

**UNETHICAL ACCOUNTING PRACTICES AND IT'S EFFECT'S ON
FINANCIAL REPORTING QUALITY IN NIGERIA**

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MGS2007483

**DEPARTMENT OF ACCOUNTING
FACULTY OF MANAGEMENT SCIENCES**

UNIVERSITY OF BENIN

BENIN CITY

MARCH, 2025

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**BEING A RESEARCH PROJECT WRITTEN AND SUBMITTED TO THE
DEPARTMENT OF ACCOUNTING, FACULTY OF MANAGEMENT SCIENCES,
UNIVERSITY OF BENIN, BENIN CITY IN PARTIAL FULFILLMENT OF THE
REQUIREMENTS FOR THE AWARD OF THE BACHELOR OF SCIENCE (
BSc.) DEGREE IN ACCOUNTING**

MARCH, 2025

DECLARATION

I, OKOH HAPPY, 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 Dr. J.O Ojeaga. 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.

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CERTIFICATION

We certify that this work was carried out by happy OKOH, with matriculation number MGS2007483 in the Department of Accounting, University of Benin, Benin City.

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Date

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 legend in the field of management sciences, I have only succeeded in this work because I built on the foundation they have laid.

ACKNOWLEDGEMENTS

I express my utmost gratitude to my Heavenly Father, God Almighty, for granting Me the strength and wisdom to successfully complete this project. His guidance and Grace have been my source of inspiration throughout this journey.

I sincerely express my gratitude to my supervisor, Dr. J.O Ojeaga, for his understanding, patience, and invaluable support despite the challenges faced during the course of this project. His expert guidance, constructive Feedback, encouragement, and unwavering support were instrumental in shaping my research and helping me achieve my academic goals.

I am grateful to the Head of Department, Prof. Osasu Obaretin, and all lecturers in the Department of Accounting and the Faculty of Management Sciences for their intellectual contributions, insightful discussions, and commitment to academic excellence. Their expertise and passion for teaching have had a profound impact on my academic journey.

I am eternally grateful to my parents, Mr. & Mrs. Okoh ,for their unwavering support, prayers, and encouragement. Their selfless love and dedication have been a constant source of inspiration and motivation. I am especially grateful to my dear sister, Mrs Priscilla and her supportive husband Mr. Joshua Ekowa, as well as my guardian, Mr. Peter Okoh for their immense contributions in making this work a success. I also extend

my appreciation to my siblings, Endurance and Amos for their encouragement and support in completing this project. May God, his infinite mercy, continue to bless you all abundantly. Amen.

My special gratitude also goes to my friends and course mates Ugbenna Christian, Gift, prudence, Judith, God's gift, peace, for their companionship Encouragement, and support.

Finally, my deepest appreciation goes to all those whose names may not have been mentioned here but have, in one way or another, contributed to the success of this Project. Your support and encouragement mean the world to me. I really appreciate you all. May God bless you all abundantly. Amen.

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ABSTRACT

This study focused on unethical accounting practices and its effects on financial reporting quality in Nigeria. I specifically examined the roles of institutions, and regulatory bodies in addressing these issues geographically, our sample was drawn from Nigeria. The study employs a quantitative research design. The study particularly used the survey design in collecting data from professional accountants on the effects of unethical accounting practices including Revenue Manipulation, Expense Misclassification, Asset Misstatement, and Earnings Management on financial reporting quality in Nigeria. The type of questionnaire used contains structured questions and a rating scale of 5-point likert in section B and C denoted as 1-Strongly Agree;2-Agree;3-Not sure;4-Disagree;5-Strongly disagree. The data collected were analysed using both descriptive and inferential statistics. The research hypothesis were tested utilizing regression analysis in order to achieve the current study objectives. These findings imply that all four unethical accounting practices have a significant negative impact on financial transparency, stakeholder trust, and regulatory compliance. In line with the findings, it is recommended that regulatory bodies should enforce stricter regulations to curb unethical accounting practices, and also companies should establish robust internal mechanisms to detect and prevent fraudulent accounting practices.

CHAPTER ONE

INTRODUCTION

1.1 Background To The Study

Accounting is a cornerstone of financial transparency, as it ensures that information shared with stakeholders—such as investors, regulators, and corporate management—is both accurate and reliable. Quality financial reporting builds confidence, supports sound decision-making, and ultimately drives economic growth (Musa, 2019). Inez (2021) defines unethical accounting activities as behaviors that contravene established accounting norms and ethical guidelines, frequently resulting in the manipulation of financial accounts. Unethical practices in accounting commonly involve activities such as falsifying records, manipulating earnings, providing fraudulent reports, and misappropriating assets (Anthony, 2019). Over the past several years, there has been a noticeable increase in moral misconduct and financial fraud within corporations, which has drawn significant attention to the topic (Garcia, 2020). Yet, in Nigeria, unethical accounting practices have significantly eroded the integrity of financial statements, causing economic disruptions and impacting stakeholder trust (Salaudeen et al., 2015). Ogbonna (2020) argued that a society

without ethical considerations may not last for an extended period in order to accomplish its intended aims and objectives, as well as those of its stakeholders.

The accounting and auditing professionals in charge of preparing financial statements must strictly comply with ethical accounting and auditing standards. This ensures the production of reliable, relevant, timely, accurate, understandable, and comprehensive financial statements that provide a true and fair representation of the firm's financial position and performance (Ogbonna & Ebimobowei, 2022). Despite the numerous research work on accounting ethics aimed at stemming financial scandals for instance (Emeni, 2018; Enofe et al., 2015; Salaudeen et al., 2015) there is still frequent financial scandals and failure in organisations globally, for instance, in the United Kingdom (UK) Independent Insurance and BCCI; in the USA Enron corporation, Tyco International, WorldCom, Global Crossing. According to Ogiedu and Odia (2013), external auditors were accused in a good number of fraud cases across the world, such as Arthur Anderson who was found guilty in the collapse of Enron; in a similar vein Akintola Deloitte was found culpable in the Cadbury saga, where financial statement were overstated in excess to the tune of 13 billion naira as well as Price Waterhouse Cooper (PWC) who was found guilty in Setyam saga. All these are pointer to the fact that absolute compliance to ethical standards is utmost necessary. This pops up the question, why these recurring financial scandals, given the studies conducted with the hope of curbing or even stopping it? This

study therefore seeks to ascertain the reason for these spates of financial scandals despite earlier studies conducted to look into it; by reviewing the literature on ethical conduct of accountants and financial reporting quality; and pointing out the strength and weaknesses in the extant literature, which will hopefully answer this question. According to the Financial Reporting Council of Nigeria (FRCN), over 52% of Nigerian companies engage in forms of earnings management, such as revenue inflation, expense deferral, and asset misstatements, which can destabilize financial markets and lead to substantial financial losses (FRCN, 2020). One of the most prevalent unethical practices in Nigeria is revenue manipulation, where companies artificially inflate revenue to present a healthier financial outlook. A 2015 study found that nearly 40% of Nigerian firms engage in revenue manipulation, especially within banking and manufacturing, to meet competitive or shareholder expectations. This trend mirrors global findings, where firms that engage in revenue manipulation often deceive investors and create an illusion of profitability that can lead to financial setbacks for uninformed investors (Johnson & Odhuluma, 2019). Expense manipulation, another deceptive practice, involves companies reclassifying or deferring expenses to reduce reported costs artificially. This tactic was found in around 35% of Nigerian firms, as it enables them to portray an image of financial stability while concealing operational issues (Brass Island, 2011). On a global scale, companies facing high managerial turnover often engage in expense manipulation, as they face increased pressure to present favorable financial results (Obiaga & Ikiriko, 2019). Asset

misstatements, particularly within Nigeria's real estate and banking sectors, involve overstating asset values to mislead stakeholders about a company's worth. This practice can be particularly damaging, as it creates an illusion of higher capital adequacy, resulting in increased investor trust based on misleading data. Approximately 25% of Nigerian real estate firms use asset misstatements—a rate notably high compared to other sectors (Mubaraq et al., 2019). In countries with weaker regulatory oversight, sectors with complex asset valuation structures, such as real estate and banking, show a higher occurrence of asset misstatements (Salaudeen et al., 2015). Earnings management, another form of manipulation, involves exploiting accounting methods to depict steady growth when in reality, financial conditions are volatile. This technique was observed in over 30% of Nigerian manufacturing firms between 2006 and 2014, significantly impacting the reliability of financial reports (Musa, 2019). Excessive earnings management can have long-term consequences, particularly in emerging markets where investor confidence is closely tied to corporate governance standards (Brass Island, 2011). The detrimental effects of unethical accounting are evident in the numerous corporate failures within Nigeria. High-profile cases such as Cadbury Nigeria and several major Nigerian banks reveal how unethical practices like misreporting can lead to investor losses, erode public trust, and prompt regulatory scrutiny (Financial Reporting Council of Nigeria, 2020). Similar corporate scandals have been seen worldwide, such as South Africa's Steinhoff International, further underscoring the critical need for stringent

regulatory measures to curb unethical accounting (Salaudeen et al., 2015). This study aims to examine the extent and impact of unethical accounting practices on the quality of financial reporting in Nigeria. By exploring revenue manipulation, expense and asset misstatements, and earnings management, this study seeks to uncover how these practices erode market trust and jeopardize economic stability. The findings will underscore the urgent need for ethical standards and governance improvements across Nigerian firms. According to Chima (2021), corporate regulators in various nations, including Nigeria, commonly utilise specifically tailored rules to facilitate the regulation and management of firms and their behaviours, with the aim of achieving effective corporate governance. Regulatory bodies have been established worldwide to monitor the practice and conduct of the auditing and accounting profession. The International Federation of Accountants (IFAC) has consistently developed auditing rules to improve the dependability and honesty of company financial reporting (Damagum, 2018). With the world now functioning as a global market, there is a growing focus on implementing the International Financial Reporting Standards (IFRS). This is aimed at establishing a universal set of detailed financial statements worldwide, and is overseen by The International Accounting Standards Board (IASB). In Nigeria, various organisations such as the Companies and Allied Matters Act 2004 (as amended), Financial Reporting Council (FRC), Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and other industry-specific bodies provide

guidelines for auditors and accountants regarding ethical and professional standards (Akinbode, 2023). Unethical accounting procedures present a significant risk to the dependability and trustworthiness of financial information. High-quality financial reporting is distinguished by its precision, dependability, openness, and adherence to pertinent accounting rules and regulations. The purpose of this is to verify that the financial statements accurately reflect the financial performance and condition of a company (Bidemi et al., 2023).

1.2 Statement Of The Problem

Unethical accounting practices in Nigeria have increasingly undermined the credibility of financial reporting, posing severe implications for stakeholders. Eteka (2022) argues that unethical accounting methods have serious and diverse consequences, including the loss of investor trust, regulatory interventions, operational inefficiencies, and damage to reputation. This study intends to assess the effects of unethical accounting practices on the quality of financial reporting in Nigeria. Key areas of concern include revenue manipulation, expense misclassification, asset overstatement, and earnings management. These unethical practices distort the true financial health of companies, leading to financial misrepresentation and loss of investor confidence. For example, Salaudeen et al. (2015) found that Nigerian firms often manipulate revenue to create a more favorable appearance of growth, thereby misleading stakeholders and destabilizing market

perceptions. Additionally, Umobong and Akani (2015) revealed that expense manipulation is widespread, with companies frequently deferring expenses or misclassifying costs to inflate profits and enhance performance metrics . Ogbonna and Appah (2012) also highlighted that asset misstatements, including inflated asset values, are prevalent in sectors like banking and real estate, resulting in a false sense of capital adequacy that misleads investors and regulators. While these studies provide valuable insights into the mechanisms of unethical practices, they tend to focus more on individual aspects, such as revenue manipulation or expense misclassification, without addressing the compounded effects of these practices on financial reporting quality. Furthermore, there is limited research examining the role of regulatory bodies, such as the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC), in curbing these practices and ensuring consistent enforcement. This research aims to bridge these gaps by analyzing the combined effects of revenue manipulation, expense misclassification, asset overstatement, and earnings management on financial reporting quality in Nigeria. Additionally, it will evaluate the effectiveness of regulatory bodies in enforcing standards to prevent unethical practices, thereby providing a more comprehensive view of how these factors interact to affect financial transparency and investor trust in Nigerian markets.

1.3 Research Questions

This study will address the following research questions:

1. How does revenue manipulation impact on the quality of financial reporting among Nigerian firms?
2. In what ways does expense misclassification affect the accuracy and reliability of financial statements in Nigeria?
3. To what extent do asset misstatements distort the financial position of the Nigerian firms?
4. How do earnings management practices influence Nigeria stakeholders' trust and transparency in financial reporting?

1.4 Objectives of the Study

1. To examine the impact of revenue manipulation on the quality of financial reporting in Nigeria.
2. To assess the effect of expense misclassification on the accuracy and reliability of Nigerian financial statements.
3. To investigate how asset misstatement distorts the financial position and how it affects reporting quality.

4. To evaluate the effect of earnings management practices on Nigeria stakeholder trust and transparency in financial reporting.

1.5 Hypothesis of the study

The following hypotheses are stated in alternate form.

1. H1: Revenue manipulation has a significant negative impact on the quality of financial reporting in Nigeria.

2. H2: Expense misclassification significantly reduces the accuracy and reliability of financial statements in Nigerian firms.

3. H3: Asset misstatement leads to a substantial distortion of financial position and it has impact on the quality of financial reporting.

4. H4: Earnings management practices have a negative effect on Nigeria stakeholders' trust and the transparency of financial reporting.

1.6 Significance Of The Study

This study is significant for several reasons. First, it will provide insights into how specific unethical accounting practices—revenue manipulation, expense manipulation, asset misstatement, and earnings management—affect the quality of financial reporting.

Second, it will highlight gaps in the regulatory framework, which may allow these

unethical practices to persist. Third, this research will assist management, auditors, and regulatory bodies in identifying and implementing measures to prevent unethical practices. By raising awareness of these practices and their impact on financial reporting, this study aims to strengthen investor trust and enhance corporate accountability.

1.7 Scope Of The Study

This study focuses on selected industries in Nigeria that are particularly vulnerable to financial misreporting, including manufacturing, banking, and telecommunications. It will specifically examines all 8 telecommunications companies listed on the Nigerian Exchange Group (NGX) which are Airtel Africa Plc,Bricklinks Africa Plc,Chams Holding Company Plc,e-Tranzact International Plc,MTN Nigeria Communication Plc,Omatek Ventures Plc,NIGERIA. The scope of the study will span for a period of 6 years from 2018 to 2023 to identify the prevalence and impact of revenue manipulation, expense manipulation, asset misstatement, and earnings management on financial reporting quality in Nigeria. The study will also considers recent cases of financial misreporting to understand the regulatory response to unethical accounting practices in Nigeria business circle.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

Unethical accounting practices significantly undermine the reliability and quality of financial reporting, affecting various stakeholders, including investors, regulatory bodies, and society. These practices distort a company's financial health, resulting in uninformed decision-making and often eroding investor confidence. In Nigeria, unethical accounting has become a pressing issue, impacting market stability and economic growth (Salaudeen et al., 2015; Umobong & Akani, 2015). This chapter reviews the literature on these unethical practices, examines related theories, and explores empirical studies on the topic. It concludes by identifying gaps in the literature that this study seeks to address.

2.2 Conceptual Framework

The conceptual framework for this study posits that employee satisfaction encompasses various dimensions, including job satisfaction, employee engagement, career development opportunities, and job autonomy. These dimensions collectively contribute to organizational productivity.

2.2.1 Reliability

Reliability in financial reporting is crucial as it ensures that financial information accurately represents a company's economic position, is consistent over time, and remains free from manipulation. Reliable financial information helps stakeholders make informed decisions and fosters trust in the company. When financial reports lack reliability, stakeholders may experience significant misallocations of resources, as well as diminished confidence in both the firm and broader markets (Bushman & Smith, 2001; Dechow et al., 2010). One way to gauge reliability is by examining accounting restatements, which occur when companies correct previously issued financial statements due to errors or misrepresentations. A high frequency of restatements suggests issues with reliability. For instance, the U.S. saw a substantial rise in restatements between 2001 and 2006, with nearly 1,200 cases recorded in 2006, before decreasing after regulatory reforms (Scholz, 2014). In Nigeria, accounting restatements are also prevalent, often reflecting unreliable financial reporting practices. Studies indicate that inadequate financial reporting has been a persistent problem in the region, attributed partly to weak enforcement of regulations (Uwuigbe et al., 2017). Another measure of reliability is the frequency and nature of regulatory corrections. Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN) play a crucial role in ensuring the reliability of financial reports. However, enforcement challenges in Nigeria mean that many firms

continue to manipulate financial information, particularly in high-stakes sectors like oil and gas (Afolabi & Olajide, 2021). In contrast, countries with stricter enforcement, such as the U.S. and some European nations, generally report fewer issues related to financial reliability due to more stringent regulatory oversight and consequences for non-compliance (Enomoto et al., 2015). International research underscores the link between reliable reporting and lower costs of capital, as investors are more willing to invest in companies with trustworthy financial statements (Francis et al., 2005). In the Nigerian context, however, unreliable financial reporting can lead to increased risk perceptions, potentially raising borrowing costs and limiting access to foreign investments (Ogbonna & Appah, 2012; Salaudeen et al., 2015).

2.2.2 Revenue Manipulation

Revenue manipulation involves premature revenue recognition or inflating sales to present an artificially favorable financial position. By overstating revenue, companies create an illusion of growth and profitability, which can mislead investors and distort the true economic health of a business. Revenue manipulation is typically measured by analyzing trends in sales growth relative to industry averages, sudden increases in reported revenue, and inconsistencies in cash flow that do not align with reported revenue. Globally, revenue manipulation has been linked to significant financial scandals, with cases in the U.S. revealing the consequences of such practices. For example,

Enron's downfall in 2001 was partly due to recognizing revenue before it was actually earned, inflating its sales figures by billions of dollars, and misleading investors regarding its true financial position (Healy & Palepu, 2003). Similarly, recent studies show that revenue manipulation continues to be a frequent issue in various markets; for instance, 21% of companies reviewed in a large-scale study had engaged in some form of earnings manipulation, including premature revenue recognition (Dechow et al., 2011). In Nigeria, studies highlight revenue manipulation as a pervasive issue, often driven by management's desire to meet short-term performance targets or attract investment. In high-risk sectors like oil and gas, revenue misstatements are particularly common, with some firms reporting inflated revenue figures to improve financial ratios and maintain shareholder confidence (Afolabi & Olajide, 2021; Uwuigbe et al., 2017). Compared to countries with stronger regulatory frameworks, such as the U.S. or UK, Nigerian firms experience fewer consequences for manipulation due to weaker enforcement of accounting standards by bodies like the Financial Reporting Council of Nigeria (FRCN) (Ogbonna & Appah, 2012). Recent data indicates that revenue manipulation can significantly impact financial reporting quality, with companies reporting up to 15% higher revenues than actual sales in certain industries, such as telecommunications and manufacturing, in emerging markets (Salaudeen et al., 2015). Revenue manipulation is a critical challenge, as it leads to a cascading effect on other financial metrics, affecting stakeholders' ability to make informed decisions and undermining overall market

integrity (Francis et al., 2021). These examples underscore the importance of stricter regulations and enforcement in curbing revenue manipulation, especially in regions where economic transparency is essential for sustainable growth and investor confidence.

2.2.3 Relevance

Relevance in financial reporting refers to the usefulness of financial information in aiding stakeholders' decision-making processes. Relevant financial information is both timely and predictive, providing insights that help investors, lenders, and other users make informed decisions. Key aspects of relevance include the predictive value of financial data, timeliness, and confirmatory value, all of which contribute to the utility of financial statements in forecasting future performance and evaluating past financial decisions (Francis et al., 2021; Afolabi & Olajide, 2021). Timeliness is a significant factor in relevance, as outdated information loses value in decision-making. Studies suggest that financial reports that take longer than six months after the fiscal year end to release may lead to significant reductions in investment interest and market reactions, as stakeholders depend on prompt information to evaluate opportunities (Bushman et al., 2004). In the Nigerian context, delays in financial reporting have been an issue, partly due to regulatory challenges and resource limitations, which in turn affect the relevance of the financial data presented (Umobong & Akani, 2015). Predictive Value is another component of relevance, often measured through earnings predictability and cash flow

stability. Earnings predictability, which reflects the consistency and quality of earnings over time, is a common measure for evaluating relevance because it provides a basis for future expectations (Dechow et al., 2010). In markets with strong predictive metrics, investors exhibit higher confidence levels, which positively influences market stability and investment rates (Healy & Palepu, 2001). Studies reveal that firms with predictable earnings tend to attract more investments, as predictability reduces perceived risk and aids in assessing future returns (Kothari et al., 2010). In Nigeria, however, studies show that earnings predictability is frequently undermined by unethical practices like revenue manipulation and earnings management, which distort the accuracy of financial forecasts and impair relevance (Afolabi & Olajide, 2021; Ogbonna & Appah, 2012). This is particularly challenging in emerging markets, where regulatory frameworks may not be as robust, leading to less reliable earnings quality and, consequently, a decline in the predictive value of financial reports. Comparatively, in countries with more stringent regulations like the U.S., relevance is higher, as regulatory bodies enforce timely reporting and discourage manipulative accounting practices that could hinder predictive accuracy (Dechow et al., 2011). Confirmatory Value also plays a role in relevance, allowing stakeholders to assess the accuracy of their previous expectations and refine future predictions. For instance, reliable financial information enables banks to make better lending decisions based on past performance data, while inaccurate or manipulated reports lead to poor financial judgments and increased risk exposure (Francis et al.,

2005). In sum, relevance is a critical dimension of financial reporting quality. However, factors like regulatory inefficiencies and unethical practices in Nigeria reduce the relevance of financial statements by compromising timeliness, predictive value, and confirmatory value, which are essential for informed decision-making (Salaudeen et al., 2015; Afolabi & Olajide, 2021). Addressing these issues is essential to improving financial reporting relevance and, by extension, overall economic stability and investor confidence in the Nigerian market.

2.2.4 Expense Misclassification

Expense misclassification involves deferring or reassigning costs to inflate profits artificially, often with the intent of presenting a stronger financial position. By misclassifying or delaying expenses, companies can manipulate profit margins, giving investors a skewed view of the firm's operational efficiency. Misclassification can be measured by examining abnormal changes in operational expense ratios or discrepancies in the categorization of expenses over time, which can reveal inconsistencies in reporting (Umobong & Akani, 2015). In recent years, the issue of expense misclassification has been observed across global markets. For instance, in the U.S., the Securities and Exchange Commission (SEC) identified expense misclassification in several high-profile cases, including Hertz, which understated expenses to inflate profits and misled investors (SEC, 2019). Similar issues are found internationally; studies show that approximately

12% of firms misclassify expenses to enhance financial appearance, particularly in industries with high fixed costs, such as manufacturing and telecommunications (Dechow et al., 2011). In Nigeria, expense misclassification has been highlighted as a pervasive problem, especially in sectors like banking and oil, where companies face intense pressure to meet financial targets. A study by Afolabi and Olajide (2021) notes that Nigerian firms often defer expenses such as R&D costs or reclassify operating expenses as capital investments to enhance profit figures, creating misleading financial reports. These practices contribute to decreased financial reporting quality and erode stakeholder trust in the reliability of published financial statements (Afolabi & Olajide, 2021; Ogbonna & Appah, 2012). Expense misclassification also impacts financial ratios, which investors rely on for comparative analyses. Studies show that firms engaged in misclassification tend to report inflated net income ratios and reduced operating expense ratios, leading to distorted financial metrics (Francis et al., 2005). This manipulation can create substantial discrepancies, with some companies reporting profits that are artificially increased by up to 15% due to expense deferral alone (Bushman et al., 2004). In comparison, countries with stronger regulatory frameworks tend to report fewer cases of expense misclassification. For example, in the United Kingdom, the Financial Reporting Council enforces stringent guidelines on expense recognition and disclosure, reducing the likelihood of misclassification (FRC, 2020). This regulatory vigilance contrasts with the situation in Nigeria, where enforcement challenges often allow

unethical practices to persist with limited consequences (Salaudeen et al., 2015). Thus, while expense misclassification is a global issue, its prevalence and impact vary significantly by region. In markets with weaker oversight, such as Nigeria, these practices substantially undermine the reliability of financial reporting and complicate investment decisions, emphasizing the need for improved regulatory standards and enforcement (Afolabi & Olajide, 2021).

2.2.5 Comparability

Comparability in financial reporting allows stakeholders to assess a company's performance over time and against its industry peers, fostering a better understanding of its financial health. Consistent accounting methods, standardized ratios, and full disclosures are essential to ensure comparability, as they reduce the impact of discrepancies in data interpretation across different periods and companies. When comparability is compromised, stakeholders may face difficulties in making informed investment, lending, or strategic decisions, potentially eroding their confidence in the financial statements provided. One way to assess comparability is through standardized financial ratios, which offer a basis for evaluating operational efficiency, liquidity, profitability, and other key metrics across companies. For instance, ratios like return on assets (ROA) and current ratio allow investors to benchmark firms against industry averages, providing insights into relative performance. Studies indicate that companies

with highly comparable financial statements tend to attract more investors and maintain lower capital costs, as predictability in financial metrics reduces perceived risk (Francis et al., 2005; Dechow et al., 2011). Comparability is also beneficial for regulatory bodies in assessing compliance with industry standards and identifying potential red flags. Disclosure scores, which evaluate the transparency and completeness of financial disclosures, are another measure of comparability. In regions with strong disclosure practices, such as the United States, companies are required to adhere to strict guidelines on reporting and disclosing financial data, enhancing comparability across the board. According to studies, firms with high disclosure scores are perceived as more transparent and trustworthy, attracting a more extensive and diverse investor base (Healy & Palepu, 2001; Enomoto et al., 2015). Conversely, in countries with less stringent disclosure requirements, like Nigeria, inconsistencies in reporting practices frequently lead to comparability issues, with companies often engaging in selective disclosure to obscure unfavorable metrics (Afolabi & Olajide, 2021). In Nigeria, lack of comparability has been a notable issue, as inconsistent accounting practices are common among firms, partly due to weaker regulatory enforcement and a higher prevalence of accounting manipulation. Nigerian companies in sectors such as banking and oil and gas have faced comparability challenges, as they tend to adjust financial reporting practices based on shifting regulatory or economic pressures (Umobong & Akani, 2015). This lack of standardization impedes stakeholders' ability to make meaningful comparisons,

ultimately reducing investor confidence in local financial markets (Ogbonna & Appah, 2012). Internationally, countries with more rigorous regulatory frameworks, such as the United Kingdom, have instituted measures to improve comparability through initiatives like International Financial Reporting Standards (IFRS) adoption, which enhances global consistency in financial reporting (FRC, 2020). Research shows that IFRS adoption has reduced cross-border discrepancies and made financial statements more comparable internationally, encouraging global investment flows (Chen et al., 2010; Bushman & Smith, 2001). In summary, comparability remains a key dimension of financial reporting quality, but it is often undermined in markets with limited regulatory oversight and inconsistent accounting standards, such as Nigeria. Addressing these challenges by adopting more stringent reporting frameworks and ensuring consistent enforcement could significantly enhance comparability, thus increasing investor confidence and promoting more stable market dynamics (Salaudeen et al., 2015; Afolabi & Olajide, 2021).

2.2.6 Asset Misstatement

Asset misstatement involves overstating or undervaluing assets to present a misleading financial position. By misrepresenting asset values, companies can enhance perceived wealth and stability, impacting stakeholder decisions. Asset misstatements are often identified by comparing reported asset values to industry norms or through examining impairment recognition practices, which indicate whether companies are realistically

adjusting asset values when market or operational conditions change (Ogbonna & Appah, 2012). Internationally, cases of asset misstatement have demonstrated significant consequences for financial reporting quality and market trust. In the U.S., for instance, WorldCom and Enron misclassified and overvalued assets to inflate their financial health, misleading investors and stakeholders on their true economic state. These cases prompted the Sarbanes-Oxley Act of 2002 to enhance accountability, reducing the occurrence of similar manipulations by imposing stricter regulations on asset reporting (Dechow et al., 2011; Healy & Palepu, 2001). Despite this, asset misstatement persists worldwide, particularly in regions with less regulatory enforcement. In Nigeria, asset misstatements are also prevalent, especially in high-capital sectors like real estate and oil and gas. A study by Salaudeen et al. (2015) found that approximately 30% of Nigerian firms reported inflated asset values, which misrepresented their actual financial stability. Additionally, weak enforcement by regulatory bodies like the Financial Reporting Council of Nigeria (FRCN) has allowed companies to engage in asset overvaluation without facing significant consequences, thereby undermining financial reporting quality and investor trust (Afolabi & Olajide, 2021; Ogbonna & Appah, 2012). One method for detecting asset misstatements is through impairment recognition practices, which require companies to adjust asset values when they fall below their book value due to changes in market or operational conditions. When companies fail to recognize impairments, it signals potential manipulation of asset values. Globally, IFRS guidelines mandate

impairment recognition, providing a framework for consistency; however, in Nigeria, impairment practices are often under-reported, which distorts balance sheets and creates challenges for stakeholders attempting to gauge actual asset worth (Chen et al., 2010; Uwuigbe et al., 2017). Comparative Studies show that countries with more robust regulatory oversight, such as the United Kingdom, report fewer cases of asset misstatement. In the UK, stringent impairment standards enforced by the Financial Reporting Council (FRC) ensure that companies adjust asset valuations in accordance with market realities, which enhances investor trust and reporting quality (FRC, 2020). In contrast, in Nigeria, inadequate enforcement and inconsistent adherence to IFRS standards create opportunities for misstatement, reducing the comparability of Nigerian firms to their international counterparts (Afolabi & Olajide, 2021). Overall, asset misstatement remains a critical challenge in regions with less stringent oversight. Strengthening regulatory measures and encouraging stricter compliance with IFRS standards in Nigeria could improve asset valuation accuracy, thereby enhancing the overall quality and reliability of financial reporting (Ogbonna & Appah, 2012; Salaudeen et al., 2015).

2.2.7 Transparency

Transparency in financial reporting is crucial for fostering trust among stakeholders by presenting clear and accurate disclosures. Transparent reporting includes open disclosures

on revenues, expenses, assets, and liabilities without any form of concealment or manipulation. Studies indicate that transparency enhances decision-making for investors, creditors, and regulatory bodies, as it provides a realistic portrayal of a company's financial health and risk profile (Bushman & Smith, 2001; Salaudeen et al., 2015). Transparency is particularly valued in regions with stronger regulatory frameworks, as it supports accountability and deters fraudulent practices. In financial reporting, disclosure quality is a key indicator of transparency. High-quality disclosures ensure that stakeholders receive comprehensive information on a company's financial performance, risks, and future outlook. Research shows that firms with high transparency levels tend to perform better in terms of market valuation, as they reduce information asymmetry, thus attracting more investment. For instance, in countries like the U.S. and the U.K., companies with high disclosure transparency often enjoy lower capital costs due to the reduced risk perception among investors (Healy & Palepu, 2001; Francis et al., 2005). In contrast, in Nigeria, limited transparency in financial reporting is often cited as a concern, particularly in sectors prone to financial misstatements like banking and oil. Umobong and Akani (2015) found that a significant number of Nigerian firms do not adhere strictly to required disclosure standards, with many choosing selective disclosures to hide underperformance or financial irregularities. This lack of transparency is often linked to weak regulatory enforcement and a lower emphasis on investor protection, which decreases market confidence and deters foreign investment (Afolabi & Olajide, 2021).

Comparative data also show that transparent financial reporting directly correlates with improved investor trust and market stability. In countries following rigorous transparency guidelines, such as those under International Financial Reporting Standards (IFRS), companies must disclose more detailed information on operational and financial risks. This transparency is associated with higher investor trust and more stable stock performance, as investors feel better equipped to assess risks and returns accurately (Chen et al., 2010; Enomoto et al., 2015). On the other hand, in Nigeria, frequent lapses in disclosure standards make it difficult for investors to compare firms effectively, creating an environment where opaque practices may go unchecked, leading to potential misallocation of resources and increased market volatility (Ogbonna & Appah, 2012). Thus, transparency remains a fundamental aspect of high-quality financial reporting, as it supports fair valuation, informed investment decisions, and overall market efficiency. Improving transparency in Nigerian financial reporting through stricter adherence to IFRS standards and stronger regulatory enforcement could greatly enhance market confidence, reduce risk perceptions, and promote a healthier investment climate (Salaudeen et al., 2015; Afolabi & Olajide, 2021).

2.2.8 Earnings Management

Earnings management involves intentional adjustments to financial reports to meet specific earnings targets, which can mislead stakeholders regarding a company's true

financial performance. This practice is often assessed by examining patterns in discretionary accruals or the frequency with which earnings align closely with analyst expectations. High levels of discretionary accruals may indicate that management is manipulating earnings to present a more favorable financial position than reality (Afolabi & Olajide, 2021; Healy & Wahlen, 1999). Earnings management is a pervasive issue globally and has been linked to significant financial scandals. For instance, in the U.S., the infamous cases of Enron and WorldCom involved substantial earnings manipulation, leading to devastating consequences for investors and the economy. According to a report by the Association of Chartered Certified Accountants (ACCA, 2020), earnings management techniques can inflate reported earnings by as much as 10%, creating misleading perceptions of stability and growth. These manipulations often involve timing differences in revenue recognition or expense deferral, which can severely impact the predictability of earnings (Francis et al., 2005). In Nigeria, earnings management has been identified as a significant concern in the corporate sector, particularly among listed companies. A study by Uwuigbe et al. (2017) revealed that approximately 40% of firms engage in some form of earnings management, often to meet shareholder expectations or regulatory requirements. The pressures on management to meet financial targets frequently lead to the manipulation of financial results, resulting in reported earnings that may not reflect the company's true performance (Umobong & Akani, 2015). This practice not only affects the quality of financial reporting but also undermines investor

confidence, as stakeholders may become wary of the reliability of reported earnings. Moreover, the impact of earnings management extends to market dynamics. Research shows that firms that engage in earnings manipulation may experience initial increases in stock prices; however, this is often followed by significant declines once the manipulative practices are uncovered (Schipper, 1989; Afolabi & Olajide, 2021). The resulting volatility can lead to increased capital costs and diminished investor trust. A study by Leuz and Wysocki (2016) highlights that markets with stringent regulations against earnings management typically exhibit more stable financial reporting, reinforcing the notion that regulatory frameworks play a crucial role in curbing these practices. Comparatively, countries with robust governance and oversight mechanisms tend to have lower instances of earnings management. For example, firms in jurisdictions that adhere to the IFRS are more likely to produce transparent financial reports and less likely to engage in aggressive earnings management. A meta-analysis by Chen et al. (2010) found that countries with strong enforcement of accounting standards exhibited lower levels of earnings manipulation, resulting in more reliable and predictable earnings for stakeholders. In conclusion, earnings management poses a significant challenge to financial reporting quality in Nigeria, as it undermines the predictability and perceived stability of earnings. Enhancing regulatory oversight and encouraging adherence to international accounting standards could mitigate these practices, thereby improving the

overall reliability of financial information and restoring stakeholder confidence (Afolabi & Olajide, 2021; Uwuigbe et al., 2017).

2.3 Theoretical Framework

Theories relevant to understanding unethical accounting practices and their impact on financial reporting include:

2.3.1 Agency Theory

Agency theory addresses the inherent conflicts that arise between shareholders (principals) and managers (agents) due to their differing objectives and interests. Shareholders, who invest capital, generally aim for long-term growth and value maximization. In contrast, managers may focus on achieving short-term performance targets to secure bonuses, promotions, or job security. This misalignment can lead to unethical practices, such as earnings manipulation or other forms of financial misreporting, as managers seek to present an illusion of success while potentially jeopardizing the organization's long-term viability (Jensen & Meckling, 1976; Fama & Jensen, 1983). The agency problem is particularly pronounced in environments where performance incentives are heavily tied to short-term results. For instance, when managers have substantial discretion over financial reporting, they may resort to aggressive accounting tactics to meet earnings targets, which can distort the financial

health of the organization. A study by Bergstresser and Philippon (2006) found that firms with executives who had significant stock options were more likely to engage in earnings management, as these incentives encouraged them to prioritize short-term stock price increases over sustainable business practices. Furthermore, the agency theory posits that information asymmetry contributes to these conflicts, as managers typically possess more information about the company's operations and prospects than shareholders. This disparity can allow managers to act in their own interests rather than those of the shareholders, leading to decisions that may not align with the company's best interests. For example, Ghosh and Sirmans (2005) highlighted how this information gap can result in the misallocation of resources and the pursuit of projects that benefit managers personally but do not enhance shareholder value. The implications of agency theory extend beyond individual firms. In broader economic contexts, pervasive agency problems can erode investor confidence and market stability. For instance, the 2008 financial crisis has been partly attributed to agency issues, where financial executives engaged in risky behavior to meet short-term performance metrics, ultimately leading to widespread economic turmoil (Acharya & Richardson, 2009). This underscores the necessity of effective corporate governance mechanisms to align the interests of managers with those of shareholders. To mitigate the agency problem, various governance structures and practices can be implemented, such as performance-based compensation, independent boards, and robust auditing processes. Research by Core et al.

(1999) emphasizes that well-structured compensation packages that align the interests of managers and shareholders can reduce the likelihood of unethical practices, promoting a culture of accountability and transparency. In summary, agency theory highlights the fundamental conflicts between shareholders and managers, demonstrating how these conflicts can lead to unethical accounting practices that ultimately undermine long-term organizational value. Addressing these issues through effective governance and compensation strategies is crucial for fostering ethical behavior and ensuring that managerial actions align with shareholder interests (Jensen & Meckling, 1976; Fama & Jensen, 1983).

2.3.2 Stakeholder Theory

Stakeholder theory posits that companies have an obligation to consider the interests of all stakeholders—not just shareholders—when making business decisions. This perspective emphasizes that businesses operate within a complex web of relationships that includes employees, customers, suppliers, communities, and regulatory bodies, all of whom have a vested interest in the company's operations and outcomes. The foundation of this theory, articulated by Freeman (1984), argues that stakeholder interests are interconnected and that neglecting these relationships can lead to ethical lapses and a breakdown in trust. Unethical practices, such as financial misreporting or accounting manipulation, undermine the trust that stakeholders place in an organization. For

Instance, when companies prioritize short-term gains through deceptive practices, they risk damaging relationships with employees, customers, and suppliers who rely on accurate information to make decisions. Research by Hutton et al. (2009) suggests that organizations that engage in unethical behavior not only face immediate financial repercussions but also long-term damage to their reputation and stakeholder relationships. Furthermore, the implications of stakeholder theory extend to the broader social and economic landscape. Companies that disregard the interests of stakeholders often find themselves in precarious situations, facing backlash from the public and potential boycotts from consumers. A prominent example is the fallout from the Volkswagen emissions scandal, where the company's decision to manipulate emissions data not only harmed its relationship with regulators but also significantly impacted customer trust and brand loyalty, leading to a loss of billions in market value (Ewing, 2017). Transparency in financial reporting is vital to upholding stakeholder trust. When companies provide clear, accurate, and comprehensive information about their financial health, they foster an environment where stakeholders can make informed decisions. Research indicates that transparent reporting correlates with higher levels of stakeholder satisfaction and loyalty (Cohen et al., 2014). Moreover, transparency helps to align the interests of various stakeholders, creating a sense of shared purpose and accountability within the organization. Incorporating stakeholder theory into corporate governance and decision-making processes can lead to more ethical practices. By recognizing the importance of

stakeholder engagement, companies can create policies that prioritize ethical behavior and transparency, ultimately contributing to sustainable business practices. This approach is supported by scholars like O’Riordan (2000), who argue that a stakeholder-centric model enhances corporate resilience and adaptability in an increasingly complex business environment. In summary, stakeholder theory underscores the necessity for companies to act ethically and transparently, acknowledging the diverse interests of all stakeholders. By prioritizing these values, organizations can build trust, enhance their reputations, and ensure long-term success (Freeman, 1984; Hutton et al., 2009). Emphasizing transparency in reporting not only protects stakeholders’ interests but also promotes a healthier business ecosystem where ethical practices can thrive.

2.3.3 Moral Development Theory

Kohlberg’s Moral Development Theory posits that individuals progress through various stages of moral reasoning, which influence their ethical decision-making processes. In the context of accounting, this theory is particularly relevant, as it highlights how the level of moral development can affect individuals’ choices regarding ethical integrity versus personal or organizational gain. Kohlberg identified three primary levels of moral reasoning: pre-conventional, conventional, and post-conventional, each consisting of two stages (Kohlberg, 1969). Kohlberg’s theory of moral development suggests that individuals progress through three main levels of moral reasoning: pre-conventional,

conventional, and post-conventional, each of which shapes their ethical behavior and decision-making (Kohlberg, 1969). At the pre-conventional level, moral reasoning is fundamentally self-centered, driven by personal interest and the desire to avoid punishment. In this stage, ethical decisions are made based on immediate rewards or the avoidance of consequences. For example, accountants operating at this level may engage in unethical practices, such as manipulating financial reports, to meet personal financial goals or avoid managerial scrutiny (Glover et al., 2002). Their actions are typically motivated by self-preservation or personal gain rather than any commitment to ethical standards. As individuals advance to the conventional level, their moral reasoning is increasingly shaped by societal norms and the desire for social acceptance. Here, ethical behavior aligns with meeting expectations and upholding organizational or societal standards (Rest, 1986). Accountants at this level may conform to ethical practices out of loyalty to their company, or they may engage in questionable behaviors if these actions are normalized within their corporate culture. For instance, in an environment where aggressive earnings management is implicitly encouraged, accountants might participate in such practices to align with the perceived norms, believing they are acting in the company's best interest. At the highest level, the post-conventional level, moral reasoning is guided by universal ethical principles and a commitment to justice and the greater good. Individuals at this level prioritize ethical integrity, even when faced with pressures to act otherwise. Accountants in the post-conventional stage are more likely to

resist unethical directives, advocating instead for transparency and ethical accountability. They recognize the broader impact of their actions on stakeholders and society, making decisions that reflect a deep commitment to ethical standards rather than immediate rewards (Kohlberg, 1981). In essence, as individuals progress through these levels of moral reasoning, their decisions shift from self-serving motivations to actions aligned with broader ethical principles, significantly affecting their approach to ethical dilemmas in accounting (Kohlberg, 1969; Glover et al., 2002).

2.4 Empirical Review

Research on unethical accounting practices in Nigeria has identified key factors contributing to these practices and their consequences on financial reporting quality:

Ogbonna and Appah (2011), examined the role of ethical compliance in enhancing the quality of financial reporting and performance of publicly quoted companies in Nigeria. This study, published in the *Asian Journal of Business Management*, focused on the adherence of accountants to ethical standards and its impact on financial reporting quality across twenty companies listed on the Nigerian Stock Exchange. Using a questionnaire based on a five-point Likert scale, the researchers assessed organizational practices in financial reporting. They found a significant positive relationship between adherence to ethical principles—such as integrity, objectivity, honesty, and accountability—and the

quality of financial reports, suggesting that ethical compliance improves organizational performance. Based on these findings, Ogbonna and Appah recommended establishing ethics officer positions within companies and fostering an environment that encourages open discussions about ethical issues, thereby reinforcing accountants' professional responsibilities. Odong (2019) focused on accounting ethics within the manufacturing sector in Uganda, specifically studying the Mukwano Group of Companies. This research highlighted the importance of ethics across various professional disciplines, including accounting, medicine, and law. Odong's study illustrated the vital role of ethical standards in maintaining public trust and accountability, particularly in regions where ethical lapses have led to widespread mistrust. The author noted that legislative measures, such as the U.S. Sarbanes-Oxley (SOX) Act, were enacted to curb unethical practices in financial reporting. Additionally, Odong underscored the need for ethics education to prepare accounting professionals for ethical decision-making under challenging conditions. Such education initiatives aim to address the deep-seated corruption and fraudulent practices within the business sector, which threaten the credibility of financial reports. Arowoshegbe, Uniamikogbo, and Atu (2017) explored the influence of accounting ethics on audit quality in Nigeria, emphasizing the principles of integrity, objectivity, professional competence, and confidentiality as foundational elements for audit reliability. Their study in the *Asian Journal of Economics, Business and Accounting* found a significant positive relationship between these ethical principles and the quality

of audit reports, asserting that ethical compliance is critical for maintaining public trust in the profession. The authors advocated for stricter enforcement of ethical standards by regulatory bodies and proposed the integration of ethics as a core subject in Nigerian university accounting programs. Additionally, they recommended ongoing ethics education at all stages of professional development to prevent unethical practices among accountants. These studies collectively underscore the critical role of ethical compliance in improving financial reporting quality and audit reliability, pointing to a clear need for ethical governance and education to address accounting malpractices in Nigeria and beyond. The findings emphasize the positive correlation between ethics and financial reporting quality, suggesting that stronger ethical standards and increased ethics-focused education could serve as significant deterrents to unethical practices in the accounting profession.

Osazevbaru and Emeni (2021), conducted a comprehensive literature review on the ethical conduct of accountants and its impact on financial reporting quality, published in the *FUO Quarterly Journal of Contemporary Research*. The study utilized a conceptual and review-based methodology, anchored in Stewardship theory, to understand how ethical practices among accountants influence the reliability of financial reports. Their findings revealed that companies enforcing ethical codes consistently outperform those without such standards, highlighting the positive impact of ethical compliance on

financial reporting quality. A key recommendation from the study was the need for professional accounting bodies to implement robust measures that detect and address violations of ethical standards, such as the “Non-Compliance with Laws and Regulations” (NOCLAR) framework recently introduced in Nigeria. This initiative is aimed at promoting high standards of professionalism and increasing public trust in the accounting field. Odong (2019) extended the exploration of accounting ethics by examining their impact on financial reporting quality within Uganda’s manufacturing sector, specifically focusing on the Mukwano Group of Companies. The study emphasized the interdisciplinary nature of ethics across professional fields, underscoring the necessity of ethical guidelines to ensure acceptable professional behavior. Odong’s work also pointed to international legislative responses, such as the U.S. Sarbanes-Oxley Act of 2002, enacted to strengthen ethical compliance among accountants following financial scandals. The research stressed the importance of ethics in maintaining the authenticity and reliability of financial information, thus highlighting the need for accountants to adhere to strict professional codes of conduct to avoid damaging public trust. Together, these studies highlight the importance of ethical compliance within accounting and its significant impact on financial reporting quality, emphasizing that ethical guidelines are critical in fostering transparency, accountability, and trustworthiness in financial reporting practices.

Osazevbaru and Emeni (2021), examine the relationship between accountants' ethical conduct and the quality of financial reporting. This study, published in the FUUO Quarterly Journal of Contemporary Research, was motivated by recent financial scandals, which underscored the need for ethical accounting practices. Employing a conceptual approach rooted in Stewardship theory, the authors reviewed literature showing that companies with established codes of ethics tend to outperform those lacking such frameworks. Their findings indicate that ethical conduct among accountants enhances financial reporting quality by promoting transparency and reducing the likelihood of manipulative practices. Osazevbaru and Emeni recommend that professional accounting bodies adopt strict measures to detect and address breaches of ethical codes, particularly by enforcing the "Non-Compliance with Laws and Regulations" (NOCLAR) standard in Nigeria. This measure aims to strengthen professionalism and restore public trust in the accounting sector.

Osazevbaru and Emeni (2021), explored the ethical conduct of accountants and its impact on financial reporting quality, spurred by ongoing financial scandals despite previous studies addressing this issue. Using a conceptual approach based on Stewardship theory, their literature review demonstrated that companies with a code of ethics tend to outperform those without, underscoring the positive role of ethical conduct on reporting quality. They concluded that upholding ethical standards, such as those promoted under

Nigeria's Non-Compliance with Laws and Regulations (NOCLAR) standard, is essential for enhancing public trust and professionalism in the accounting sector. Aifuwa, Embele, and Saidu (2018) also investigated the relationship between ethical accounting practices and financial reporting quality. Their study utilized primary data from questionnaires distributed to accountants in Edo State, Nigeria. The findings confirmed a significant relationship between accounting ethics and financial reporting quality, emphasizing the need for accountants to maintain high ethical standards. Additionally, they recommended further studies on ethics in accounting, incorporating factors such as religiosity. Iheonkhan and Hassan (2024) examined the financial reporting practices of Nigerian deposit money banks over a ten-year period to determine the effects of creative accounting. Their analysis revealed that while gross earnings significantly influenced bank performance, accruals had little impact, suggesting limited benefits from creative accounting. They recommended adopting stricter International Financial Reporting Standards (IFRS), which prioritize ethical conduct and limit managers' discretion, as a means to improve the quality of financial statements.

Brass Island (2011), examined the role of ethical compliance by accountants in enhancing the quality of financial reporting and the performance of quoted companies in Nigeria. Guided by five hypotheses, the study involved a sample of twenty companies across five sectors listed on the Nigerian Stock Exchange, selected systematically and purposively.

Data was collected using a five-point scale questionnaire focused on ethical issues related to financial reporting and performance. The analysis utilized descriptive statistical tools and the Spearman Rank Order Correlation Coefficient, revealing that ethical compliance significantly and positively influences both the quality of financial reports and organizational performance. The study concluded that adherence to professional ethics—such as integrity, objectivity, honesty, compliance, and accountability—can lead to improved financial reporting quality and better organizational outcomes. To support these findings, the study recommended the establishment of ethics officer positions within Nigerian organizations, fostering a non-threatening environment for discussing ethical issues, and promoting cooperation between accountants and management in addressing ethical challenges. It emphasized the importance of accountants upholding professional ethical codes in their daily responsibilities.

Musa (2019), conducted a study to examine the relationship between ethical accounting practices, board characteristics, and financial reporting quality in listed manufacturing firms in Nigeria. In response to ongoing corporate scandals and concerns over unethical accounting practices, this research aimed to assess how ethical conduct and board dynamics impact the transparency and reliability of financial reports. Specifically, the study focused on (i) the influence of ethical accounting practices, (ii) board independence, (iii) board diversity, and (iv) board expertise on financial reporting quality.

The research applied a mixed-methods approach, incorporating survey and ex-post facto research designs. Descriptive statistics, Partial Least Square-Structural Equation Modeling (PLS-SEM) for primary data, and fixed-effect analysis for secondary data were employed to analyze data from annual reports covering 2007 to 2017. Findings revealed that several factors, such as accountants' integrity and professional behavior were significantly positively correlated with financial reporting quality. Board expertise also showed a significant positive impact, indicating that knowledgeable board members help enhance reporting quality, which in turn strengthens stakeholder trust. The study concluded that both ethical accounting practices and board characteristics play a crucial role in improving financial reporting quality. Musa recommended that professional accountants implement strategies to uphold ethical standards and that firms should increase the expertise on their boards to further enhance financial reporting quality.

Salaudeen et al (2015), investigated the impact of unethical accounting practices on the quality of financial reporting in Nigeria, addressing the need for trust in accountants to produce reliable and unbiased information. Utilizing an explanatory case study approach, the study incorporated archival data, newspaper reports, and regulatory documents. Key findings revealed that extended audit tenure could undermine auditor independence and professional skepticism, impacting report quality. Additionally, a lack of adherence to corporate governance principles was a contributing factor to corporate scandals. The

study recommended enhancing board and audit committee compositions to include individuals with integrity and corporate experience and suggested that auditor tenures should be limited to prevent ethical compromises.

2.5 Gap In The Literature Reviewed

Although existing literature discusses the individual impacts of unethical practices on financial reporting, gaps remain in understanding the cumulative effect of these practices on financial reporting quality in Nigeria. Specifically:

1. **Combined Impact of Unethical Practices:** Most studies focus on individual practices such as revenue manipulation or asset misstatement, rather than examining the combined effects on reporting quality (Salaudeen et al., 2015; Umobong & Akani, 2015).
2. **Limited Evaluation of Regulatory Effectiveness:** There is a lack of comprehensive studies assessing the effectiveness of the FRCN, SEC, and other regulatory bodies in curbing unethical accounting practices (Akani & Chris, 2019).

3. Corporate Governance and Internal Controls: More research is needed to understand the role of corporate governance structures and internal controls in preventing unethical practices, particularly in the Nigerian context.

CHAPTER THREE

METHODOLOGY

3.1 Introduction

This chapter describes the methodology applied to investigate the effect of unethical accounting practices on financial reporting quality in Nigeria. The chapter discusses the research design, data collection method, population size, sample size, and data analysis techniques used in the study. The research methodology is a crucial aspect of any research study, as it provides a framework for collecting and analyzing data. A well-designed methodology ensures that the data collected is reliable, valid, and relevant to the research questions. In this study, the research methodology is designed to achieve the following objectives:

- To identify the unethical accounting practices prevalent in Nigeria
- To examine the effects of unethical accounting practices on financial reporting quality
- To investigate the factors that influence the occurrence of unethical accounting practices in Nigeria.

3.2 Research Design

A quantitative research design was adopted for this study to assess the relationship between unethical accounting practices and financial reporting quality in Nigeria. The quantitative approach involved using primary data collected through questionnaires administered to accounting professionals in Nigeria. The quantitative approach was chosen because it allows for the collection and analysis of numerical data, enabling the researcher to test hypotheses and draw conclusions.

The research strategy employed in this study is a survey strategy, using a self-administered questionnaire to collect data from participants.

3.3 Population And Sample Size

The population of this study consisted of all practicing and non practicing accountants in Nigeria, including auditors, tax experts, and financial analysts. A sample size of 150 accounting professionals was selected for the study. The target population for this study were accounting professionals who are members of professional accounting bodies in Nigeria, such as the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN). The accessible population for this study consisted of accounting professionals who work in accounting firms,

industries, and government agencies in Nigeria. The sampling strategy employed in this study is stratified random sampling, ensuring representation and accuracy

3.4 Data Collection Method

Data was collected using a questionnaire designed to collect information on variables of interest, including demographic characteristics, attitudes, behaviors, financial reporting quality, and unethical accounting practices. The questionnaire is carefully structured and simply designed for easy answering and to obtain consistency in respondent's responses. The questionnaire consisted of three sections. Section A: Demographic Data, section B: Unethical Accounting Practices, and section C: Financial Reporting Quality. The questionnaire consist of 25 questions, including Likert scale.

Data Collection Procedure

The data collection procedure involved the following steps:

1. Questionnaire development: The questionnaire was developed based on the research objectives and literature review.
2. Data collection: The questionnaire was distributed to the respondents through email and online survey platforms.
3. Data cleaning: The collected data was cleaned and edited to ensure its accuracy and completeness.

3.5 Data Analysis

Data was analyzed using descriptive statistics, inferential statistics, and regression analysis. Descriptive statistics, such as means, frequencies, and percentages, were used to summarize the demographic characteristics of the respondents and to describe the main variables of interest. Inferential statistics, such as t-tests and ANOVA, are use to test the hypotheses and to examine the relationships between unethical accounting practices and financial reporting quality in Nigeria.

Data Analysis Techniques

The following data analysis techniques were used in this study:

1. **Descriptive statistics:** Means, frequencies, and percentages were calculated to summarize the demographic characteristics of the respondents and to describe the main variables of interest.
2. **Inferential statistics:** T-tests and ANOVA were used to test the hypotheses and to examine the relationships between the variables.
3. **Regression analysis:** Linear regression analysis were used to examine the relationship between the dependent variable and the Independent variables.
4. **Factor analysis:** Exploratory factor analysis were used to identify the underlying factor that explain the patterns of responses to the questionnaire items.

3.6 Ethical Consideration

This study was conducted in accordance with the ethical principles of research. The participants were informed of the purpose of the study and their rights as participants. The data was collected anonymously and confidentially, and the participants were assured that their responses would not be linked to their identities.

3.7 Model Specifications

To evaluate the effects of unethical accounting practices, the following multiple linear regression model was proposed:

$$\text{FRQ} = \alpha + \beta_1 \text{RM} + \beta_2 \text{EM} + \beta_3 \text{AM} + \beta_4 \text{EMG} + \epsilon$$

Where:

FRQ = Financial Reporting Quality (dependent variable)

RM = Revenue Manipulation (independent variable)

EM = Expense Misclassification (independent variable)

AM = Asset Misstatement (independent variable)

EMG = Earnings Management (independent variable)

A = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ =Coefficients for each independent variable, representing their impact on
FRQ

E = Error term

This model specification aligns with the study's objectives of analyzing how unethical accounting practices affect financial reporting quality. The coefficients $\beta_1, \beta_2, \beta_3,$ and β_4 represent the magnitude and direction of the effect each practice has on financial reporting quality, which will be analyzed using regression techniques.

CHAPTER FOUR

DATA REPRESENTATION, ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the analysis and interpretation of the collected data. A total of 150 questionnaires were distributed, out of which 137 were successfully retrieved, resulting in a 91.3% response rate. The data is analyzed in line with the study's objectives and hypotheses to assess the impact of unethical accounting practices on financial reporting quality in Nigeria.

4.2 Demographic Profile of the Respondents

This section presented the demographic profile of the respondents

Table 4.1: Respondents analysis by Accountant Status

Status as an Accountant	Frequency	Percentage (%)
Practicing Accountant	85	62.0%
Non-Practicing Accountant	52	38.0%
Total	137	100%

The results indicate that 85 respondents (62.0%) are practicing accountants, while 52 respondents (38.0%) are non-practicing accountants. This distribution ensures a balanced

representation of professionals actively engaged in accounting practices and those in non-practicing roles, allowing for a well-rounded perspective on the subject matter.

Table 4.2: Respondents analysis by Professional Qualification

Professional Qualification	Frequency	Percentage (%)
ACA (Associate Chartered Accountant)	55	40.1%
CNA (Certified National Accountant)	42	30.7%
ACTI (Associate Chartered Taxation Institute)	18	13.1%
Others	22	16.1%

The results show that 55 respondents (40.1%) hold the ACA qualification, while 42 respondents (30.7%) are CNA-certified accountants. Additionally, 18 respondents (13.1%) possess the ACTI certification, and 22 respondents (16.1%) fall under the "Others" category, which may include other relevant professional qualifications.

Table 4.3: Respondents analysis by Religion

Religion	Frequency	Percentage (%)
Muslim	50	36.5%
Christian	80	58.4%
Others	7	5.1%
Total	137	100%

The results show that 80 respondents (58.4%) identify as Christians, while 50 respondents (36.5%) are Muslims. Additionally, 7 respondents (5.1%) belong to other religious affiliations.

Table 4.4: Respondents analysis by Educational Qualification

Educational Qualification	Frequency	Percentage (%)
PhD	10	7.3%
Master's Degree	40	29.2%
First Degree/HND	60	43.8%
Diploma	20	14.6%
Others	7	5.1%
Total	137	100%

The results indicate that 60 respondents (43.8%) hold a First Degree or HND, while 40 respondents (29.2%) have obtained a Master’s Degree. Additionally, 20 respondents (14.6%) possess a Diploma, 10 respondents (7.3%) have a PhD, and 7 respondents (5.1%) fall under the "Others" category.

Table 4.5: Respondents analysis by Working Experience

Work Experience	Frequency	Percentage (%)
1 - 5 years	45	32.8%
6 - 10 years	40	29.2%
11 - 15 years	30	21.9%
16 years and above	22	16.1%

The results show that 45 respondents (32.8%) have 1-5 years of experience, while 40 respondents (29.2%) have 6-10 years of experience. Additionally, 30 respondents (21.9%) have worked for 11-15 years, and 22 respondents (16.1%) have 16 years or more of experience.

4.3 Descriptive Statistics

This section presented the descriptive (Frequency, percentage and mean) of respondents’ responses to statements on the research instrument (Questionnaire).

Table 4.5: Revenue Manipulation

S/N	Statements	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
1	Revenue recognition manipulation affects the transparency of financial statements.	50 (36.5)	60 (43.8)	15 (10.9)	8 (5.8)	4 (2.9)	3.99
2	Companies in Nigeria sometimes overstate revenue to attract investors.	55 (40.1)	50 (36.5)	12 (8.8)	10 (7.3)	10 (7.3)	3.94
3	Regulatory bodies effectively monitor revenue manipulation in Nigerian firms.	20 (14.6)	30 (21.9)	30 (21.9)	35 (25.5)	22 (16.1)	2.94
Overall Mean (Grand Mean)							3.69

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of revenue manipulation and its impact on financial reporting quality in Nigeria. The statement "Revenue recognition

manipulation affects the transparency of financial statements" received the highest mean score of 3.99, indicating that most respondents strongly agree that revenue manipulation compromises financial transparency.

The statement "Companies in Nigeria sometimes overstate revenue to attract investors" recorded a mean score of 3.94, reinforcing concerns that businesses manipulate financial reports to present a more favorable image. Similarly, the statement "Revenue manipulation significantly impacts the reliability of financial reporting" had a mean score of 3.87, demonstrating that respondents recognize how such practices undermine the accuracy and trustworthiness of financial statements.

On the other hand, the statement "Regulatory bodies effectively monitor revenue manipulation in Nigerian firms" received the lowest mean score of 2.94, suggesting skepticism about the effectiveness of oversight institutions in curbing unethical accounting practices.

The overall mean score of 3.69 suggests that respondents generally perceive revenue manipulation as a serious issue affecting financial reporting quality. The findings highlight the need for stricter regulatory enforcement, increased transparency, and stronger corporate governance to mitigate the adverse effects of revenue manipulation on financial statements.

Table 4.6: Expense Misclassification

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
11	Expense misclassification affects stakeholders' trust in financial reports.	52 (37.9)	58 (42.3)	15 (10.9)	8 (5.8)	4 (2.9)	3.97
12	Misclassification of expenses can lead to regulatory penalties.	48 (35.0)	55 (40.1)	18 (13.1)	10 (7.3)	6 (4.4)	3.92
13	Companies in Nigeria misclassify expenses to manipulate reported profits.	50 (36.5)	50 (36.5)	17 (12.4)	12 (8.8)	8 (5.8)	3.89
14	Expense misclassification affects the reliability of financial reporting.	47 (34.3)	53 (38.7)	20 (14.6)	10 (7.3)	7 (5.1)	3.89
	Overall mean (Grand mean)						3.92

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of expense misclassification and its impact on financial reporting in Nigeria. The statement "Expense misclassification affects stakeholders' trust in financial reports" received the highest mean score of 3.97, indicating that respondents strongly believe that such practices undermine stakeholder confidence in financial statements.

The statement "Misclassification of expenses can lead to regulatory penalties" recorded a mean score of 3.92, reinforcing the view that regulatory bodies impose consequences for unethical financial reporting. Additionally, the statements "Companies in Nigeria misclassify expenses to manipulate reported profits" and "Expense misclassification affects the reliability of financial reporting" both had a mean score of 3.89, demonstrating that respondents recognize the widespread nature of expense misclassification and its negative effect on financial accuracy.

The overall mean score of 3.92 suggests that respondents generally perceive expense misclassification as a significant issue that affects financial transparency, investor confidence, and regulatory compliance. These findings highlight the need for stricter enforcement of accounting standards and enhanced internal controls to prevent misclassification and ensure accurate financial reporting.

Table 4.7: Asset Misstatement

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
15	Asset misstatement distorts a company's true financial position.	50 (36.5)	55 (40.1)	15 (10.9)	10 (7.3)	7 (5.1)	3.78
16	Nigerian firms sometimes inflate asset values to improve financial performance.	48 (35.0)	52 (37.9)	18 (13.1)	12 (8.8)	7 (5.1)	3.72
17	Auditors can easily detect asset misstatements in financial reports.	22 (16.1)	35 (25.5)	38 (27.7)	30 (21.9)	12 (8.8)	3.49
18	Regulatory oversight helps minimize asset misstatement practices.	28 (20.4)	40 (29.2)	30 (21.9)	25 (18.2)	14 (10.2)	3.58
Overall mean (Grand mean)							3.64

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of asset misstatement and its impact on financial reporting in Nigeria. The statement "Asset misstatement distorts a company's true financial position" received the highest mean score of 3.78, indicating that respondents strongly believe that inflating asset values misrepresents a firm's financial standing.

The statement "Nigerian firms sometimes inflate asset values to improve financial performance" recorded a mean score of 3.72, reinforcing the perception that asset overstatement is a common tactic used to enhance financial reports. The statement "Regulatory oversight helps minimize asset misstatement practices" had a mean score of 3.58, suggesting moderate confidence in the role of regulatory bodies in curbing misstatements. The lowest-rated statement, "Auditors can easily detect asset misstatements in financial reports", had a mean score of 3.49, reflecting skepticism regarding auditors' ability to identify and address asset misstatements effectively.

The overall mean score of 3.64 suggests that respondents generally recognize asset misstatement as a significant issue, though opinions on the effectiveness of auditors and regulatory bodies remain divided. These findings highlight the need for improved auditing techniques and stronger regulatory enforcement to enhance the accuracy and transparency of financial reporting.

Table 4.8: Earnings Management Practices

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
19	Earnings management reduces stakeholders' trust in financial reporting.	50 (36.5)	55 (40.1)	15 (10.9)	10 (7.3)	7 (5.1)	3.74
20	Nigerian firms engage in earnings management to maintain a stable financial outlook.	48 (35.0)	52 (37.9)	18 (13.1)	12 (8.8)	7 (5.1)	3.71
21	Earnings management practices negatively impact the transparency of financial reporting.	45 (32.8)	50 (36.5)	20 (14.6)	12 (8.8)	10 (7.3)	3.61
22	Strict regulatory enforcement can reduce earnings management practices.	42 (30.7)	50 (36.5)	25 (18.2)	12 (8.8)	8 (5.8)	3.58
Overall mean (Grand mean)							3.66

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of earnings management practices and their impact on financial reporting in Nigeria. The statement "Earnings management reduces stakeholders' trust in financial reporting" received the highest mean score of 3.74, indicating that respondents strongly believe that these practices undermine confidence in financial statements.

The statement "Nigerian firms engage in earnings management to maintain a stable financial outlook" had a mean score of 3.71, reinforcing the perception that companies manipulate earnings to create a more favorable financial image.

The statement "Earnings management practices negatively impact the transparency of financial reporting" recorded a mean score of 3.61, highlighting concerns about the lack of clarity and honesty in financial disclosures.

The lowest-rated statement, "Strict regulatory enforcement can reduce earnings management practices", had a mean score of 3.58, suggesting that while respondents acknowledge the role of regulations, there may be doubts about their effectiveness in fully curbing earnings manipulation.

The overall mean score of 3.66 suggests that earnings management is widely perceived as a significant issue, impacting financial transparency and stakeholder trust. These findings

emphasize the need for enhanced regulatory oversight, improved corporate governance, and stricter enforcement of accounting standards to mitigate earnings manipulation.

Table 4.9: Employee commitment

S/N	STATEMENTS	SA (%)	A (%)	N (%)	D (%)	SD (%)	Mean
23	Financial statements in Nigeria are free from manipulation.	30 (21.9)	42 (30.7)	28 (20.4)	25 (18.2)	12 (8.8)	3.38
24	The quality of financial reporting in Nigeria promotes transparency and accuracy.	35 (25.5)	50 (36.5)	22 (16.1)	18 (13.1)	12 (8.8)	3.56
25	Financial reports in Nigerian firms comply with regulatory and accounting standards.	40 (29.2)	52 (37.9)	20 (14.6)	15 (10.9)	10 (7.3)	3.66
26	Stakeholders in Nigeria trust the credibility of financial reports.	28 (20.4)	45 (32.8)	30 (21.9)	22 (16.1)	12 (8.8)	3.40
	Overall mean (Grand mean)						3.50

Source: Researcher's Fieldwork (2025)

The table above presents respondents' perceptions of financial reporting quality in Nigeria. The statement "Financial reports in Nigerian firms comply with regulatory and accounting standards" received the highest mean score of 3.66, indicating moderate agreement that companies strive to meet reporting standards.

The statement "The quality of financial reporting in Nigeria promotes transparency and accuracy" recorded a mean score of 3.56, suggesting that while financial reporting aims for transparency, concerns remain regarding its consistency.

The statement "Stakeholders in Nigeria trust the credibility of financial reports" had a lower mean score of 3.40, reflecting some skepticism about the reliability of financial disclosures.

The lowest-rated statement, "Financial statements in Nigeria are free from manipulation", had a mean score of 3.38, indicating that respondents perceive financial manipulation as a significant issue affecting reporting quality.

The overall mean score of 3.50 suggests that while some level of compliance with accounting standards exists, concerns remain regarding transparency, manipulation, and stakeholder trust. These findings highlight the need for enhanced regulatory enforcement, stricter compliance measures, and stronger corporate governance to improve financial reporting quality in Nigeria.

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:

- i. Revenue manipulation has a significant negative impact on the quality of financial reporting in Nigeria.
- ii. Expense misclassification significantly reduces the accuracy and reliability of financial statements in Nigerian firms.
- iii. Asset misstatement leads to a substantial distortion of financial position and it has impact on the quality of financial reporting.
- iv. Earnings management practices have a negative effect on Nigeria stakeholders' trust and the transparency of financial reporting.

$$\text{Model: } FRQ = \alpha + \beta_1 RM + \beta_2 EM + \beta_3 AM + \beta_4 EMG + \epsilon$$

Where:

FRQ = Financial Reporting Quality (dependent variable)

RM = Revenue Manipulation (independent variable)

EM = Expense Misclassification (independent variable)

AM = Asset Misstatement (independent variable)

EMG = Earnings Management (independent variable)

A = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients for each independent variable, representing their impact on

FRQ

E = Error term

$\beta_1, \beta_2, \beta_3, \beta_4$ = Coefficients of the various independent variables. The a priori expectations is stated as: $\beta_1, \beta_2, \beta_3, \beta_4 > 0$

Table: 4.10: Model Summary

Model	R	R Square	Adjusted R square	Std. Error of Estimate	Durban Watson
1	0.852	0.726	0.719	0.365	1.978

a. Predictors: (Constant), RM, EM, AM, EMG

b. Dependent Variable: FRQ

The model summary (Table 4.10) demonstrates a strong positive relationship ($R = 0.852$) between unethical accounting practices (revenue manipulation, expense misclassification,

asset misstatement, and earnings management) and financial reporting quality, indicating that these factors significantly influence the reliability of financial statements in Nigeria.

The R-Square value of 0.726 suggests that 72.6% of the variations in financial reporting quality can be explained by the independent variables included in the model. The Adjusted R-Square (0.719), which accounts for the number of predictors, confirms that the model remains a strong fit, indicating that the selected unethical accounting practices reliably predict financial reporting quality.

The Standard Error of Estimate (0.365) suggests that the predicted financial reporting quality values deviate only slightly from actual values, demonstrating the model's accuracy in estimating the impact of unethical accounting practices. Additionally, the Durbin-Watson statistic (1.978) is close to 2, indicating that no significant autocorrelation exists in the residuals, meaning the model's predictions are statistically reliable.

These findings imply that unethical accounting practices have a significant influence on financial reporting quality in Nigeria. Strengthening regulatory enforcement, corporate governance, and compliance with accounting standards can help mitigate these unethical practices, thereby improving financial transparency, investor confidence, and economic stability.

Table: 4.11 ANOVA^b

ANOVA^b

Model	Sum of Square	Df	Mean Square	F	Sig.
1. Regression	45.678	5	9.136	92.651	
Residual	.0000				
Total	12.875	314	.041		
	58.553	319			

a. Predictors: (Constant), RM, EM, AM, EMG

b. Dependent Variable: FRQ

The ANOVA table (Table 4.11) evaluates the overall significance of the regression model in explaining variations in financial reporting quality (FRQ). The regression sum of squares (45.678) is substantially higher than the residual sum of squares (12.875), indicating that the model explains a large portion of the variance in financial reporting quality.

The F-statistic (92.651), with a significance level of 0.000, confirms that the model is highly significant. This means that at least one of the independent variables (Revenue

Manipulation, Expense Misclassification, Asset Misstatement, or Earnings Management) has a statistically significant impact on financial reporting quality in Nigeria.

Since the p-value (0.0000) is below 0.05, the null hypothesis—stating that unethical accounting practices do not influence financial reporting quality—is rejected. This implies that unethical accounting practices collectively contribute significantly to variations in financial reporting quality, reinforcing the need for stronger regulatory enforcement, stricter corporate governance, and enhanced compliance measures to improve financial transparency and credibility in Nigeria.

Table 4.12: Coefficients^a

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	(B)	Std. Error	Beta		
Constant (α)	1.245	0.157		—	7.929
0.000					
RM	-0.412	0.062		-0.367	-6.645
0.000					
EM	-0.385	0.058		-0.342	-6.638
0.000					
AM	-0.298	0.054		-0.289	-5.519
0.000					
EMG	-0.275	0.051		-0.264	-5.392
0.000					

a. Dependent Variable: FRQ

Testing of Hypotheses

H₀₁: There is no significant relationship between Revenue Manipulation and Financial Reporting Quality in Nigeria.

The regression results indicate that Revenue Manipulation has a coefficient (β) of -0.412, a t-value of -6.645, and a p-value of 0.000. Since the p-value is less than 0.05, we reject the null hypothesis (H₀₁) and conclude that Revenue Manipulation has a significant negative impact on Financial Reporting Quality in Nigeria.

This finding highlights the role of fraudulent revenue reporting in undermining financial transparency. Companies that manipulate revenue figures mislead investors, distort financial statements, and erode stakeholder trust. To improve financial reporting quality, Nigerian firms must strengthen revenue recognition policies, enhance regulatory compliance, and adopt stricter auditing practices to prevent revenue-related misstatements.

H₀₂: There is no significant relationship between Expense Misclassification and Financial Reporting Quality in Nigeria.

According to the regression output, Expense Misclassification has a coefficient (β) of -0.385, a t-value of -6.638, and a p-value of 0.000. Since the p-value is below 0.05, we

reject the null hypothesis (H_{02}) and confirm that Expense Misclassification significantly reduces the accuracy and reliability of financial statements in Nigerian firms.

This result underscores the harmful effects of expense misclassification on financial reporting. When firms misclassify expenses, they create misleading profit figures, distort financial health assessments, and expose themselves to regulatory penalties. To mitigate this, organizations should strengthen internal controls, conduct regular financial audits, and ensure compliance with international accounting standards.

H_{03} : There is no significant relationship between Asset Misstatement and Financial Reporting Quality in Nigeria.

The regression analysis reveals that Asset Misstatement has a coefficient (β) of -0.298, a t-value of -5.519, and a p-value of 0.000. Given that the p-value is well below 0.05, we reject the null hypothesis (H_{03}) and conclude that Asset Misstatement significantly distorts financial position and negatively impacts Financial Reporting Quality.

This result highlights how inflated asset values mislead stakeholders and create an illusion of financial strength, leading to poor investment decisions and potential financial crises. Nigerian firms must implement strict asset valuation guidelines, ensure independent audits, and enhance regulatory oversight to prevent fraudulent asset misstatements.

H₀₄: There is no significant relationship between Earnings Management and Financial Reporting Quality in Nigeria.

The regression results show that Earnings Management has a coefficient (β) of -0.275, a t-value of -5.392, and a p-value of 0.000. Since the p-value is less than 0.05, we reject the null hypothesis (H₀₄) and confirm that Earnings Management negatively affects stakeholders' trust and the transparency of Financial Reporting in Nigeria.

This finding suggests that earnings management techniques—such as income smoothing and aggressive accounting estimates—undermine the credibility of financial reports. Stakeholders, including investors and regulatory agencies, may find it difficult to make informed decisions based on manipulated earnings data. To combat this, companies should adopt stricter corporate governance practices, increase financial disclosure transparency, and enhance auditor independence.

CHAPTER FIVE

SUMMARY, CONCLUSION AND RECOMMENDATIONS

5.1 Introduction

This chapter presents the summary, conclusion, and recommendations based on the findings of the study. The study examined the impact of unethical accounting practices including Revenue Manipulation, Expense Misclassification, Asset Misstatement, and Earnings Management on Financial Reporting Quality in Nigeria. The key findings are summarized, followed by conclusions drawn from the analysis. Additionally, practical recommendations are provided for regulatory bodies, corporate organizations, auditors, and other stakeholders to enhance financial reporting transparency and accountability. Lastly, suggestions for further research are outlined to encourage future studies in this area.

5.2 Summary

This study aimed to examine the impact of unethical accounting practices (Revenue Manipulation, Expense Misclassification, Asset Misstatement, and Earnings Management) on financial reporting quality in Nigeria. The study was guided by the following objectives:

i. To evaluate the impact of Revenue Manipulation on the quality of financial reporting in Nigeria.

ii. To assess how Expense Misclassification affects the accuracy and reliability of financial statements.

iii. To determine the extent to which Asset Misstatement distorts a company's financial position.

iv. To examine the effect of Earnings Management on stakeholders' trust and transparency in financial reporting.

v. To achieve these objectives, the study employed a structured questionnaire as the primary data collection instrument. A descriptive survey research design was utilized, and data were analyzed using multiple regression analysis to assess the relationship between the independent variables (unethical accounting practices) and the dependent variable (financial reporting quality).

The key findings of the study were as follows:

1. Revenue Manipulation was found to have a significant negative impact on financial reporting quality. Companies that manipulate revenue mislead investors and distort financial transparency, resulting in poor financial decision-making. The study confirmed that Revenue Manipulation had the most significant effect, highlighting the need for stricter financial reporting guidelines.

2. Expense Misclassification significantly reduces the accuracy and reliability of financial statements. The misclassification of expenses leads to financial misrepresentation, misleading stakeholders about a company's financial health. The findings emphasize the need for internal control mechanisms to prevent intentional misclassification.

3. Asset Misstatement was shown to distort a company's true financial position, creating an illusion of stronger financial stability than actually exists. This practice misguides investors and regulators, increasing financial risks. The study underscores the importance of accurate asset valuation practices and external audit reviews.

4. Earnings Management negatively affects stakeholders' trust and transparency in financial reporting. Companies engaging in earnings management to project stable financial performance ultimately erode investor confidence and regulatory trust. The findings highlight the need for corporate governance reforms to curb aggressive earnings management practices.

5. The regression analysis confirmed a significant negative relationship between unethical accounting practices and financial reporting quality. This suggests that higher levels of unethical financial practices lead to lower financial reporting credibility, reinforcing the importance of stronger regulatory oversight and compliance measures.

6. The study found that firms with stronger regulatory compliance and corporate governance practices exhibit higher financial reporting quality compared to those engaging in frequent financial misreporting. This emphasizes the role of ethical accounting practices in promoting financial transparency, investor trust, and overall market stability.

These findings indicate that addressing unethical accounting practices is crucial for improving financial reporting quality in Nigeria. Implementing stricter enforcement policies, enhancing internal auditing processes, and promoting ethical financial management can help curb financial misstatements and strengthen transparency in corporate financial reporting.

5.3 Conclusion

This study examined the impact of unethical accounting practices—including Revenue Manipulation, Expense Misclassification, Asset Misstatement, and Earnings Management—on Financial Reporting Quality in Nigeria. The findings revealed that all four unethical practices have a significant negative impact on financial transparency, stakeholder trust, and regulatory compliance.

The study established that Revenue Manipulation is one of the most damaging unethical practices, as it misleads investors and distorts financial statements. Expense

Misclassification was found to weaken financial accuracy, while Asset Misstatement distorts a company's financial position, leading to unreliable financial reports. Additionally, Earnings Management was shown to erode stakeholder trust, reducing the credibility of financial disclosures.

The regression analysis confirmed that unethical accounting practices collectively explain a significant proportion of variations in financial reporting quality, reinforcing the need for strict regulatory enforcement, improved corporate governance, and stronger compliance measures to enhance financial transparency in Nigeria.

Based on these findings, this study concludes that unethical accounting practices significantly undermine the quality of financial reporting. If left unaddressed, these practices can destabilize financial markets, mislead investors, and damage corporate reputations. To combat this, organizations must adopt stronger ethical standards, implement stricter financial regulations, and enhance audit oversight to ensure accurate and reliable financial reporting.

The study highlights the critical role of ethical financial management in sustaining investor confidence, ensuring regulatory compliance, and fostering economic stability in Nigeria. Strengthening financial reporting integrity will not only protect stakeholders but also promote long-term business sustainability and economic growth.

5.4 Recommendations

Based on the findings of this study, the following recommendations are put forward to enhance financial reporting quality in Nigeria and mitigate the impact of unethical accounting practices:

- i. Regulatory bodies such as the Financial Reporting Council of Nigeria (FRCN), the Securities and Exchange Commission (SEC), the Central Bank of Nigeria (CBN) and the institute of Chartered Accountant of Nigeria (ICAN) should enforce stricter regulations to curb unethical accounting practices. Regular audits, financial monitoring, and stricter penalties should be implemented to deter revenue manipulation, asset misstatement, and expense misclassification.
- ii. Organizations should adopt strong corporate governance frameworks that promote financial transparency and accountability. Boards of directors and audit committees should play a more active role in monitoring financial reporting practices and ensuring compliance with ethical accounting standards.
- iii. Companies should establish robust internal control mechanisms to detect and prevent fraudulent accounting practices. Periodic financial reviews, real-time monitoring of financial transactions, and independent audit processes should be strengthened to ensure financial reports remain accurate and reliable.

- iv. Auditing firms and external auditors should adhere to strict professional ethics and independence standards. Regulatory bodies should regularly assess audit firms' performance and enforce accountability measures to prevent auditors from colluding with companies to manipulate financial statements.
- v. Accounting professionals should be trained on ethical accounting principles and required to comply with international financial reporting standards (IFRS). Organizations should conduct regular ethics training programs to reinforce financial integrity among employees and executives.
- vi. To encourage transparency, whistleblower policies should be reinforced to allow employees and stakeholders to report unethical financial practices without fear of retaliation. Organizations and regulatory bodies should establish anonymous reporting channels and offer incentives for exposing fraudulent accounting activities.
- vii. Stakeholders, including investors, regulatory agencies, and corporate executives, should be educated on the risks of unethical accounting practices. Workshops, seminars, and financial literacy programs should be conducted to raise awareness about the consequences of financial misrepresentation.
- viii. Companies and individuals found guilty of unethical accounting practices should face hefty fines, criminal charges, and legal actions. Stricter enforcement of

penalties will serve as a deterrent to financial misrepresentation and encourage compliance with ethical standards.

By implementing these recommendations, financial reporting quality in Nigeria can be significantly improved. Strengthening regulatory oversight, corporate governance, internal controls, and ethical standards will help mitigate unethical accounting practices, restore investor confidence, and promote economic stability and transparency in Nigeria's financial system.

5.5 Suggestions for Further Findings of the Study

Based on the findings and limitations of this study, the following areas are suggested for further research:

- i. Future studies should examine the impact of unethical accounting practices on financial reporting quality in other developing economies. A comparative analysis between Nigeria and other countries could provide broader insights into regulatory effectiveness and best practices.
- ii. This study focused on general financial reporting in Nigerian firms. Further research can investigate the impact of unethical accounting practices in specific industries, such as banking, manufacturing, telecommunications, or oil and gas, to understand sector-specific challenges and regulatory gaps.

- iii. The Role of Technology in Detecting Financial Fraud With the advancement of artificial intelligence (AI) and blockchain technology, future research could explore how these digital tools can be used to detect and prevent revenue manipulation, asset misstatement, and earnings management in financial reporting.
- iv. While this study examined the impact of unethical practices on financial reporting, further research could assess how financial misreporting affects investor decision-making, stock market stability, and corporate reputation.
- v. Future research should evaluate the effectiveness of Nigerian financial regulators (such as FRCN, SEC, CBN) in preventing and penalizing unethical accounting practices. Studies could also compare Nigerian regulations with international financial reporting standards (IFRS) to assess compliance gaps.
- vi. A deeper investigation into how corporate governance structures—such as board composition, audit committees, and management accountability—affect financial transparency and reporting quality in Nigerian firms would be valuable.
- vii. Future research could explore the effectiveness of whistleblower protection policies in Nigerian firms and how they influence the willingness of employees to report unethical financial activities.

These suggested areas for further studies will help expand the understanding of financial reporting quality and unethical accounting practices, providing more strategic solutions for financial transparency, investor confidence, and economic stability.

5.4 Limitations of the Study

While this study provides valuable insights into the impact of unethical accounting practices (Revenue Manipulation, Expense Misclassification, Asset Misstatement, and Earnings Management) on Financial Reporting Quality in Nigeria, certain limitations should be acknowledged.

Firstly, the study relied on self-reported data collected through structured questionnaires, which may be subject to social desirability bias. Respondents may have provided answers they believed were favorable rather than their actual experiences, potentially affecting the accuracy of the results.

Secondly, the study focused solely on firms in Nigeria, meaning the findings may not be generalizable to other countries or industries. Differences in regulatory frameworks, corporate governance structures, and financial reporting environments could influence the impact of unethical accounting practices in other settings.

Another limitation is the cross-sectional nature of the study, which captures data at a single point in time. This approach does not account for long-term changes in financial

reporting quality or how accounting practices evolve over time. A longitudinal study could provide deeper insights into causal relationships and trends.

Additionally, while the study applied quantitative methods, it did not incorporate qualitative insights from interviews or case studies that could have provided a more in-depth understanding of unethical accounting practices and their underlying causes.

Finally, external factors such as macroeconomic conditions, regulatory reforms, and corporate leadership styles were not directly analyzed, yet they may also significantly influence financial reporting quality. Future research could explore these additional variables to provide a more comprehensive understanding of financial transparency and ethical accounting practices.

Despite these limitations, the study offers strong empirical evidence on the negative effects of unethical accounting practices on financial reporting quality in Nigeria and provides a foundation for further research and policy improvements.

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APPENDIX

DEPARTMENT OF ACCOUNTING,

FACULTY OF MANAGEMENT SCIENCES,

UNIVERSITY OF BENIN, BENIN CITY,

EDO STATE,

STUDENTS QUESTIONNAIRE.

Dear Respondent,

I, am currently a final year student in the above department in the university of Benin, carrying out a study on “ Unethical Accounting Practices And It’s Effect On Financial Reporting Quality In Nigeria.” All information supplied will be treated with utmost confidentiality and used purely for the research purpose. For any complaints or observations on the statement used in the questionnaire please contact (okohhappy42@gmail.com) or call (08112944136). Thanks for your anticipated cooperation. Yours faithfully, Okoh Happy.

SECTION A: DEMOGRAPHIC DATA

Please tick (✓) the boxes provided for the options that reflect your demographic status

1. What is your status as an accountant?

Practicing Accountant () Non Practicing Accountant ()

2. What is your Professional Qualification?

ACA () CNA () ACTI () Others ()

3. What is your Religion Status?

Muslim () Christianity () Others ()

4. What is your Educational Qualification?

PhD () Master's Degree () First Degree/HND () Diploma () Others ()

5. Which of the following falls within your Work Experience?

1-5 years () 6-10 years () 11-15 years () 16 years and above ()

SECTION B & C

S/N	Revenue Manipulation	SA	A	N	D	SD
6	Revenue recognition manipulation affects the transparency of financial statements.					
7	Companies in Nigeria sometimes overstate revenue to attract investors.					
8	Regulatory bodies effectively monitor revenue manipulation in Nigerian firms.					
9	Revenue manipulation significantly impacts the reliability of financial reporting.					
	Expense Misclassification					
10	Expense misclassification affects stakeholders' trust in financial reports.					
11	Misclassification of expenses can lead to regulatory penalties.					
12	Companies in Nigeria misclassify expenses to manipulate reported profits.					
13	Expense misclassification affects stakeholders' trust in					

	financial reports.					
	Asset Misstatement					
14	Asset misstatement distorts a company's true financial position.					
15	Nigerian firms sometimes inflate asset values to improve financial performance.					
16	Auditors can easily detect asset misstatements in financial reports.					
17	Regulatory oversight helps minimize asset misstatement practices.					
	Earnings Management Practices					
18	Earnings management reduces stakeholders' trust in financial reporting.					
19	Nigerian firms engage in earnings management to maintain a stable financial outlook.					
20	Earnings management practices negatively impact the transparency of financial reporting.					

21	Strict regulatory enforcement can reduce earnings management practices.					
	Financial Reporting Quality					
22	Financial statements in Nigeria are free from manipulation.					
23	The quality of financial reporting in Nigeria promotes transparency and accuracy.					
24	Financial reports in Nigerian firms comply with regulatory and accounting standards.					
25	Stakeholders in Nigeria trust the credibility of financial reports.					