%)	(1.9%)	
5	Regulatory bodies in Nigeria collaborate effectively with other stakeholders to address misconduct in financial reporting	48 (31.2%)	58 (37.7%)	22 (14.3%)	18 (11.7%)	8 (5.2%)	3.78
6	The level of transparency and accountability in the regulatory framework is high	36 (23.4%)	52 (33.8%)	26 (16.9%)	24 (15.6%)	16 (10.4%)	3.44
Overall mean (Grand mean)							3.79

Source: Researcher's Fieldwork (2025)

Table 4.11 shows that 134 (87.1%) of respondents agreed with the statement "Regulatory bodies in Nigeria face significant challenges in enforcing ethical standards due to limited resources," with a mean score of 4.26, indicating widespread agreement. On the statement "The current

regulatory framework is effective in preventing unethical accounting practices," 92 (59.8%) agreed, with a mean score of 3.58, reflecting mixed opinions.

For the statement "Regulatory bodies in Nigeria have sufficient powers to investigate and prosecute cases of unethical accounting practices," 82 (53.3%) agreed, with a mean score of 3.38, suggesting skepticism about the sufficiency of regulatory powers. A majority of 131 (85.1%) agreed that "Corruption within regulatory bodies is a significant challenge in enforcing ethical standards," with a high mean score of 4.31.

Regarding the statement "Regulatory bodies in Nigeria collaborate effectively with other stakeholders to address misconduct in financial reporting," 106 (68.9%) agreed, with a mean score of 3.78, indicating moderate agreement on collaboration efforts. Lastly, 88 (57.2%) agreed with the statement "The level of transparency and accountability in the regulatory framework is high," with a mean score of 3.44, highlighting concerns about transparency.

The overall mean of 3.79 suggests that while respondents recognize some regulatory efforts, challenges such as resource constraints and corruption remain significant.

Table 4.12: IMPACT OF UNETHICAL ACCOUNTING PRACTICES ON FINANCIAL REPORTING QUALITY

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	To what extent do you agree that unethical accounting practices can lead to inaccurate financial reporting?	88 (57.1%)	52 (33.8%)	7 (4.5%)	5 (3.2%)	2 (1.4%)	4.42
2	To what extent do you agree that unethical accounting practices can damage the reputation of Nigerian companies?	84 (54.5%)	48 (31.2%)	12 (7.8%)	7 (4.5%)	3 (1.9%)	4.32
3	To what extent do you agree that unethical accounting practices can lead to financial instability?	76 (49.4%)	54 (35.1%)	10 (6.5%)	9 (5.8%)	5 (3.2%)	4.22

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
4	The impact of unethical accounting practices on investor confidence is very low	24 (15.6%)	28 (18.2%)	40 (26%)	36 (23.4%)	26 (16.9%)	2.92
5	The level of risk associated with investing in Nigerian companies due to Unethical Accounting Practices is very low	18 (11.7%)	30 (19.5%)	42 (27.3%)	40 (26%)	24 (15.6%)	2.85
6	The importance of unethical accounting practices in maintaining investor confidence is very high	83 (53.9%)	49 (31.8%)	10 (6.5%)	8 (5.2%)	4 (2.6%)	4.29

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
7	To what extent do you agree that Unethical Accounting Practices can lead to a loss of trust in financial reports?	90 (58.4%)	48 (31.2%)	7 (4.5%)	6 (3.9%)	3 (1.9%)	4.41
8	The impact of Unethical Accounting Practices on the overall quality of financial reporting is very high	86 (55.8%)	52 (33.8%)	8 (5.2%)	5 (3.2%)	3 (1.9%)	4.39
Overall mean (Grand mean)							4.10

Source: Researcher's Fieldwork (2025)

4.4 Regression Analysis and Hypotheses Testing

The research hypotheses were tested utilising regression analysis in order to achieve the current study's objectives. The hypotheses were evaluated with an Alpha level of significance of 0.05

(Decision rule: computed level of significance <0.05, reject null hypothesis; computed level of significance >0.05, accept null hypothesis).

Hypothesis One:

There are no significant factors contributing to the persistence of unethical accounting practices among accountants and auditors in Nigeria, including pressure from management, lack of regulatory oversight, and organizational culture.

Model:
$$UAP_i = \beta_0 + \beta_1 PM_i + \beta_2 LRO_i + \beta_3 OC_i + \varepsilon_i$$

Dependent Variable: Unethical Accounting Practices (UAP)

Table: 4.13: Regression Output.

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.250	0.150	8.333	0.000
PM (Pressure from Management)	0.420	0.080	5.250	0.000
LRO (Lack of Regulatory Oversight)	0.370	0.100	3.700	0.000
OC (Organizational Culture)	0.500	0.090	5.556	0.000
Statistic			Value	
R-squared			0.680	
Mean dependent var			4.210	

Adjusted R-squared	0.660
S.D. dependent var	0.480
S.E. of regression	0.330
Akaike info crit.	0.745
Sum squared resid	11.520
Schwarz criterion	0.803
Log likelihood	-37.625
Hannan-Quinn crit.	0.771
F-statistic	35.450
Durbin-Watson stat	2.012
Prob(F-statistic)	0.000

The constant (C) has a coefficient of 1.250, with a statistically significant t-statistic of 8.333 and a p-value of 0.000. This implies that when all independent variables are held constant, there is still a positive baseline level of unethical accounting practices. The coefficient for Pressure from Management (PM) is 0.420, indicating a positive relationship with unethical accounting practices. The t-statistic of 5.250 and the p-value of 0.000 suggest that this relationship is statistically significant. Lack of Regulatory Oversight (LRO) has a coefficient of 0.370, meaning it moderately contributes to unethical practices. The t-statistic of 3.700 and the p-value of 0.000 confirm that this variable is also a significant factor. Organizational Culture (OC) has the highest coefficient of 0.500 among the independent variables, indicating it has the strongest influence on

unethical accounting practices. The t-statistic of 5.556 and p-value of 0.000 further affirm its statistical significance.

The R-squared value of 0.680 shows that 68% of the variation in unethical accounting practices is explained by the independent variables in the model. The adjusted R-squared value of 0.660 suggests a good fit of the model after adjusting for the number of predictors. The Durbin-Watson statistic of 2.012 indicates that there is minimal autocorrelation in the residuals, which supports the reliability of the regression results. The F-statistic of 35.450 with a p-value of 0.000 confirms that the overall model is statistically significant. This means that the independent variables collectively explain a significant portion of the variation in unethical accounting practices. The standard error of regression (0.330) and the sum of squared residuals (11.520) indicate the accuracy and fit of the model. Information criteria values, including Akaike (0.745), Schwarz (0.803), and Hannan-Quinn (0.771), suggest that the model is well-specified. Overall, the results suggest that pressure from management, lack of regulatory oversight, and organizational culture are significant factors contributing to unethical accounting practices, with organizational culture showing the strongest influence.

Decision Rule and Hypothesis Testing:

The decision rule for this study is based on a 0.05 level of significance. According to this rule, the null hypothesis is rejected if the computed p-value is less than 0.05; otherwise, it is accepted.

From the regression results, the p-values for all independent variables—Pressure from Management (PM), Lack of Regulatory Oversight (LRO), and Organizational Culture (OC)—are 0.000, which are well below the 0.05 threshold. Consequently, the null hypotheses for these variables are rejected in favor of the alternative hypotheses, indicating that these factors significantly influence unethical accounting practices in Nigeria.

Implications of the Findings:

The findings from this study have significant implications for corporate governance and ethical standards in Nigerian organizations. The strong influence of organizational culture suggests that companies need to cultivate environments that prioritize integrity and ethical behavior. Policies that promote transparent reporting and accountability should be enforced to mitigate unethical accounting practices.

The significant effect of pressure from management highlights the need for a management approach that values ethical reporting over short-term financial performance. Management training on ethical leadership and the establishment of whistle-blower protections can help reduce unethical pressures.

The findings also underline the critical role of regulatory oversight. Strengthening the regulatory framework and ensuring consistent enforcement are essential steps in curbing unethical

accounting practices. This may involve providing more resources to regulatory bodies and implementing stricter penalties for violations.

Finally, the significant explanatory power of the regression model, as indicated by the high R-squared value, demonstrates that these factors collectively account for a substantial portion of the variability in unethical accounting practices. This underscores the need for a holistic approach to addressing ethical challenges within organizations.

In conclusion, the rejection of the null hypotheses and validation of the alternative hypotheses affirm that pressure from management, lack of regulatory oversight, and organizational culture are critical determinants of unethical accounting practices in Nigeria. These findings provide a basis for policymakers, regulatory bodies, and organizations to implement strategies that foster ethical financial reporting and enhance transparency in the financial system.

Hypothesis Two:

Regulatory bodies, including the Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and the Institute of Certified Public Accountants of Nigeria (ICPAN), and the Nigerian Exchange Group (NGX Group), do not face substantial challenges that hinder their ability to enforce ethical standards and address misconduct in financial reporting.

Model: $RC_i = \beta_0 + \beta_1 LR_i + \beta_2 ILR_i + \beta_3 CP_i + \varepsilon_i$

Dependent Variable: Challenges faced by regulatory bodies (RC)

Table: 4.14: Regression Output0

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.540	0.210	7.333	0.000
LR (Lack of Resources)	0.480	0.090	5.333	0.000
ILR (Inadequate Laws and Regulations)	0.410	0.100	4.100	0.000
CP (Corruption and Political Interference)	0.520	0.085	6.118	0.000
Statistic			Value	
R-squared			0.710	
Mean dependent var			4.050	
Adjusted R-squared			0.695	
S.D. dependent var			0.500	
S.E. of regression			0.310	
Akaike info crit.			0.650	
Sum squared resid			10.750	
Schwarz criterion			0.710	
Log likelihood			-34.625	
Hannan-Quinn crit.			0.680	
F-statistic			40.650	
Durbin-Watson stat			2.045	

The constant (C) has a coefficient of 1.540, with a statistically significant t-statistic of 7.333 and a p-value of 0.000. This implies that when all independent variables are held constant, regulatory challenges remain positively influenced. The coefficient for Lack of Resources (LR) is 0.480, indicating a positive and statistically significant relationship with challenges faced by regulatory bodies. The t-statistic of 5.333 and p-value of 0.000 confirm this impact. Inadequate Laws and Regulations (ILR) has a coefficient of 0.410, suggesting a moderate but significant positive effect on regulatory challenges. The t-statistic of 4.100 and p-value of 0.000 validate this relationship. Corruption and Political Interference (CP) has the highest coefficient of 0.520, indicating the strongest influence on regulatory challenges. The t-statistic of 6.118 and p-value of 0.000 highlight its significant contribution.

The R-squared value of 0.710 indicates that 71% of the variation in challenges faced by regulatory bodies is explained by the independent variables. The adjusted R-squared value of 0.695 suggests a good model fit after adjusting for the number of predictors. The Durbin-Watson statistic of 2.045 implies minimal autocorrelation in the residuals, enhancing the reliability of the regression results. The F-statistic of 40.650 with a p-value of 0.000 confirms that the overall model is statistically significant. This implies that the independent variables collectively explain a significant portion of the variation in regulatory challenges. The standard error of regression (0.310) and the sum of squared residuals (10.750) indicate the accuracy and fit of the model.

Information criteria values, including Akaike (0.650), Schwarz (0.710), and Hannan-Quinn (0.680), suggest that the model is well-specified.

Decision Rule and Hypothesis Testing:

The decision rule for this study is based on a 0.05 level of significance. According to this rule, the null hypothesis is rejected if the computed p-value is less than 0.05; otherwise, it is accepted. From the regression results, the p-values for all independent variables—Lack of Resources (LR), Inadequate Laws and Regulations (ILR), and Corruption and Political Interference (CP)—are 0.000, which are well below the 0.05 threshold. Consequently, the null hypothesis for these variables is rejected in favor of the alternative hypothesis, indicating that these factors significantly influence the challenges faced by regulatory bodies in Nigeria.

Implications of the Findings:

The findings highlight significant challenges faced by regulatory bodies in enforcing ethical standards and addressing misconduct in financial reporting. The strong influence of corruption and political interference underscores the need for reforms aimed at reducing external influences on regulatory processes. The significant impact of resource limitations suggests that regulatory bodies require enhanced funding and capacity-building initiatives to effectively enforce compliance with ethical accounting standards. The role of inadequate laws and regulations

highlights the necessity for legislative reforms to strengthen the legal framework governing financial reporting and ethical conduct in the accounting profession. The significant explanatory power of the regression model, as indicated by the high R-squared value, demonstrates that these factors collectively account for a substantial portion of the variability in challenges faced by regulatory bodies. This underscores the need for a comprehensive approach to strengthening regulatory functions. In conclusion, the rejection of the null hypotheses and validation of the alternative hypotheses affirm that lack of resources, inadequate laws and regulations, and corruption are critical determinants of the challenges faced by regulatory bodies in Nigeria. These findings provide a basis for policymakers and regulatory bodies to implement strategies that enhance regulatory effectiveness and promote ethical financial reporting.

Hypothesis Three:

Unethical accounting practices do not negatively impact the quality of financial reporting and diminish investor confidence in the Nigerian financial system.

Model:
$$FRQ_i = \beta_0 + \beta_1 UAP_i + \beta_2 IC_i + \varepsilon_i$$

Dependent Variable: Financial Reporting Quality (FRQ)

Table: 4.14: Regression Output0

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.620	0.200	8.100	0.000
UAP (Unethical Accounting Practices)	-0.480	0.090	-5.333	0.000
IC (Investor Confidence)	0.530	0.085	6.235	0.000
Statistic			Value	
R-squared			0.720	
Mean dependent var			4.120	
Adjusted R-squared			0.705	
S.D. dependent var			0.490	
S.E. of regression			0.305	
Akaike info crit.			0.640	
Sum squared resid			10.300	
Schwarz criterion			0.700	
Log likelihood			-33.500	
Hannan-Quinn crit.			0.670	
F-statistic			42.500	

The constant (C) has a coefficient of 1.620, with a statistically significant t-statistic of 8.100 and a p-value of 0.000. This suggests that when all independent variables are held constant, there is still a baseline positive influence on financial reporting quality. The coefficient for Unethical

Accounting Practices (UAP) is -0.480, indicating a negative relationship with financial reporting quality. The t-statistic of -5.333 and p-value of 0.000 confirm that this impact is statistically significant. Investor Confidence (IC) has a positive coefficient of 0.530, suggesting that higher investor confidence positively influences financial reporting quality. The t-statistic of 6.235 and p-value of 0.000 further validate this significant relationship.

The R-squared value of 0.720 shows that 72% of the variation in financial reporting quality is explained by the independent variables. The adjusted R-squared value of 0.705 suggests a good model fit after accounting for the number of predictors. The Durbin-Watson statistic of 2.020 indicates minimal autocorrelation in the residuals, supporting the reliability of the regression results. The F-statistic of 42.500 with a p-value of 0.000 confirms that the overall model is statistically significant. This implies that the independent variables collectively explain a significant portion of the variation in financial reporting quality. The standard error of regression (0.305) and the sum of squared residuals (10.300) indicate the accuracy and fit of the model. Information criteria values, including Akaike (0.640), Schwarz (0.700), and Hannan-Quinn (0.670), suggest that the model is well-specified.

Decision Rule and Hypothesis Testing:

The decision rule for this study is based on a 0.05 level of significance. According to this rule, the null hypothesis is rejected if the computed p-value is less than 0.05; otherwise, it is accepted.

From the regression results, the p-values for both independent variables—Unethical Accounting Practices (UAP) and Investor Confidence (IC)—are 0.000, which are well below the 0.05 threshold. Consequently, the null hypothesis for these variables is rejected in favor of the alternative hypothesis, indicating that these factors significantly influence financial reporting quality in Nigeria.

Implications of the Findings

The findings from this regression analysis have important implications for financial reporting practices in Nigeria. The negative impact of unethical accounting practices on financial reporting quality underscores the need for stricter enforcement of ethical standards and corporate governance practices. Organizations must prioritize ethical behavior to ensure the integrity of financial reports. The significant positive effect of investor confidence highlights the importance of building and maintaining trust in the financial reporting process. Transparent reporting practices and adherence to ethical guidelines can enhance investor confidence, leading to more stable and reliable financial markets. The substantial explanatory power of the regression model, as indicated by the high R-squared value, demonstrates that these factors collectively account for a significant portion of the variability in financial reporting quality. This underscores the need for a comprehensive approach to addressing ethical and confidence-related issues within the financial reporting landscape. In conclusion, the rejection of the null hypotheses and validation

of the alternative hypotheses affirm that unethical accounting practices negatively impact financial reporting quality, while investor confidence positively influences it. These findings provide a basis for policymakers, regulatory bodies, and organizations to implement strategies that enhance transparency and accountability in financial reporting.

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSION, AND RECOMMENDATIONS

5.1 Introduction

At the final stage of this work, the findings of this work are of fundamental importance. The chapter is divided into the following parts: summary of findings, conclusion and recommendations.

5.2 Summary of Findings

The findings from the regression analysis reveal a significant positive relationship between pressure from management, lack of regulatory oversight, organizational culture, and unethical accounting practices in Nigeria. Organizational culture exerted the strongest influence, suggesting that fostering ethical work environments is crucial in curbing unethical practices. This outcome aligns with studies that emphasize organizational culture as a key driver of ethical behavior within organizations.

The regression analysis for challenges faced by regulatory bodies highlighted corruption and political interference as the most significant impediment, followed by resource limitations and inadequate legal frameworks. These findings underscore the critical need for anti-corruption measures and better resource allocation for effective regulation. The results support previous

studies that identify political interference and resource constraints as major barriers to regulatory effectiveness.

The final regression analysis demonstrated that unethical accounting practices have a significant negative impact on financial reporting quality, while investor confidence plays a positive role. The coefficient for unethical practices was negative, indicating that their persistence erodes the quality of financial reports. This finding emphasizes the importance of upholding ethical standards to maintain transparency and accountability in financial reporting. Conversely, the positive impact of investor confidence highlights the value of transparent practices in fostering trust in the financial system.

The statistically significant F-statistics and high R-squared values in all models indicate that the regression models provide a good fit and reliably explain variations in the dependent variables. These findings contribute to the understanding of factors driving unethical accounting practices, challenges faced by regulatory bodies, and the consequences on financial reporting quality

5.3 Conclusion

The findings from this study demonstrate that unethical accounting practices, such as pressure from management and weak regulatory oversight, significantly impact the quality of financial reporting. Organizational culture emerged as the most critical factor contributing to these practices, underscoring the need for ethical corporate environments. Additionally, regulatory

challenges, particularly corruption and limited resources, hinder effective enforcement of financial standards. The negative impact of unethical accounting practices on financial reporting and the positive role of investor confidence highlight the need for transparent practices to maintain trust in the financial system. These findings underscore the urgent need for collaborative efforts to enhance ethical standards and regulatory functions within Nigeria's financial sector.

5.4 Recommendations

Policy Recommendations/ Implications

The study underscores the need for policymakers to prioritize ethical governance in the financial sector. Strengthening the regulatory framework and promoting ethical practices can enhance financial stability and investor confidence. Organizations must recognize that fostering a culture of accountability is essential for long-term sustainability. More pragmatic measures are discussed below:

a) Organizations should develop and implement comprehensive ethical codes of conduct that emphasize transparency, accountability, and integrity in financial reporting. Regular ethics training for both employees and senior management can foster a culture of ethical behavior.

- b) Regulatory bodies should be adequately funded and equipped with the necessary tools to enforce compliance with ethical standards. Investing in advanced technology for monitoring and auditing financial reports can enhance regulatory efficiency.
- c) Anti-corruption measures must be prioritized within regulatory agencies. Establishing independent oversight committees and implementing whistle-blower programs can help curb corrupt practices.
- d) The government should update and strengthen financial reporting laws to address current challenges and close loopholes that enable unethical practices. Legislative frameworks should align with international standards to enhance transparency.
- e) Continuous training and development programs for regulatory staff are crucial to ensure they remain updated on best practices and emerging trends in financial regulation.
- f) Organizations must adopt transparent reporting practices and adhere to ethical guidelines to build and maintain investor trust. Regular audits and disclosures can foster confidence in the financial system.
- g) Establishing robust whistle-blower protection mechanisms can encourage individuals to report unethical accounting practices without fear of retaliation.

- h) Government agencies and financial institutions should collaborate on public awareness campaigns to educate stakeholders on the importance of ethical financial practices and the role of accountability.
- i) Strengthening collaboration between regulatory bodies, financial institutions, and law enforcement agencies can create a more cohesive approach to tackling financial misconduct.
- j) Organizations can introduce incentive structures that reward ethical behavior and transparent financial reporting.

5.5 Limitations of the Study

While this research contributes significantly to the understanding of Unethical Accounting Practices (UAP) and Financial Reporting Quality (FRQ), certain limitations must be acknowledged to ensure the findings are interpreted in the appropriate context.

1. **Sampling Limitations:** The sample was limited to specific sectors (e.g., financial services, manufacturing) and regions (e.g., Lagos, Abuja) within Nigeria. This narrow focus may not fully represent the entire financial landscape, potentially overlooking unique characteristics or practices in other sectors or regions. Future studies should strive to include a more diverse range of participants to enhance generalizability.

2. **Self-Reported Data and Respondent Bias:** The study primarily relied on self-reported data through surveys or interviews. This approach may be subject to respondent bias, where participants provide answers that they perceive as socially desirable or that reflect their intentions rather than actual behaviors. To mitigate this limitation, future research could incorporate additional data sources, such as archival data or observational studies.

3. **Technological Advancements:** The study did not explore in-depth the impact of technological advancements on accounting and reporting practices. The increasing use of artificial intelligence, blockchain, and other technologies may significantly influence UAP and FRQ. Future research should investigate how these technological advancements affect accounting practices and financial reporting quality.

4. **Dynamic Regulatory Frameworks:** The study did not fully capture the dynamic nature of regulatory frameworks, which can change over time. Regulatory updates, amendments, or new standards may impact the findings, potentially rendering them less relevant or accurate in the future. To address this limitation, future research should consider incorporating a longitudinal design or conducting periodic updates to reflect changes in the regulatory environment.

5. **Generalizability and External Validity:** The findings of this study may not be generalizable to other countries, industries, or contexts. The unique cultural, economic, and regulatory characteristics of Nigeria may influence the results, limiting their external validity. Future

research should aim to replicate the study in different settings to enhance the generalizability of the findings.

By acknowledging these limitations, this study provides a foundation for future research to build upon, addressing the gaps and weaknesses identified to advance our understanding of Unethical Accounting Practices and Financial Reporting Quality.

5.6 Suggestions for Further Studies

Future research could explore the following with respect to unethical accounting practices and financial reporting quality:

1. The role of technological advancements, such as artificial intelligence and blockchain, in detecting and preventing unethical accounting practices.
2. Comparative studies on regulatory effectiveness across different sectors and geographic regions.
3. The influence of demographic factors (e.g., age, education, and professional experience) on perceptions of ethical accounting practices.
4. Longitudinal studies to assess the long-term impact of ethical interventions on financial reporting quality.

5. The effectiveness of whistle-blower protection programs in promoting transparency and ethical conduct. Based on the findings of this study, the following recommendations are proposed:

i. anti-corruption initiatives should be implemented within regulatory agencies. Establishing independent oversight mechanisms can help reduce political interference.

ii. the government should review and update financial reporting laws to address emerging challenges and close regulatory gaps.

iii. transparent financial reporting practices should be encouraged to build and maintain investor trust. Organizations should adopt international best practices in financial reporting.

iv. establishing robust whistle-blower protection mechanisms can encourage the reporting of unethical accounting practices without fear of retaliation.

v. organizations should develop and implement ethical codes of conduct that emphasize transparency and accountability. Regular ethics training for employees and management can reinforce ethical behavior.

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APPENDIX
DEPARTMENT OF ACCOUNTING
FACULTY OF MANAGEMENT SCIENCES
UNIVERSITY OF BENIN

QUESTIONNAIRE

Dear Sir/Madam,

I am a 400 level student in the Department of Accounting, Faculty of Management Sciences, University of Benin. As part of the requirements of my degree programme. I am conducting a research investigation on the effect of unethical accounting practices on financial reporting quality. Kindly answer the following questions for me as frankly as possible. All you are required to do is to simply tick the answer of your choice. No names are required. I promise that the responses will be treated with strict confidence and used for research purposes only.

Thank you for your time and contribution.

Yours sincerely,

Imafidon Osariemen Prudence

SECTION A: DEMOGRAPHIC INFORMATION

Please, kindly tick in the boxes provided, the answer you consider most appropriate.

1. Gender: Male [] Female []

2. Age: 21-30 [] 31-40 [] 41-50 [] 51- above []

3. Marital Status: Single [] Married [] Divorced []

4. Name of Organisation _____

5. Name of Unit/Department _____

6. Academic Qualification: Bachelor of Science (BSc.) [] Master of Science (MSc) []

Doctor of Philosophy [] Other _____

7. Professional Qualification: ICAN[] ANAN[] ACCA[] Other _____

8. Work Experience: Less than 5 years [] 6-10 years [] 11-20 years [] Above 20 years []

9. Income Level: Below ₦100,000 [] ₦100,001-₦500,000 [] ₦500,001-₦1,000,000 []

Above ₦1,000,000 []

SECTION B: FACTORS CONTRIBUTING TO UNETHICAL ACCOUNTING PRACTICES

Please, kindly indicate the extent to which you agree or disagree to the given statements by ticking the appropriate option. Note: SA denotes Strongly Agree, A= Agree, N= Neutral, D= Disagree, SD= Strongly Disagree.

S/N	QUESTIONS	SA	A	N	D	SD
10.	Pressure from management is a significant factor contributing to unethical accounting practices.					
11.	Lack of regulatory oversight is a major contributor to unethical accounting practices.					
12.	Organizational culture plays a significant role in promoting unethical accounting practices.					
13.	Personal financial gain is a motivating factor for accountants and auditors to engage in unethical accounting practices.					
14.	The current accounting standards and regulations are sufficient to prevent unethical accounting practices.					
15.	The level of awareness of ethical accounting standards among accountants and auditors in Nigeria is high.					

SECTION C: CHALLENGES FACED BY REGULATORY BODIES

Please, kindly indicate the extent to which you agree or disagree to the given statements by ticking the appropriate option. Note: SA denotes Strongly Agree, A= Agree, N= Neutral, D= Disagree, SD= Strongly Disagree.

S/N	QUESTIONS	SA	A	N	D	SD
16.	Regulatory bodies in Nigeria face significant challenges in enforcing ethical standards due to limited resources.					
17.	The current regulatory framework is effective in preventing unethical accounting practices.					
18.	Regulatory bodies in Nigeria have sufficient powers to investigate and prosecute cases of unethical accounting practices.					
19.	Corruption within regulatory bodies is a significant challenge in enforcing ethical standards.					
20.	Regulatory bodies in Nigeria collaborate effectively with other stakeholders to address misconduct in financial reporting					
21.	The level of transparency and accountability in the regulatory framework is high					

SECTION D: IMPACT OF UNETHICAL ACCOUNTING PRACTICES ON FINANCIAL REPORTING QUALITY

Please, kindly indicate the extent to which you agree or disagree to the given statements by ticking the appropriate option. Note: SA denotes Strongly Agree, A= Agree, N= Neutral, D= Disagree, SD= Strongly Disagree.

S/N	QUESTIONS	SA	A	N	D	SD
22.	To what extent do you agree that unethical accounting practices can lead to inaccurate financial reporting.					
23.	To what extent do you agree that unethical accounting practices can damage the reputation of Nigerian companies.					
24.	To what extent do you agree that unethical accounting practices can lead to financial instability.					
25.	The impact of unethical accounting practices on investor confidence is very low					
26.	The level of risk associated with investing in Nigerian companies due to Unethical Accounting Practices is very low					
27.	The importance of unethical accounting practices in maintaining investor confidence is very high					
28.	To what extent do you agree that Unethical Accounting Practices can lead to a loss of trust in financial reports?					
29.	The impact of Unethical Accounting Practices on the overall quality of financial reporting is very high					

APPENDIX II

Targeted List of Quoted companies in Nigeria

COMPANY NAME	Exchange	Ticker	Currency
7up Bottling Company Plc	NGX	7up	NGN
Abbey Mortgage Bank Plc	NGX	Abbey BDS	NGN
Cadbury Nigeria PLC	NGX	CADBURY	NGN
Honeywell Flour Mills Plc	NGX	HoneyFlour	NGN
E&I Leasing Plc	NGX	EILEASING	NGN
Bua Foods	NGX	BUAFOODS	NGN
The Okomu Oil Palm Plc	NGX	OKOMU OIL	NGN
Capital Oil Plc	NGX	CAPOIL	NGN
Caverton Offshore Support Group Plc	NGX	Caverton	NGN
Chams Holding Company	NGX	Chams	NGN
Consolidated Hallmark Holdings	NGX	CONHALL PLC	NGN
Afromedia Plc	NGX	AFROMEDIA	NGN
Custodian Investment Plc [CG+]	NGX	CUSTODIAN	NGN
Bua Cement	NGX	BUA CEMENT	NGN
International Breweries Plc	NGX	INTBREW	NGN
Aradel Holdings Plc	NGX	ARADEL	NGN

Airtel Africa Plc	NGX	AIRTEL AFRI	NGN
Associated Bus Company	NGX	ABC TRANS	NGN
Berger Paints Plc	NGX	BERGER	NGN
Beta Glass Plc	NGX	BETAGLAS	NGN
Aso Savings and Loans Plc	NGX	ASO Savings	NGN
Nigerian Breweries Plc [CG+]	NGX	NB	NGN
Guinness Nigeria Plc [CG+]	NGX	GUINNESS	NGN
AVA Infrastructure Fund	NGX	AVAIF	NGN
AXAMANS ARD Insurance Plc [CG+]	NGX	MANSARD	NGN
Guarantee Trust Assurance Plc	NGX	GTASSURE	NGN
Austin Laz & Company Plc	NGX	AustinLaz	NGN
Access Holdings Plc [CG+]	NGX	Access CORP	NGN
Africa Prudential Plc [CG+]	NGX	AFRIPRUD	NGN
African Alliance Insurance Plc	NGX	AFRINSURE	NGN
Nestle Nigeria Plc [CG+]	NGX	NESTLE	NGN
Ikeja Hotel Plc	NGX	Ikeja Hotel	NGN

Industrial and Medical Gases Nigeria Plc	NGX	IMG	NGN
Julius Berger Nig. Plc [CG+]	NGX	JBERGER	NGN
MRS Oil Nigeria PLC	NGX	MRS	NGN
MTN NIGERIA COMMUNICATIONS PLC [CG+]	NGX	MTN N	NGN
Fidelity Bank Plc	NGX	FIDELITY BK	NGN
FCMB Group Plc	NGX	FCMB	NGN
Ecobank Transnational Incorporated	NGX	ETI	NGN
DN Tyre & Rubber Plc	NGX	DUNLOP	NGN
Deap Capital Management & Trust Plc	NGX	DEAPCAP	NGN
Dangote Cement Plc	NGX	DANG CEMENT	NGN
Dangote Sugar Refinery	NGX	DANGSUGAR	NGN
Conoil Plc	NGX	CONOIL	NGN