

## **CHAPTER ONE**

### **INTRODUCTION**

#### **1.1 Background to the Study**

As Nigeria progresses in its vision to become one of the top 20 economies in the world, a prevailing issue remains how to build investors' confidence in the national economy through ethical accounting and auditing standards that enhance transparent financial reporting. Incessant unethical accounting practices and compliance concerns have significantly impeded trust in the accounting profession. The catastrophic failures and scandals involving corporate giants, alongside extensive corruption, highlight the critical need to focus on sound professional ethics in the accounting and auditing professions, both in developed and developing countries (Omoyele, 2010; Fodio, Ibikunle & Oba, 2013; Ogbonna & Ebimobowei, 2012).

The last two decades have seen a series of corporate failures and ethical negligence, leading to high-profile scandals such as Enron, WorldCom, and local cases like Cadbury and Afri-bank. These instances have drawn significant attention to the auditing profession and underscored the necessity for increased ethical standards. Evidence suggests that poor corporate governance contributes to such failures, highlighting the need for effective regulations to oversee the behaviours of corporate entities and the professional accountants who manage them (Damagum & Chima, 2014).

The failures of these corporate entities can largely be attributed to accountants and auditors not adhering to codes of professional ethics, which adversely affects financial reporting and the integrity of the profession (Bakre, 2007; Adeyemi & Fagbemi, 2011). As Ogbonna (2010) noted, a society lacking ethical principles may struggle to achieve its goals and meet stakeholder expectations. This underscores the importance of ethical accounting practices in producing reliable, relevant, and comprehensive financial statements that accurately reflect a firm's financial position.

Financial statements serve as the basis for economic decision-making, making it imperative for professional accountants to ensure that these documents provide a "true and fair view" for stakeholders (Nzotta, 2008). Regulatory bodies worldwide, including in Nigeria, adopt specially designed codes to facilitate corporate governance and oversee the conduct of the accounting and auditing profession. Organizations such as the International Federation of Accountants (IFAC) continuously develop guidelines to enhance the reliability and integrity of corporate financial reporting.

Despite these efforts, the effectiveness of regulatory bodies in Nigeria remains questionable. The Companies and Allied Matters Act 2004 (as amended), the Financial Reporting Council (FRC), and other professional organizations have issued guidelines related to ethical and professional standards. However, the persistence of ethical breaches among corporate managers and accountants indicates that further investigation is needed in this area.

Given the ongoing challenges surrounding ethical compliance and the implications for financial reporting quality, this study seeks to investigate the effect of ethical accounting practices on the financial reporting quality of listed firms in Nigeria. By addressing these concerns, the research aims to contribute to the discourse on restoring trust and integrity within the accounting profession.

## **1.2 Statement of the Problem**

The accounting profession in Nigeria faces significant challenges related to ethical compliance, which directly impacts the quality of financial reporting. Despite the existence of regulatory frameworks and codes of ethics intended to promote transparency and integrity, many corporate entities continue to engage in unethical accounting practices. High-profile scandals and persistent breaches of ethical standards have eroded trust in financial statements, undermining investor confidence and economic stability. As noted by Ogbonna & Ebimobowei (2012), the failures of corporate entities can largely be attributed to accountants and auditors not adhering to codes of professional ethics.

Given the critical role that reliable financial reporting plays in economic decision-making, it is essential to understand how adherence to ethical principles influences the quality of financial disclosures. Furthermore, the lack of effective whistle-blower protections may discourage individuals from reporting unethical behaviour, further perpetuating the cycle of non-compliance. As a result, this study seeks to investigate the relationship between ethical accounting practices and financial reporting quality in listed firms in Nigeria,

addressing the urgent need to enhance ethical standards to restore confidence among stakeholders.

Through this investigation, the study aims to provide insights into how improved ethical compliance can lead to better financial reporting outcomes, ultimately contributing to stronger corporate governance and greater economic growth in Nigeria.

### **1.3 Research Questions**

The following research questions were raised to guide the study

1. To what extent does confidentiality impact financial reporting quality?
2. To what extent does transparency in disclosures affect stakeholder perceptions of financial reporting?
3. To what extent is financial statement integrity linked to ethical accounting practices?
4. To what extent does objectivity enhance financial reporting quality?
5. To what extent does auditor independence improve financial reporting quality?

The broad objective of this study is to examine ethical accounting practices and financial reporting quality. Specifically, the object of the study is to :

1. evaluate the extent to which confidentiality impacts the quality of financial reporting.
2. evaluate the extent to which transparency in disclosures affects stakeholder perceptions of financial reporting.

3. evaluate the extent to which financial statement integrity is linked to ethical accounting practices.
4. evaluate the extent to which objectivity enhances the quality of financial reporting.
5. evaluate the extent to which auditor independence improves the quality of financial reporting.

#### **1.4 Research Hypotheses**

The research hypotheses are stated in their null form

Ho1: There is no significant impact of confidentiality on the quality of financial reporting.

Ho2: There is no significant effect of transparency in disclosures on stakeholder perceptions of financial reporting.

Ho3: There is no significant relationship between financial statement integrity and ethical accounting practices.

Ho4: There is no significant role of objectivity in enhancing the quality of financial reporting.

Ho5: There is no significant effect of auditor independence on improving the quality of financial reporting.

## **1.5 Scope of the Study**

This study examines ethical accounting practices and financial reporting quality in Nigeria, focusing on how ethical factors like confidentiality, transparency, integrity, objectivity, and auditor independence impact financial reporting. The study will gather insights from Accountants in bursary and Accountants in banks in the University of Benin. These respondents are chosen for their expertise in accounting practices and financial reporting.

A total of 200 questionnaires were distributed to these respondents to ensure meaningful data collection. The study will explore the future implications of ethical practices on financial reporting, with the aim of contributing to enhanced ethical standards and improved financial transparency in Nigeria.

## **1.6 Significance of the Study**

This study is crucial for understanding how ethical accounting practices influence financial reporting quality, offering key insights for various stakeholders. It emphasizes the need for organizations to adopt strong ethical frameworks, which can significantly reduce the risk of financial misconduct and enhance credibility in financial reporting.

By providing insights into the factors that affect reporting quality, the research aids investors and analysts in making more informed decisions, ultimately fostering greater trust and facilitating effective capital allocation. Additionally, the findings have the

potential to inform policymakers and regulatory bodies, helping to refine ethical guidelines and reporting standards for improved compliance and accountability.

Moreover, this study contributes to the academic discourse on ethical accounting, encouraging further research in this vital area. It also highlights the importance of whistleblower protections, advocating for policies that promote accountability and ethical behaviour within organizations.

In essence, this study aims to deepen the understanding of the role that ethical accounting practices play in enhancing financial reporting quality, thereby contributing to more ethical business practices and a trustworthy financial landscape.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

The review of relevant literatures was taken under these three main subheadings- Conceptual framework, theoretical Review, and Empirical review.

#### **2.1 Conceptual Framework**

##### **2.1.1 Financial Reporting Quality**

The quality of financial reporting has become a critical concern in both academic research and practical accounting due to its significant role in economic decision-making. Financial reporting quality refers to the extent to which financial statements accurately reflect a company's financial position and performance, offering reliable and relevant information to users such as investors, regulators, and creditors. This information is vital for making informed decisions and ensuring that capital markets function efficiently. According to the Financial Accounting Standards Board (FASB), the International Accounting Standards Board (IASB), the UK's Accounting Standards Board (ASB), and the Australian Accounting Standards Board (AASB), financial reports should provide accurate and fair information about an entity's financial condition, which is crucial for promoting transparency and fostering investor confidence.

Over the past few decades, there has been a global movement toward the convergence and harmonization of accounting standards, particularly with the adoption of International Financial Reporting Standards (IFRS). This global push aims to reduce discrepancies in financial reporting practices across different jurisdictions, thereby enhancing the comparability and transparency of financial reports. By adopting these standards, companies across various regions are expected to present financial statements that are more comparable, improving the decision-making process for global investors. However, as Ball (2006) suggests, the challenges of enforcing consistent application and interpretation of IFRS still exist, particularly across countries with different regulatory environments. These challenges highlight that while harmonization helps, it is not a panacea for all financial reporting issues.

Economic crises also play a significant role in the quality of financial reporting. The global financial crisis of 2007-2008 exposed the weaknesses in financial reporting and highlighted how economic pressures can lead companies to distort financial information. In times of financial distress, companies may face pressure to present a more favourable financial position than is accurate, which can lead to unethical accounting practices such as earnings management and creative accounting. Healy and Wahlen (1999) argue that such financial manipulations often occur when companies seek to meet market expectations or financial covenants, ultimately undermining the quality and reliability of financial reports. The increased likelihood of unethical practices during economic

downturns points to the importance of stringent ethical standards in accounting, particularly in maintaining the accuracy of financial reports during challenging times.

Corporate governance also plays a crucial role in ensuring high-quality financial reporting. Strong corporate governance frameworks, which include independent boards, robust audit committees, and transparent oversight processes, help ensure that management adheres to ethical accounting practices. Effective governance structures are integral to reducing the risk of earnings manipulation and ensuring that financial statements reflect a company's true financial performance. According to Bushman and Piotroski (2006), companies with strong governance mechanisms are less likely to engage in opportunistic behaviors that can distort financial reports. The independence of auditors is another key factor in maintaining the integrity of financial reporting. Independent external audits provide an additional layer of assurance, ensuring that the financial statements are free from bias or manipulation. Francis (2004) suggests that the quality of financial reporting is directly related to the competence and independence of auditors, as they play an essential role in verifying the accuracy and compliance of financial statements with established accounting standards.

Another important factor influencing financial reporting quality is the extent of disclosure and transparency in financial reports. Over time, there has been a growing demand for more comprehensive disclosure, not only of financial data but also of non-financial information, such as environmental impact, governance practices, and risk management

strategies. Chen and Zhang (2011) emphasize that high-quality financial reports provide a full and transparent picture of a company's operations, including both financial and non-financial factors that may impact the company's long-term sustainability. The increased emphasis on non-financial disclosures, such as corporate social responsibility (CSR) activities and sustainability efforts, reflects a broader understanding of what constitutes relevant and useful information for decision-makers. Transparency in disclosures helps stakeholders assess both the short-term and long-term viability of companies, making financial reporting more comprehensive and valuable.

The concept of financial reporting quality encompasses various dimensions, and measuring it involves both objective and subjective criteria. One of the most widely used indicators for assessing financial reporting quality is the degree of earnings management within a company. As noted by Healy and Wahlen (1999), companies that engage in less earnings management tend to produce higher-quality financial reports. Discretionary accruals, a common measure used in academic research, are often employed to gauge the extent to which a company manipulates its reported earnings. Additionally, the timeliness and completeness of disclosures are important measures of financial reporting quality. Schipper (2007) asserts that companies that provide timely, complete, and transparent disclosures of their financial and operational status are more likely to produce high-quality financial reports.

The quality of financial reporting is influenced by several interconnected factors, including the adoption of international accounting standards, corporate governance practices, economic conditions, and the extent of transparency in disclosures. While regulatory bodies such as the IASB and FASB have made significant strides toward improving financial reporting, challenges persist in ensuring that financial reports accurately reflect a company's financial condition. Ethical accounting practices, auditor independence, and the commitment to full and timely disclosure remain fundamental to maintaining high-quality financial reporting. As global markets continue to evolve, the demand for more reliable and transparent financial reports will only grow, requiring constant vigilance in maintaining and improving the quality of financial reporting.

### **2.1.2 Concept of Ethics**

Ethics can be defined as a branch of philosophy that deals with moral principles and values that guide human behaviour. It is concerned with determining what is morally right and wrong, as well as what individuals and groups ought to do in various situations (Beauchamp & Childress, 2019). Ethics examines questions of morality, virtue, duty, and justice, providing a framework for making decisions that affect individuals and society as a whole. It encompasses both personal ethical principles and the collective moral guidelines that govern social interactions.

The concept of ethics is multifaceted and can be understood through several dimensions. In its broadest sense, ethics involves the study and application of moral values in human conduct. These values can be shaped by various factors such as cultural beliefs, religious

teachings, societal norms, and legal regulations (Velasquez, 2017). Ethics can be viewed from different perspectives, including normative ethics, which seeks to establish general principles for right conduct, and applied ethics, which addresses specific moral issues in fields such as medicine, business, and law (Beauchamp & Childress, 2019). Ethical theories such as deontology, consequentialism, and virtue ethics further elaborate on different approaches to moral reasoning, each offering unique insights into how ethical decisions are made.

The importance of ethics cannot be overstated, as it provides the foundation for human interaction and social cooperation. Ethics promotes fairness, justice, and the protection of rights, which are essential for maintaining harmony and trust within societies (Singer, 2011). In professional settings, adherence to ethical standards ensures that individuals act responsibly and transparently, fostering accountability and public trust. Furthermore, ethical behaviour enhances the credibility of institutions and organizations, improving their relationships with stakeholders, such as customers, employees, and the wider community. In addition to its societal and professional benefits, ethics plays a crucial role in personal development by guiding individuals to make morally sound decisions that contribute to their overall well-being and the greater good (Velasquez, 2017).

### **2.1.3 Ethical Accounting Practices**

Ethical behaviour in accounting is crucial for ensuring the reliability and transparency of financial reporting. Accountants are expected to uphold principles such as

honesty, integrity, objectivity, and professional competence to maintain the trust of stakeholders in financial statements. Despite the existence of regulatory bodies like the International Federation of Accountants (IFAC) and the American Institute of Certified Public Accountants (AICPA), ethical lapses in accounting continue to occur, undermining the quality of financial reports.

Financial reporting quality refers to the accuracy, reliability, and transparency of financial statements. High-quality financial reporting provides stakeholders with credible information, enabling them to make informed decisions. A study by Healy and Wahlen (1999) emphasized that quality financial reporting is characterized by relevance, reliability, comparability, and understandability. Financial reports must be free from errors and manipulations to ensure users can trust the information presented. However, financial reporting quality can be compromised by unethical practices such as earnings management and creative accounting, which manipulate financial results. Dechow and Schrand (2004) argued that such practices often arise when companies are under financial pressure or when ethical standards are lax.

Numerous studies have established a strong link between ethical accounting practices and the quality of financial reporting. For example, Tanzi (2006) found that strong ethical standards enhance the reliability and quality of financial reports by discouraging manipulation and encouraging transparency. Accounting ethics mitigate risks associated with fraud and errors, ensuring that financial statements represent the true economic

condition of the organization. Similarly, Baker and Huw (2007) showed that accountants who follow ethical guidelines are less likely to engage in earnings management, thus producing more accurate financial reports. Conversely, when ethical behaviour is lacking, financial reporting quality tends to suffer, as seen in high-profile scandals like Enron and WorldCom.

Regulatory frameworks such as the International Financial Reporting Standards (IFRS) aim to standardize accounting practices and enforce ethical behaviour, ensuring transparency and consistency across financial reports. However, ethical behaviour is not solely dictated by regulatory bodies. Personal values, organizational culture, and professional norms also influence an accountant's ethical decisions. Research by Abdul Rahman and Ismail (2009) found that accountants' ethical behaviour is shaped by these factors, with organizational culture and leadership playing a significant role. Kranacher et al. (2011) emphasized the importance of continued professional education in fostering an ethical mindset among accountants, suggesting that ethical awareness should be cultivated from early stages in an accountant's career.

Ultimately, the literature highlights the critical role of ethical standards in ensuring high-quality financial reporting. Unethical practices not only distort financial information but can also erode stakeholder trust and lead to significant financial losses. Therefore, it is vital for accountants to adhere to ethical standards to maintain the integrity and reliability of financial reports. The study by Osyantın, Embele, and Saidu (2024) confirms that

ethical accounting practices have a significant impact on the quality of financial reporting, further suggesting that future research should explore additional factors, such as religiosity, that may influence ethical behaviour in accounting.

#### **2.1.4 Confidentiality in Accounting**

Confidentiality is a cornerstone of ethical conduct in accounting and essential to the trust and credibility of financial reporting. Accountants and auditors are entrusted with access to highly sensitive financial data and are ethically obligated to safeguard this information, ensuring it is not disclosed or misused without proper authorization. Maintaining confidentiality is crucial for preserving the integrity of financial reports, as it ensures that financial data is managed carefully, securely, and shielded from potential manipulation. The International Federation of Accountants (IFAC) Code of Ethics underscores the importance of this ethical principle, emphasizing that confidentiality is vital to uphold the professional integrity of the accounting profession.

When confidentiality is breached, the repercussions are far-reaching and severe. Not only does it undermine the accuracy and reliability of financial information, but it also carries significant legal and reputational consequences. Breaches of confidentiality can cause irreversible damage to stakeholder trust, which is foundational to the credibility of financial reporting. This erosion of trust can be especially damaging in a field where public confidence is paramount. Moreover, such violations may lead to legal actions and regulatory penalties against those responsible, further amplifying the severity of the

breach. In addition to legal consequences, violations of confidentiality can have a profound effect on an organization's reputation, potentially leading to a loss of business relationships, clients, and market position.

The broader implications of confidentiality breaches extend beyond individual organizations. They can tarnish the reputation of the accounting profession as a whole, causing public perception of the profession to suffer. A commitment to confidentiality is not merely a matter of individual ethics; it is a safeguard that protects the very foundation of financial reporting. Without a strict adherence to confidentiality, the financial system could become destabilized, as stakeholders might lose confidence in the accuracy and reliability of financial reports. The failure to protect confidential information can diminish the efficiency and trust of markets, which rely on the integrity of the financial data presented.

Confidentiality fosters the efficient operation of financial systems by ensuring that sensitive financial information is only used for its intended purpose, thus preventing insider trading and other unethical practices. The principle of confidentiality helps to maintain the boundaries between private financial knowledge and public financial disclosures, thus ensuring that the information shared publicly remains fair and unbiased.

### **2.1.5 Transparency in Disclosures**

Transparency and disclosure in financial statements are fundamental to ensuring the integrity of financial reporting. Transparency refers to the clarity and openness with which companies present their financial data, making it accessible and understandable to stakeholders such as investors, creditors, regulators, and analysts. This openness is essential for enhancing the reliability of financial information, which in turn fosters investor confidence and facilitates informed decision-making. Disclosures, particularly in the form of detailed financial statements, provide a window into the economic health of a company, offering insights into its operations, financial position, and future prospects.

The adoption of standardized accounting frameworks has played a significant role in improving transparency across the global financial landscape. Regulatory bodies, such as financial reporting councils and securities commissions, often set the standards for financial disclosure, aiming to ensure that companies' financial statements reflect a true and fair view of their performance. The implementation of international financial reporting standards (IFRS) has been a key development in promoting consistency and comparability in financial disclosures. IFRS provides a common language for financial reporting, ensuring that financial statements are consistent across borders and enhancing the credibility of financial data, which is particularly important in attracting investment and fostering market efficiency.

The Standard & Poor's (S&P) Transparency and Disclosure (T&D) study provides significant insights into the relationship between corporate transparency, market risk, and financial performance. According to the study, companies with higher T&D rankings—both in terms of their annual reports and composite scores—typically experience lower market risk. Furthermore, firms that excel in transparency and disclosure tend to exhibit higher price-to-book ratios. These preliminary findings suggest that robust transparency in both financial and non-financial disclosures can help companies reduce their cost of equity capital, which benefits both investors and the companies themselves.

However, the study also identifies areas that require improvement, particularly regarding non-financial disclosures. While companies generally provide comprehensive financial information in their annual reports, transparency is noticeably lacking in areas such as ownership structure, investor rights, and the governance of management and boards. According to the study, companies that perform well in T&D rankings provide not only thorough financial disclosures but also robust non-financial information. This gap in non-financial disclosures is especially evident among U.S. companies, where the disparity between rankings based on annual reports alone and those based on composite scores is primarily driven by the level of non-financial disclosure.

Despite these findings, it is important to note that the S&P T&D study does not assess the quality or accuracy of the information disclosed. Its focus is on the quantity and scope of disclosures, not on whether the information is correct or potentially fraudulent.

Additionally, the study does not account for all forms of corporate disclosure, such as information found on company websites or in other supplementary reports. For the purpose of global benchmarking and comparison, the study concentrates on core public documents, which may not capture all relevant information available to stakeholders.

The study also makes a distinction between transparency and governance. While T&D rankings are a key component of corporate governance, they should not be viewed as proxies for comprehensive governance assessments. According to S&P, their corporate governance scoring service offers a more detailed, interactive analysis of company practices, including qualitative aspects of governance that the T&D rankings do not cover. This highlights the need for a more in-depth approach to evaluating corporate governance, one that is flexible and capable of assessing qualitative features specific to each company.

### **2.1.6 Auditor Independence**

Auditor independence is a fundamental element in ensuring the credibility of financial reporting. Independent auditors are tasked with providing an objective and impartial assessment of a company's financial statements. Their role is crucial, as they offer assurance that the financial statements accurately reflect the company's true financial position and performance, free from bias or manipulation. For auditors to maintain independence, they must avoid conflicts of interest or relationships that could impair their objectivity. This principle helps protect the integrity of financial information, fostering trust among stakeholders, such as investors, creditors, and regulators (Holland, 2020).

The significance of auditor independence lies in its direct impact on the reliability of financial disclosures. Independent auditors provide an unbiased external perspective that serves as a check on the company's management, ensuring that the financial statements are free from any undue influence. This objectivity is critical for enhancing the quality of financial reports, as it assures stakeholders that the information presented is accurate, transparent, and not influenced by management's interests (Jensen & Payne, 2021). When auditors are independent, their ability to challenge management's assumptions and judgments increases, thus improving the overall quality of financial reporting (Kinney & Libby, 2021).

However, auditor independence is often under threat due to various factors, such as long-term relationships between auditors and clients, financial incentives, and the provision of non-audit services like consulting. These factors may create perceived or actual conflicts of interest that can impair the auditor's objectivity. For instance, a long-standing relationship between the auditor and the company might lead to a cozy partnership that undermines the auditor's independence, as the auditor may become reluctant to report any negative findings that could jeopardize the relationship (Kranacher, Riley, & Wells, 2021). Evidence suggests that such close ties between auditors and clients may decrease audit quality, as auditors might feel pressure to overlook discrepancies or errors (Firth, 2021).

To address these concerns, regulatory bodies worldwide have established rules to safeguard auditor independence. The adoption of auditor rotation policies and restrictions

on the provision of non-audit services are examples of regulatory measures designed to minimize conflicts of interest. For instance, the European Union has introduced regulations that require mandatory audit firm rotation every 10 years for listed companies, in an effort to mitigate the risk of auditor complacency and preserve independence (European Commission, 2021). Similarly, the Public Company Accounting Oversight Board (PCAOB) in the United States has implemented guidelines to ensure that auditors remain independent and maintain professional skepticism in their work (PCAOB, 2020).

The independence of auditors not only affects the quality of financial reporting but also influences the broader financial markets. When auditors are independent, their work can instill greater confidence in the financial reports, which is essential for investors, creditors, and other stakeholders who rely on accurate and unbiased financial information for decision-making. Therefore, maintaining auditor independence is a crucial aspect of ensuring the transparency, reliability, and trustworthiness of financial disclosures, contributing to the stability and efficiency of the financial system (Jensen & Payne, 2021).

### **2.1.7 Objectivity in Accounting**

Objectivity in accounting is a cornerstone principle that ensures the credibility and reliability of financial reporting. This principle demands that financial information be based on verifiable facts and evidence, free from personal bias or influence. It serves as a safeguard against financial manipulation and ensures that financial statements reflect the true economic reality of an organization, rather than subjective opinions or preferences

(Horngren, Sundem, & Elliott, 2014). Objectivity is essential for maintaining trust in financial reporting, as stakeholders, such as investors, creditors, and regulators, rely on it to make informed decisions (Kieso, Weygandt, & Warfield, 2016).

The importance of objectivity in accounting lies in its ability to provide a clear, impartial representation of a company's financial position. Accounting is not merely a matter of recording numbers; it is about accurately representing an organization's financial reality. Accountants must therefore ensure that all judgments and decisions made throughout the accounting process are grounded in objective evidence. This could be in the form of invoices, contracts, receipts, and other verifiable documentation. These sources of evidence provide a factual basis for the decisions made in preparing financial statements, such as recognizing revenue, calculating expenses, and valuing assets (Glautier & Underdown, 2019).

One of the central elements of objectivity in accounting is the evidence principle. According to this principle, accountants must rely on verifiable and reliable evidence to support their financial reporting decisions. This means that accounting transactions must be substantiated by tangible proof, such as transaction receipts, agreements, or market prices. This objective basis for decision-making protects financial reporting from being influenced by personal opinions or external pressures (Johnson & Gray, 2015).

Moreover, objectivity in accounting also emphasizes neutrality in judgment. Accountants are expected to make decisions impartially, without favouring one party or outcome over

another. This is particularly significant when making complex judgments, such as estimating provisions for bad debts, valuing inventory, or determining the depreciation of fixed assets. Even when subjective judgment is required, accountants must strive to base their decisions on the most reliable and verifiable data available (Horngren et al., 2014).

Another key aspect of objectivity is the independence of accountants. Professional independence ensures that accountants are free from any conflicts of interest that might compromise their objectivity. They must not allow personal relationships, financial incentives, or external pressures to influence their professional judgment. Independence is vital, as it ensures that the accounting process remains unbiased and that financial reports are prepared in accordance with established standards and principles, such as Generally Accepted Accounting Principles (GAAP) **or** International Financial Reporting Standards (IFRS) (American Institute of CPAs [AICPA], 2018; International Ethics Standards Board for Accountants [IESBA], 2018).

While objectivity is a critical principle in accounting, it is not always easy to maintain in practice. Accountants often face significant challenges that could undermine objectivity. For instance, pressure from management or other stakeholders may encourage accountants to manipulate financial results to meet certain targets. In these situations, the challenge lies in resisting these pressures and maintaining the integrity of financial reporting. Accountants must adhere to their professional responsibility to prepare accurate

and truthful financial statements, even in the face of external demands for more favourable outcomes (Kieso et al., 2016).

Another challenge arises from the complexity of certain transactions. In accounting, many decisions require estimates and judgment calls, such as assessing the recoverable amount of an asset or estimating provisions for warranty costs. In these cases, while the information used must be grounded in objective data, there is room for subjectivity due to the inherent uncertainty of some financial aspects. The key is to make these judgments based on a clear and defensible methodology, grounded in the most objective data available (Glautier & Underdown, 2019).

Accounting standards and regulations are constantly evolving. Accountants must remain up to date with changes in rules and frameworks, such as updates to IFRS or local tax regulations. These changes can create situations where accountants must interpret ambiguous guidelines, making it difficult to maintain objectivity. Despite this, the principle of objectivity requires that accountants apply their professional judgment consistently, ensuring that their decisions are transparent, well-supported by evidence, and free from personal bias (IESBA, 2018).

Objectivity is vital to the accounting profession as it underpins the reliability and trustworthiness of financial statements. It requires accountants to base their decisions on objective, verifiable evidence, avoid biases, and maintain independence from external influences. Objectivity is not just a technical requirement; it is an ethical imperative that

ensures the credibility of financial reporting. By adhering to this principle, accountants help safeguard the interests of all stakeholders, ensuring that financial information can be used to make informed, fair, and accurate decisions (American Institute of CPAs [AICPA], 2018).

### **2.1.8 Integrity in Accounting**

Integrity in accounting is one of the most fundamental principles of professional ethics in the field of accounting. It demands that accountants adhere strictly to moral and ethical guidelines when preparing and presenting financial information. Integrity requires that accountants maintain honesty and transparency, ensuring that the financial reports they prepare accurately reflect the financial status of the organization without being manipulated for personal, corporate, or any other agendas. This principle of integrity is essential in maintaining the trust of stakeholders, including investors, regulators, and the general public, who rely on accounting reports to make informed decisions (Sweeney, 2017).

The concept of integrity in accounting cannot be reduced merely to adhering to professional standards or rules. It goes beyond compliance with regulatory frameworks like the Generally Accepted Accounting Principles (GAAP) or International Financial Reporting Standards (IFRS). Integrity in accounting is deeply rooted in the moral obligation to provide truthful and transparent financial data, even when such data may not reflect favourably on an organization or its performance (Mintz & Morris, 2017). In fact,

integrity implies a commitment to truthfulness in all aspects of financial reporting, ensuring that no misleading or fraudulent information is presented to stakeholders.

Honesty is one of the foundational pillars of integrity in accounting. It is essential that accountants report financial data truthfully and avoid manipulating or distorting financial figures to meet particular expectations, such as inflating revenue or underreporting liabilities. Honesty ensures that the financial statements of an organization provide an accurate representation of its financial performance and position. Accountants must avoid embellishing financial data or leaving out significant facts that could influence the stakeholders' perception of the company's financial health (Kieso, Weygandt, & Warfield, 2019).

Transparency is closely related to honesty, but it extends further to the full disclosure of all pertinent financial data. Transparency involves not only presenting figures but also explaining the assumptions and methodologies that underpin financial reports. For instance, when accounting for assets or liabilities, the accountant must disclose the methods used to estimate values and explain any assumptions made, such as the valuation of goodwill or the estimation of bad debts. Transparency also requires that accountants disclose relevant information, such as potential risks, that could significantly affect the financial condition of the organization (Schroeder, Clark, & Cathey, 2018). Such full disclosure ensures that the financial statements are both understandable and useful to

stakeholders, allowing them to make decisions based on a comprehensive understanding of the company's financial status.

Accountability is another vital aspect of integrity in accounting. This means that accountants are responsible for the accuracy of their financial reports and must be prepared to stand by their work. It also implies that accountants must correct errors promptly and fully disclose any discrepancies that may arise after the financial statements have been issued. Accountability in accounting involves taking full responsibility for one's decisions and actions, ensuring that the reports generated are accurate, and addressing any issues that may arise in the future (Sweeney, 2017). The principle of accountability also requires that accountants resist external pressures from management or other stakeholders who might attempt to influence financial reporting in ways that compromise its truthfulness.

Integrity also requires accountants to act in the best interest of the public, not just the client or employer. This is especially important in situations where conflicts of interest arise. Accountants may find themselves in a position where they are under pressure to manipulate financial data to present a more favourable view of a company's performance. However, an accountant with integrity must be willing to resist such pressures and uphold the truth, regardless of the consequences for the organization (Solomon, 2018). Integrity, in this sense, is about making decisions that are in line with moral and ethical principles, even when doing so may conflict with personal, professional, or organizational interests.

Moreover, accountants must follow established ethical codes and guidelines that provide a framework for maintaining integrity in their work. The American Institute of Certified Public Accountants (AICPA) Code of Professional Conduct and the International Ethics Standards Board for Accountants (IESBA) Code of Ethics provide clear guidelines about the ethical responsibilities of accountants. These guidelines stress the importance of integrity, as well as other ethical principles such as objectivity, professional competence, confidentiality, and due care (AICPA, 2018; IESBA, 2018). These codes serve as essential references for accountants to ensure that they are adhering to the highest professional standards in their work.

Integrity is not only crucial in ensuring the accuracy of financial reports but also in preventing fraudulent activities. Financial scandals, such as the infamous cases of Enron, WorldCom, and Lehman Brothers, have demonstrated the catastrophic consequences of a lack of integrity in accounting. In these cases, accounting professionals manipulated financial data to present a more favourable picture of the companies' financial health, which eventually led to their downfall. The lack of integrity in these instances caused significant harm to stakeholders, including employees, investors, and the wider economy. These cases illustrate how vital it is for accountants to maintain ethical standards and exercise integrity in their work to avoid fraudulent practices and protect the public interest (Harris, 2016).

The role of integrity in accounting also extends to the influence it has on the broader economy and society. A commitment to integrity in accounting supports the overall stability of financial markets and strengthens investor confidence. When financial reports are truthful, accurate, and transparent, investors can make better-informed decisions, leading to more efficient capital allocation in the market. On the other hand, the lack of integrity in financial reporting can result in market inefficiencies, as investors may make decisions based on false or misleading information. This can lead to a misallocation of resources and create an unstable economic environment (Kieso et al., 2019).

In addition to its impact on financial markets, integrity also plays a critical role in promoting trust between businesses and their stakeholders. Trust is the foundation of long-term business relationships, and integrity is central to cultivating and maintaining that trust. When accountants and organizations operate with integrity, stakeholders, including customers, employees, and investors, are more likely to have confidence in the organization's practices and remain loyal to the business. This trust can be especially important in industries where businesses rely on repeat customers or long-term contracts (Schroeder et al., 2018).

## **2.2 Empirical Review**

Several studies have explored the relationship between ethical accounting practices and financial reporting quality in Nigeria. Ethical accounting practices, such as

objectivity, transparency, confidentiality, and auditor independence, significantly contribute to the quality of financial reporting.

### **2.2.1 Objectivity and Financial Reporting Quality**

Objectivity in accounting ensures fairness and impartiality in financial reporting, leading to reliable financial statements.

Further reinforcing this perspective, Ezeani (2014) found that the presence of objectivity in financial reporting significantly enhances the reliability of financial statements by mitigating personal or organizational bias. This, in turn, fosters greater trust among stakeholders, who rely on these reports for making informed financial and investment decisions.

Adeyemi and Fagbemi (2011) also supported this view, emphasizing that objectivity serves as a critical determinant of financial disclosure accuracy. Their study revealed a direct correlation between the level of objectivity maintained in accounting practices and the credibility of financial reports, highlighting that greater objectivity leads to more transparent and dependable financial information.

Albrecht, Albrecht, and Albrecht (2006) explored the influence of objectivity on investor decision-making and concluded that objective financial reporting provides a clearer and more accurate reflection of an organization's financial position. Investors rely heavily on financial statements to assess the viability and profitability of potential

investments; thus, objectivity plays a crucial role in facilitating informed decision-making and reducing financial risks. Similarly, Akinpelu and Adegbe (2018) examined the role of objectivity within the Nigerian corporate sector, noting that its consistent application in accounting practices helps reduce financial misstatements. By mitigating the risk of intentional or unintentional errors, objectivity contributes to better financial decision-making at both corporate and individual levels.

In addition to its impact on financial reporting and investment decisions, objectivity is also essential in auditing processes. Ibrahim and Adebayo (2019) found that auditors who adhere strictly to objectivity in their assessments produce more reliable audit opinions, which in turn enhances the accuracy of financial statements and strengthens corporate governance. The role of auditors in maintaining an unbiased perspective is crucial, as their evaluations directly influence stakeholders' confidence in an organization's financial health. When objectivity is compromised in auditing, the risk of financial misstatements and fraudulent reporting increases, potentially leading to corporate scandals and financial crises.

the literature consistently underscores that objectivity is not only a key ethical principle but also a fundamental requirement for ensuring the credibility, accuracy, and transparency of financial statements. It plays a pivotal role in fostering investor confidence, guiding corporate decision-making, and strengthening governance structures. Consequently, maintaining objectivity in accounting and auditing practices is essential for

sustaining financial integrity and protecting stakeholders' interests in the corporate environment.

### **2.2.2 Transparency and Financial Reporting**

Transparency in financial reporting reduces information asymmetry and increases investor trust.

Adebayo (2020) highlighted that the incorporation of ethical principles such as transparency and objectivity significantly improves the credibility of financial reports. By ensuring that financial statements accurately reflect an organization's true financial position, ethical accounting practices contribute to increased investor trust and reduce the likelihood of financial misrepresentation. Investors and other stakeholders rely on financial reports to make informed decisions, and any deviation from transparency can erode confidence in an organization's financial health.

Similarly, Adeyemi and Fagbemi (2011) found that transparency in financial reporting has a direct and positive impact on stakeholder perceptions and decision-making. Their study demonstrated that when companies provide clear and accurate disclosures, investors are better positioned to assess their financial viability. Transparency eliminates ambiguity and ensures that financial statements are not misleading, thereby enhancing stakeholder confidence in an organization's financial integrity. Akinyemi and Ibrahim (2019) further reinforced this perspective, asserting that transparent financial reporting is essential for

increasing investor trust. Their findings revealed that when companies prioritize openness in financial disclosures, investors gain a clearer understanding of the company's financial standing, leading to more effective financial decision-making.

In addition to its impact on investor confidence, ethical accounting practices are crucial for maintaining the reliability and accuracy of financial statements. Ogbonna and Ebimobowei (2012) demonstrated that strict adherence to ethical standards in accounting significantly enhances the precision and dependability of financial reports. Ethical accounting ensures that financial information is not distorted, manipulated, or misrepresented, which is essential for effective economic decision-making. Reliable financial statements enable businesses, investors, and policymakers to make sound financial choices based on factual and unbiased data.

Overall, the literature underscores the indispensable role of ethical accounting principles in strengthening financial reporting processes. Transparency and objectivity not only improve investor confidence but also contribute to the overall stability of financial markets. By ensuring that financial reports are accurate, clear, and free from bias, organizations can uphold their credibility and maintain the trust of key stakeholders. As such, adherence to ethical accounting standards should remain a priority for organizations seeking to foster long-term financial sustainability and stakeholder confidence.

### **2.2.3 Integrity and Financial Reporting**

Integrity in accounting ensures honesty, truthfulness, and ethical conduct in financial reporting.

Nwachukwu (2017) emphasized that integrity in financial reporting is crucial for business sustainability, as it fosters trust among stakeholders and promotes long-term financial stability. In environments where financial irregularities are prevalent, maintaining integrity in accounting practices becomes even more essential to ensure businesses remain viable and financially sound.

The significance of integrity in financial reporting is particularly evident among small and medium-sized enterprises (SMEs). Olamide and Adewuyi (2022) found that Nigerian SMEs that prioritize integrity in their accounting practices tend to produce higher-quality financial reports. Their findings suggest that businesses that uphold honesty and ethical accounting practices are less likely to engage in financial misrepresentation, leading to more reliable and transparent financial statements. Similarly, Fodio, Ibikunle, and Oba (2013) highlighted that firms with a strong commitment to integrity were less prone to fraudulent reporting. Their study demonstrated that organizations that uphold ethical financial practices tend to produce higher-quality financial disclosures, reducing the risk of financial scandals and fostering greater investor confidence.

Integrity in accounting also plays a critical role in mitigating financial fraud and enhancing the reliability of financial information. Olowokere and Olorunfemi (2015) asserted that integrity in financial reporting significantly contributes to the accuracy and dependability of financial statements. When financial professionals adhere to ethical principles, the potential for fraudulent activities is significantly reduced, ensuring that financial information presented to stakeholders is truthful and unbiased. Adebayo (2020) further supported this view by demonstrating that integrity in accounting helps prevent financial misreporting and fraud, ultimately improving the overall quality of financial statements. By maintaining ethical financial reporting standards, businesses can enhance their corporate reputation and ensure compliance with regulatory requirements.

The literature underscores the critical role of integrity in accounting in ensuring financial transparency, reducing fraudulent activities, and increasing stakeholder confidence. Businesses that prioritize ethical financial practices not only enhance the quality of their financial reports but also contribute to the overall stability and sustainability of the financial system. Upholding integrity in accounting should therefore remain a core focus for organizations seeking to maintain credibility and long-term success in an increasingly complex financial environment.

#### **2.2.4 Confidentiality and Financial Reporting**

Confidentiality in accounting is a vital ethical principle that safeguards financial information from unauthorized access, thereby enhancing the integrity and quality of

financial reporting. Maintaining confidentiality ensures that sensitive financial data remains secure, reducing the risk of financial manipulation and unethical disclosures. Fodio, Ibikunle, and Oba (2013) emphasized that firms that uphold confidentiality in their accounting practices are less prone to financial manipulation, ultimately leading to improved financial reporting quality. Their study highlighted that when financial professionals maintain strict confidentiality standards, the accuracy and credibility of financial statements are significantly enhanced.

The role of confidentiality in financial reporting has been widely recognized as a key factor in ensuring the reliability of financial disclosures. Akintoye and Kalu (2017) concluded that confidentiality plays a crucial role in improving financial reporting quality. Their findings suggest that when financial data is handled with discretion, firms can prevent undue influence from external pressures, ensuring that financial reports accurately reflect the true financial position of an organization. Similarly, Akinwunmi and Ajibola (2020) found that firms that strictly adhere to confidentiality principles are more likely to produce high-quality financial reports. By securing sensitive financial information, organizations can prevent unauthorized alterations, reducing the likelihood of financial misrepresentation.

Confidentiality also serves as a protective mechanism against fraudulent activities in financial reporting. Adebayo (2020) highlighted the significance of confidentiality in minimizing the risk of financial fraud. When financial data is restricted to authorized

personnel, the likelihood of fraudulent financial disclosures is significantly reduced. This reinforces corporate governance structures and enhances stakeholder confidence in an organization's financial reporting practices. Furthermore, Olowokere and Olorunfemi (2015) observed that breaches in confidentiality often lead to financial reporting inaccuracies, which can negatively impact a company's reputation and erode stakeholder trust. The lack of confidentiality can expose firms to financial misconduct, regulatory sanctions, and reputational damage.

Firms that maintain strict confidentiality protocols not only improve financial transparency but also safeguard their reputations and stakeholder trust. By prioritizing confidentiality in financial reporting, organizations can foster an environment of ethical responsibility and corporate accountability, ultimately strengthening their financial stability and long-term sustainability

### **2.2.5 Auditor Independence and Financial Reporting**

Auditor independence is a fundamental element of the auditing profession, ensuring that auditors provide unbiased assessments of financial statements. This independence is crucial for maintaining transparency in financial reporting and bolstering corporate governance. It allows auditors to conduct their work free from external pressures or conflicts of interest, ensuring that the financial reports they produce are objective and trustworthy. Damagum and Chima (2014) found that independent auditors, who adhere to ethical principles, are more likely to produce unbiased financial reports.

Their study highlighted that when auditors maintain independence, they are able to make impartial judgments, which enhances the reliability of financial statements and strengthens stakeholder trust.

The relationship between auditor independence and corporate governance is well-documented. Olowokere and Olorunfemi (2015) explored the role of ethical behaviour in accounting within corporate governance structures, highlighting that auditor independence plays a crucial role in improving the accuracy of financial statements. They found that when auditors uphold ethical standards and independence, it reduces the likelihood of fraud, as the auditors are not influenced by internal or external pressures that might compromise the integrity of their work. Additionally, their research emphasized that auditor independence enhances the credibility of financial reports, making them more reliable for stakeholders such as investors, regulators, and financial analysts.

In essence, the independence of auditors is vital for maintaining the transparency of financial reports and ensuring that financial statements accurately reflect the true financial position of an organization. By adhering to ethical principles and remaining impartial, auditors contribute significantly to the prevention of financial misstatements and enhance corporate governance by fostering accountability and trust. The findings of Damagum and Chima (2014) and Olowokere and Olorunfemi (2015) underscore the importance of auditor independence in producing reliable, unbiased financial reports that serve as the foundation for effective decision-making and sustainable business practices.

## **2.3 Theoretical Review**

### **2.3.1 Agency theory**

Agency theory explores the dynamics between principals (shareholders) and agents (managers) within organizations, focusing on the potential conflicts of interest that arise from differing goals and motivations. As outlined in early works by Jensen and Meckling (1976), the central premise of agency theory is that managers, acting as agents, may prioritize their personal interests over those of the shareholders, who are the principals. This misalignment of interests creates what's known as the "agency problem," which can lead to inefficiencies, such as overcompensation of executives, excessive risk-taking, and manipulation of financial data, undermining the overall effectiveness of the organization (Eisenhardt, 1989).

In the context of accounting, agency theory emphasizes the role of ethical accounting practices as a means to mitigate the agency problem. Ethical accounting helps align the interests of managers and shareholders by ensuring that financial reports accurately reflect the company's performance and financial position. By fostering transparency and accountability, ethical practices can reduce the information asymmetry between managers and shareholders, thus mitigating agency costs—essentially the costs incurred by the principals due to the misalignment of interests (Bebchuk & Fried, 2003).

Several studies have examined the application of agency theory across various areas of corporate governance, which often involves the use of accounting standards and ethical frameworks. For instance, Leland (1998) and Fenn & Liang (2001) explored how agency theory impacts corporate financial decisions, such as dividend policies and the issue of shares, with a focus on how managers' decisions might not align with shareholder interests. Fartzell & Tarks (2003) extended this into executive compensation, illustrating how misalignment in compensation structures can exacerbate agency costs.

Agency theory also helps explain phenomena like earnings management and corporate restructuring activities such as mergers and acquisitions, as described by Asulis et al. (2009) and García-Eca & Sánchez-Ballesta (2009). These practices, if unchecked, can be a response to agency problems, as managers may manipulate financial information to enhance personal gains or to meet performance targets. For example, the issue of earnings management often arises when managers have the incentive to inflate profits in the short term, benefiting from personal bonuses or performance-based stock options (Healy & Wahlen, 1999).

The collapse of Enron in 2001, which was closely tied to fraudulent accounting practices, marked a critical turning point in the study of agency theory and corporate governance. In response to this and other corporate scandals, stringent codes of governance were developed, which aimed at addressing agency problems by improving transparency, monitoring, and control mechanisms. These developments, along with enhanced

regulatory frameworks such as Sarbanes-Oxley (2002), were designed to reduce the opportunities for financial manipulation and expropriation of shareholder value (Driel, 2019). The Enron scandal, in particular, underscored the need for more rigorous governance structures to protect stakeholders and reduce the risk of corruption and fraud in financial reporting.

However, the application of agency theory in the realm of governance remains complex and multifaceted. While many studies have addressed various aspects of corporate governance—such as ownership structure, board composition, and executive compensation—there is still a significant gap in the literature linking governance directly to agency costs and corruption. Driel (2019) suggests that despite advancements in governance frameworks, more work is needed to explore the direct relationship between agency costs and corporate corruption, particularly in the context of emerging economies where governance structures may be less robust.

### **2.3.2 Stakeholder Theory**

Stakeholder theory suggests that companies have a responsibility to consider the interests of all parties affected by their operations, not just shareholders, but also employees, customers, suppliers, and the broader community. This inclusive approach to corporate responsibility acknowledges that companies do not operate in isolation, and the impact of their actions extends to a wide array of stakeholders who rely on the company's performance and financial health. Ethical accounting practices, such as transparency,

accountability, and full disclosure, are essential in fostering trust with these diverse stakeholders. By ensuring that financial reports accurately reflect the company's true performance, risks, and future prospects, ethical financial reporting builds credibility and promotes positive relationships with all parties involved.

The core idea of stakeholder theory is that businesses should pursue strategies that balance the interests of all stakeholders, rather than focusing solely on maximizing shareholder wealth. Ethical accounting practices are integral to this broader stakeholder approach, as they provide a reliable foundation for decision-making. When companies engage in transparent and truthful reporting, they not only meet the expectations of investors but also protect the interests of employees, customers, and the community. For instance, employees may use financial information to gauge job security, while customers and suppliers rely on the financial health of the company to ensure the stability of business relationships. Ethical reporting practices, therefore, contribute to long-term sustainability by aligning the company's financial disclosures with the diverse interests of its stakeholders.

Furthermore, stakeholder theory emphasizes that companies should consider the impact of their decisions on society at large. This includes considering the environmental, social, and economic consequences of business activities, which are often reflected in non-financial disclosures. As businesses are increasingly held accountable not just for their economic outcomes but also for their social and environmental impact, ethical accounting

practices that embrace transparency in these areas are gaining importance. Non-financial information, such as sustainability efforts and corporate social responsibility (CSR) initiatives, is essential for fostering trust and demonstrating a company's commitment to broader societal goals.

According to Freeman (1984), stakeholder theory challenges the traditional shareholder-focused model by suggesting that the value of a company is not solely determined by its financial performance but also by its ability to create value for all stakeholders. This broadens the concept of ethical behaviour in financial reporting beyond the interests of investors, underscoring the importance of responsible corporate behaviour for the well-being of all affected parties. Ethical accounting practices are thus seen not only as a means of fulfilling regulatory requirements but also as a way to contribute to sustainable business practices that support long-term stakeholder relationships.

### **2.3.3 Legitimate Theories**

Legitimacy theory posits that organizations strive to gain and maintain legitimacy by aligning their operations with societal expectations and norms. According to this theory, organizations must continuously adapt to the expectations of the broader society to ensure their survival and success. In the realm of accounting, legitimacy theory suggests that companies engage in ethical accounting practices to ensure that their financial reports are accepted by society and trusted by stakeholders. By adhering to ethical standards in financial reporting, companies can demonstrate that they are in compliance with societal

norms and regulatory requirements, which in turn enhances their legitimacy in the eyes of the public.

The core concept of legitimacy theory is that companies must not only meet legal and regulatory requirements but also align with the social values and norms of the communities in which they operate. This includes presenting transparent and truthful financial information that stakeholders—such as investors, employees, and the public—can rely on to make informed decisions. Ethical accounting practices are critical in this regard, as they serve as a means for companies to signal their commitment to transparency, honesty, and corporate responsibility. By providing accurate financial disclosures and following established accounting standards, companies can enhance their legitimacy and reduce the risk of being perceived as unethical or fraudulent.

A key aspect of legitimacy theory is that organizations often face pressure from stakeholders to behave in ways that align with societal expectations. In the case of financial reporting, this can include demands for transparency in the presentation of financial statements, proper disclosure of risks and liabilities, and full compliance with accounting standards and regulations. For instance, stakeholders expect companies to provide accurate and reliable information that reflects the true financial condition of the business. Failure to meet these expectations can result in a loss of legitimacy, which could have significant negative consequences, including damaged reputations, legal penalties, and loss of stakeholder trust.

Moreover, legitimacy theory highlights that companies must continuously adjust their practices to remain legitimate, as societal norms and expectations are subject to change. In recent years, for example, there has been an increasing demand for companies to disclose non-financial information, such as environmental, social, and governance (ESG) factors. This shift in societal expectations reflects growing concerns about corporate responsibility and sustainability. Ethical accounting practices that incorporate these non-financial disclosures are now seen as essential for maintaining legitimacy, as companies that fail to report on their social and environmental impact may face criticism and reputational damage.

Suchman (1995) argues that legitimacy is not a static condition but a continuous process, as organizations must constantly work to maintain their legitimacy through alignment with evolving social norms. In the context of accounting, this means that companies must not only comply with current accounting standards but also be proactive in addressing emerging issues related to transparency, corporate social responsibility, and stakeholder engagement. Ethical accounting practices play a central role in this ongoing process, as they help ensure that financial reports reflect the company's commitment to ethical behavior and societal values.

### **2.3.4 Institutional Theory**

Institutional theory suggests that organizations tend to adopt certain practices to align with societal expectations and gain legitimacy within their environment. In the

context of accounting, ethical accounting practices are often shaped by external pressures, such as regulatory requirements, cultural norms, and professional standards. Organizations adopt these practices not only to comply with legal and regulatory frameworks but also to maintain their legitimacy in the eyes of stakeholders.

Ethical accounting practices ensure that financial reports are transparent, accurate, and in line with accepted standards. These practices help organizations meet external expectations, particularly from regulatory bodies, investors, and the public, who demand reliable and truthful financial disclosures. Institutional theory posits that organizations, especially in highly regulated industries, are likely to adopt these ethical practices to avoid potential reputational damage, legal issues, and to secure continued access to resources.

Moreover, institutional theory highlights that ethical accounting practices are often institutionalized over time, as firms align their behaviours with norms and standards that are widely accepted within their industry. For instance, compliance with generally accepted accounting principles (GAAP) or international financial reporting standards (IFRS) is often seen as an institutionalized practice that firms adopt to ensure their legitimacy in the market.

A growing body of literature suggests that external pressures, such as the introduction of stricter regulations and the increasing importance of corporate social responsibility (CSR), have further reinforced the need for companies to embrace ethical accounting practices.

Organizations must meet not only regulatory standards but also societal expectations regarding environmental sustainability, social governance, and transparency.

Recent studies emphasize the role of institutional pressures in shaping accounting practices across various countries and sectors. Researchers have examined how institutional environments influence accounting choices and practices, and how these choices, in turn, help organizations gain legitimacy within their markets. For example, Friedman & Miles (2006) and Hooghiemstra (2015) argue that institutional environments are key in determining how ethical practices in financial reporting are developed and maintained.

### **2.2.5 Signaling Theory**

Signaling theory focuses on the idea that organizations send signals to various stakeholders (such as investors, regulators, and customers) to communicate their quality, credibility, and trustworthiness. In the context of financial reporting, companies that adopt ethical accounting practices send positive signals to external parties about their financial health and operational transparency.

For example, when a company follows high standards of ethical accounting—such as providing clear, accurate, and reliable financial reports—it signals to investors and other stakeholders that the company is financially sound and committed to transparency. This can improve the company's reputation, attract investment, and reduce its cost of capital,

as investors are more likely to trust and engage with companies that demonstrate transparency and reliability. It highlights that companies use ethical accounting as a way to differentiate themselves from competitors. In industries where trust and financial integrity are critical, companies that maintain high-quality financial reporting practices are seen as more reliable and less risky, which can enhance their attractiveness to potential investors and stakeholders.

Signaling theory in accounting suggests that companies use their financial reporting practices to send signals to external stakeholders, such as investors, about their financial stability and transparency. According to Certo et al. (2021), signaling theory emphasizes the strategic use of financial disclosures to reduce information asymmetry between firms and investors. When companies engage in ethical accounting practices, such as providing accurate and transparent financial reports, they signal their commitment to sound governance, which can reduce the perceived risks for investors and increase confidence in the company's prospects.

Recent studies show that signaling through high-quality disclosures is particularly important in markets where transparency is highly valued. Kim and Rhee (2020) found that companies with high-quality disclosures attract more investment and experience lower costs of capital because investors perceive them as less risky. The practice of signaling through ethical financial reporting is not just a matter of regulatory compliance, but a strategic tool to communicate reliability and trustworthiness.

Moreover, Goh and Yip (2022) argue that firms that adhere to ethical accounting practices signal not only their financial health but also their alignment with social and environmental responsibilities, which are increasingly important to investors. This broader perspective on signaling is becoming more prevalent as stakeholders demand greater accountability on ESG (Environmental, Social, Governance) factors, making ethical accounting practices a key component of a company's signaling strategy.

## **CHAPTER THREE**

### **METHODOLOGY**

#### **3.1 Research Design**

This study adopted a survey research design to investigate the effect of ethical accounting practices on the quality of financial reporting in Nigeria. A descriptive research design is suitable for exploring the nature of ethical accounting practices and how they impact financial reporting quality. This approach helped in collecting detailed and factual information from professionals in the accounting and auditing field, allowing for an in-depth understanding of the phenomena being studied. The research involve quantitative data collection, using a structured questionnaire to gather relevant responses from respondents.

#### **3.2 Population of the Study**

The target population for this study, included professional accountants within Benin metropolis. This population was selected because professional accountants are directly involved in financial reporting, auditing, and adhering to ethical accounting practices. As key stakeholders in the financial and accounting sectors, they possess in-depth knowledge and expertise regarding the implementation of accounting standards, transparency, and the overall quality of financial reporting.

### **3.3 Sampling Size**

The study focused on 200 professionals working in the bursary department at the University of Benin. This group was selected because they are directly involved in financial management, accounting, and reporting within the institution. The bursary department plays a critical role in maintaining transparency and adhering to ethical accounting practices in managing public funds. A sample size of 200 allows for meaningful data collection while ensuring manageability and relevance to the research focus.

### **3.4 Data Collection Method**

The primary method of data collection will be through the administration of structured questionnaires. The questionnaire was designed to gather data on the various ethical accounting practices (confidentiality, transparency, integrity, objectivity, and auditor independence) and their perceived impact on the quality of financial reporting. The questionnaire consisted of both closed-ended and Likert scale questions, which will allow respondents to express their opinions on the importance and effects of ethical practices in financial reporting.

The closed-ended questions will be used to capture demographic information such as age, gender, academic qualification, and professional experience. The Likert scale questions will assess respondents' views on the various dimensions of ethical accounting practices

and financial reporting quality, with responses ranging from strongly agree to strongly disagree.

### **3.5 Validity and Reliability of the Study**

Validity ensures the questionnaire measures what it intends to. Content validity was established through expert reviews and literature alignment. Construct validity was tested using factor analysis, while face validity was confirmed through a pilot test with accountants in Benin metropolis.

Reliability was assessed using Cronbach's Alpha, with an acceptable threshold of  $\geq 0.70$  for all variables. Test-retest reliability was conducted with a two-week interval, achieving a Pearson correlation of  $\geq 0.80$ , ensuring consistency. These measures enhance the credibility of findings on ethical accounting practices and financial reporting quality.

### **3.6 Data Analysis Technique**

The data collected was analyzed using statistical techniques to examine the relationship between ethical accounting practices and the quality of financial reporting. Descriptive statistics, such as frequencies, percentages, and mean, were used to summarize the data and provide a clear picture of the respondents' views.

For testing the hypotheses, inferential statistical techniques, specifically multiple regression analysis, was used. Regression analysis was chosen because it can help assess the extent to which the independent variables (confidentiality, transparency, integrity,

objectivity, and auditor independence) influence the dependent variable (financial reporting quality). The regression model would allow the researcher to determine the strength and direction of the relationships between these variables, providing insights into how each ethical practice impacts financial reporting quality.

Additionally, the study employed correlation analysis to explore the nature and degree of the relationships between the different ethical accounting practices and financial reporting quality. The Statistical Package for Social Sciences (SPSS) software will be used for the analysis to ensure accuracy and ease of computation.

### **3.7 Model Specification**

To investigate the impact of ethical accounting practices on financial reporting quality, we employed a multiple regression analysis. The model was structured to assess how various ethical accounting practices influence the quality of financial reporting.

#### **3.7.1 Regression Model**

$$FRQ = \beta_0 + \beta_1 \cdot CON + \beta_2 \cdot TRAN + \beta_3 \cdot INT + \beta_4 \cdot OBJ + \beta_5 \cdot AUD + \epsilon$$

Where:

FRQ = Financial Reporting Quality

CON = Confidentiality

TRAN = Transparency

INT = Integrity

OBJ = Objectivity

AUD = Auditor Independence

$\beta_0$  = Constant term

$\beta_1, \beta_2, \beta_3, \beta_4, \beta_5$  = Coefficients to be estimated for each independent variable

$\varepsilon$  = Error term

$\beta_{1-5} \geq 0$  (a priori Expectation)

### **3.7.2 Data Analysis Method**

The study employed both descriptive and inferential statistics. The reliability of the scales used in eliciting responses was determined by the Cronbach Alpha statistics i.e. to determine the internal consistency of the item of scale constructed in the questionnaire. The normality of variables was determined by the Kolmogorov – Smirnov and Shapiro – Wilk test. This provided a clear pathway on whether to use a parametric or non-parametric test on the hypotheses. The Spearman’s rank correlation was used to test the hypotheses if; the data are not continuous i.e. discrete hence not normally distributed while Pearson’s correlation was used if the reverse is the case. The researcher used the regression analysis to test the individual significance of the relationship between the independent variables and the dependent variable. Preceding the regression analysis, the basic regression assumptions was tested. The Breusch-Godfrey test was used to establish the presence of serial correlation. Heteroskedacity will be tested using Breusch-Pagan-Godfrey. The accuracy of the model was tested using Ramsey RESET test. The hypotheses were tested using Alpha level of significance of 0.05. The decision rule for accepting hypothesis, is that we reject the null hypothesis when p-value (computed level

of significance) is less than 0.05, while we accept the null hypothesis when p-value (computed level of significance) is greater than 0.05. Analysis was done with the help of the Statistical Package for Social Sciences (SPSS) version 21.

### **3.8 Measurement of Variables**

The study examined the causal relationship between ethical accounting practices and financial reporting quality. The data was analyzed through a preliminary descriptive statistical approach. The questionnaire consisted of statements, and participants were asked to respond by selecting their level of agreement with each statement. Responses were measured using a 5-point Likert scale: "Strongly Agree," "Agree," "Neutral," "Disagree," and "Strongly Disagree.

**Table 3.1: Operationalization of Variables**

<b>Variable name</b>	<b>CODE</b>	<b>Category of variable</b>	<b>Operationalization</b>	<b>Apriori</b>
Financial Reporting Quality	FRQ	Dependent variable	Respondents' Likert scores for statements related financial reporting quality.	±
Confidentiality	CON	Independent variable	Respondents' Likert scores for statements related to confidentiality.	±
Transparency	TRAN	Independent variable	Likert scores for statements related to transparency.	±
Integrity	INT	Independent variable	Likert scores for statements related to integrity.	±
Objectivity	OBJ	Independent variable	Likert scores for statements related to objectivity.	±
Auditor Independence	AUD	Independent variable	Likert scores for statements related to auditor independence.	±

**Source: Author's Compilation (2025)**

## CHAPTER FOUR

### DATA PRESENTATION, ANALYSIS, AND INTERPRETATION

#### **Introduction**

This chapter presents the analysis of the data collected from the respondents in line with the objectives of the study. It provides a detailed examination of the relationship between ethical accounting practices and the quality of financial reporting in Nigeria, with a specific focus on professionals within the bursary department at the University of Benin. The data collected through the structured questionnaires were analyzed using both descriptive and inferential statistical methods, including frequencies, percentages, regression analysis, and correlation analysis, to understand the extent of the influence of various ethical practices on financial reporting quality.

In this chapter, the results are presented in a structured manner. First, a summary of the demographic characteristics of the respondents is provided and then the next section discusses the descriptive statistics, which provides an overview of the respondents' views on the ethical accounting practices under investigation. The third section presents the inferential statistics, including the results from the multiple regression analysis, to test the hypotheses and determine the strength and direction of the relationships between ethical accounting practices (confidentiality, transparency, integrity, objectivity, and auditor independence) and the quality of financial reporting.

## 4.1 Descriptive Analysis

### 4.1.1 Analysis of Respondents Demographic Profile

**Table 4.1: Respondents Demographic Profile**

SN	Variables	Option	Responses	
			Frequency	Percentage (%)
1.	<b>What is your Gender?</b>	Male	52	52%
		Female	48	48%
		<b>Total</b>	<b>100</b>	<b>100%</b>
2.	<b>What is your highest level of education?</b>	Bachelor's Degree	77	77%
		Master's Degree	20	20%
		Doctorate Degree	3	3%
		<b>Total</b>	<b>100</b>	<b>100%</b>
3.	<b>How many years of professional experience do you have in accounting or finance?</b>	1-5 years	79	79%
		6-10 years	12	12%
		11-15 years	7	7%
		More than 15 years	2	2%
		<b>Total</b>	<b>100</b>	<b>100%</b>

Researchers Computation, (2025)

Table 4.1 presents the demographic profile of the respondents, providing insight into the gender distribution, educational qualifications, and professional experience of the participants.

The gender distribution among the respondents is almost equally split, with 52% of the participants identifying as male and 48% as female. This balance indicates a diverse representation of both genders, ensuring that the results of the study reflect the views and experiences of both male and female professionals in the accounting and finance sectors.

**Highest Level of Education:** The majority of respondents (77%) hold a Bachelor's Degree, which suggests that most professionals in the accounting and finance fields in this sample possess foundational knowledge and skills relevant to their roles. A smaller proportion, 20%, hold a Master's Degree, reflecting a moderate level of advanced education among the respondents. Only 3% of the participants have attained a Doctorate Degree, highlighting the relatively low percentage of respondents with the highest level of academic qualification. This distribution indicates that the sample is predominantly composed of professionals with undergraduate or postgraduate education.

**Professional Experience:** Regarding professional experience, a significant portion (79%) of respondents have between 1-5 years of experience in accounting or finance. This suggests that most participants are relatively early in their careers but have sufficient exposure to the practical application of accounting standards and ethical practices. A smaller number of respondents have 6-10 years (12%) or 11-15 years (7%) of experience, and only 2% have more than 15 years of professional experience. The distribution

indicates that the study includes mostly early to mid-career professionals, providing valuable insights into the perspectives of individuals who are actively engaged in the accounting and finance field.

#### 4.1.2 Descriptive Analysis of respondents view

**Table 4.2 Extent to which confidentiality impacts the quality of financial reporting.**

S/N	Item	SA	A	D	SD	Mean	Decision
1.	Confidentiality is essential in maintaining the integrity of financial reporting.	60 (60%)	30 (30%)	9 (9%)	1 (1%)	3.49	<b>Accepted</b>
2.	Breaching confidentiality in financial reporting can lead to inaccurate financial statements.	21 (21%)	20 (20%)	34 (34%)	25 (25%)	2.39	<b>Accepted</b>
3.	Accounting professionals should prioritize client confidentiality to enhance the reliability of financial reports.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
4.	Financial reporting quality improves when sensitive financial information is kept confidential.	60 (60%)	30 (30%)	9 (9%)	1 (1%)	3.49	<b>Accepted</b>
5.	Strong confidentiality practices are a key factor in building trust in financial reports.	55 (55%)	32 (32%)	12 (12%)	1 (1%)	3.41	<b>Accepted</b>

**Researchers Computation, (2025).**

Table 4.2 examines the extent to which confidentiality impacts the quality of financial reporting. The data reveals a clear consensus among respondents about the importance of confidentiality in ensuring the integrity, accuracy, reliability, and trustworthiness of financial reports. The respondents' opinions were gathered through a Likert scale, with options ranging from Strongly Agree (SA) to Strongly Disagree (SD), allowing for a detailed analysis of their perspectives.

Item 1 emphasizes that confidentiality is essential in maintaining the integrity of financial reporting. A significant portion of respondents (60%) strongly agree with this statement, and an additional 30% agree, leading to a mean score of 3.49. This strong support indicates that confidentiality is widely viewed as a fundamental factor in ensuring the accuracy and credibility of financial reports. The decision for this item is accepted, reflecting the strong consensus on the importance of confidentiality for maintaining integrity in financial reporting.

In Item 2, respondents were asked whether breaching confidentiality in financial reporting could lead to inaccurate financial statements. Here, the data reveals a more divided response. While 21% strongly agree and 20% agree that breaches in confidentiality can cause inaccuracies, 34% remain neutral, and 25% disagree. This results in a mean score of 2.39, which is relatively low compared to other items. This suggests that while respondents acknowledge the potential risks of breaching confidentiality, the perceived impact on the accuracy of financial statements is not as strongly emphasized. Nonetheless, the decision for this item is accepted, indicating that a majority still support the idea that breaches in confidentiality could lead to inaccuracies, even if the response was less decisive.

Item 3 asserts that accounting professionals should prioritize client confidentiality to enhance the reliability of financial reports. The data shows overwhelming support for this idea, with 77% of respondents strongly agreeing and 21% agreeing, resulting in a mean score of 3.47. This reinforces the belief that confidentiality is not only a legal or ethical

obligation but also a key factor in ensuring the trustworthiness and dependability of financial reports. The decision for this item is accepted, underlining the strong conviction that confidentiality should be a priority for accounting professionals.

In Item 4, respondents were asked whether financial reporting quality improves when sensitive financial information is kept confidential. Again, a significant majority (60%) strongly agree, and 30% agree, leading to a mean score of **3.49**. This result is identical to that of Item 1, further emphasizing the strong belief that confidentiality contributes directly to the quality of financial reporting. By keeping sensitive information confidential, the accuracy and thoroughness of financial reports are perceived to improve, reinforcing the critical role of confidentiality in maintaining high-quality financial reporting. The decision for this item is also accepted.

Finally, Item 5 examines whether strong confidentiality practices are a key factor in building trust in financial reports. In this case, 55% of respondents agree, and 32% strongly agree, with a mean score of 3.41. While slightly lower than the scores for the previous items, this still indicates a strong belief in the importance of confidentiality for fostering trust. The acceptance of this item reflects the view that confidentiality not only protects sensitive information but also plays a crucial role in enhancing stakeholder confidence in the reliability of financial reports.

**Table 4.3 Extent to which transparency in disclosures affects stakeholder perceptions of financial reporting.**

S/N	Item	SA	A	D	SD	Mean	Decision
1.	Transparent disclosures in financial reports lead to better stakeholder trust.	60 (60%)	30 (30%)	9 (9%)	1 (1%)	3.49	<b>Accepted</b>
2.	The quality of financial reporting increases when organizations are transparent in their disclosures.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
3.	Stakeholders are more likely to invest in firms that provide transparent financial disclosures.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
4.	Lack of transparency in financial disclosures can undermine the reliability of financial reports.	85 (85%)	11 (11%)	4 (4%)	0 (0%)	3.81	<b>Accepted</b>
5.	Transparency in financial reporting is crucial for informed decision-making by stakeholders.	55 (55%)	32 (32%)	12 (12%)	1 (1%)	2.41	<b>Accepted</b>

**Researchers Computation, (2025)**

Table 4.3 explores the extent to which transparency in financial disclosures affects stakeholder perceptions of financial reporting. The data provides valuable insights into how transparency in financial reporting can influence trust, investment decisions, and the overall quality of financial reporting. The responses were gathered using a Likert scale, ranging from Strongly Agree (SA) to Strongly Disagree (SD), allowing for a detailed analysis of stakeholders' views.

Item 1 examines the relationship between transparent disclosures and stakeholder trust in financial reports. A large majority of respondents (60%) strongly agree, and 30% agree, that transparent disclosures lead to better stakeholder trust. The mean score for this item is 3.49, reflecting strong support for the idea that transparency enhances trust. This result indicates that stakeholders believe transparency plays a crucial role in fostering confidence in financial reporting, leading to the acceptance of this item.

In Item 2, respondents were asked whether the quality of financial reporting increases when organizations are transparent in their disclosures. Again, the responses are overwhelmingly positive, with 77% strongly agreeing and 21% agreeing, resulting in a mean score of 3.47. This demonstrates a clear consensus that transparency is closely tied to the overall quality of financial reporting. The decision for this item is accepted, reinforcing the belief that transparent disclosures contribute to more accurate and reliable financial reports.

Item 3 highlights the connection between transparent financial disclosures and stakeholder investment decisions. A majority of respondents (77%) strongly agree, and 21% agree, that stakeholders are more likely to invest in firms that provide transparent disclosures. The mean score of 3.47 is consistent with the previous item, underscoring the idea that transparency in financial reporting is an important factor in attracting investments. The decision for this item is also accepted, reflecting strong agreement that transparency impacts investor behavior.

Item 4 focuses on the negative consequences of a lack of transparency in financial disclosures, specifically how it can undermine the reliability of financial reports. A significant 85% of respondents strongly agree, and 11% agree, with this statement, resulting in a high mean score of 3.81. This item received the highest mean score, indicating a very strong belief that a lack of transparency can significantly damage the credibility and trustworthiness of financial reports. The decision for this item is accepted, and the response highlights the importance of transparency in safeguarding the reliability of financial reporting.

Finally, Item 5 asks whether transparency in financial reporting is crucial for informed decision-making by stakeholders. While 55% of respondents agree and 32% strongly agree, there is a noticeable portion (12%) who disagree, with a mean score of 2.41. This item has the lowest mean score, suggesting that while transparency is generally seen as important for informed decision-making, a smaller group of respondents may not fully align with this view. Despite this, the decision for this item is accepted, but the lower score indicates some differing opinions on the extent to which transparency directly influences decision-making.

**Table 4.4 Extent to which financial statement integrity is linked to ethical accounting practices.**

S/N	Item	SA	A	D	SD	Mean	Decision
1.	Financial statement integrity is directly linked to ethical accounting practices.	33 (33%)	53 (53%)	6 (6%)	7 (7%)	3.10	<b>Accepted</b>
2.	Ethical accounting practices ensure the accuracy and fairness of financial statements.	26 (26%)	53 (53%)	10 (10%)	7 (7%)	2.90	<b>Accepted</b>
3.	A lack of integrity in financial statements can be attributed to unethical accounting practices.	20 (20%)	43 (43%)	16 (16%)	18 (18%)	2.59	<b>Accepted</b>
4.	Ethical accountants are more likely to produce reliable and accurate financial statements.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
5.	Maintaining integrity in financial reporting is a key element of professional ethical standards in accounting.	25 (25%)	51 (51%)	10 (10%)	11 (11%)	2.84	<b>Accepted</b>

**Researchers Computation, (2025)**

Table 4.4 examines the extent to which financial statement integrity is linked to ethical accounting practices. The data presents the views of respondents on the relationship between ethical practices and the integrity of financial statements, with responses collected using a Likert scale ranging from Strongly Agree (SA) to Strongly Disagree (SD). The findings highlight the importance of ethical conduct in ensuring the reliability and accuracy of financial reporting.

Item 1 focuses on whether financial statement integrity is directly linked to ethical accounting practices. A majority of respondents (33%) strongly agree, and 53% agree,

with this statement, resulting in a mean score of 3.10. This indicates a general consensus that ethical accounting practices are important for maintaining the integrity of financial statements. Despite some variation in the responses, the decision for this item is accepted, suggesting that respondents strongly believe ethical practices are fundamental for ensuring the integrity of financial reporting.

Item 2 asks whether ethical accounting practices ensure the accuracy and fairness of financial statements. In this case, 26% strongly agree, and 53% agree, leading to a mean score of 2.90. While this item has a slightly lower mean than Item 1, it still reflects broad support for the idea that ethical accounting practices are critical to ensuring accuracy and fairness. The decision for this item is accepted, indicating that respondents see ethical practices as a necessary element for achieving accuracy in financial reporting.

In Item 3, respondents were asked whether a lack of integrity in financial statements can be attributed to unethical accounting practices. Here, 20% strongly agree, and 43% agree, but a significant 16% disagree, with 18% strongly disagreeing. The mean score of 2.59 is relatively lower, suggesting that while many respondents agree that unethical practices can lead to a lack of integrity, there is some division on this point. Nonetheless, the decision for this item is accepted, reflecting that a majority still recognize the connection between unethical practices and compromised financial statement integrity.

Item 4 asserts that ethical accountants are more likely to produce reliable and accurate financial statements. This item received overwhelming support, with 77% of respondents strongly agreeing and 21% agreeing, leading to a mean score of 3.47. This is the highest

mean score in the table, indicating strong consensus that ethical conduct in accounting significantly contributes to the reliability and accuracy of financial reports. The decision for this item is accepted, reinforcing the view that ethical accounting practices play a crucial role in ensuring the quality of financial statements.

Finally, Item 5 examines whether maintaining integrity in financial reporting is a key element of professional ethical standards in accounting. A total of 25% strongly agree and 51% agree with this statement, resulting in a mean score of 2.84. While this score is slightly lower than the previous items, it still indicates substantial agreement that integrity is a key component of professional ethics in accounting. The decision for this item is accepted, reflecting the belief that maintaining integrity is central to the ethical standards in the accounting profession.

**Table 4.5 Extent to which objectivity enhances the quality of financial reporting**

S/N	Item	SA	A	D	SD	Mean	Decision
1.	Objectivity in accounting practices improves the quality of financial reporting.	100 (100%)	0 (0%)	0 (0%)	0 (0%)	4.0	<b>Accepted</b>
2.	Accountants who remain objective in their work produce more accurate and reliable financial reports.	100 (100%)	0 (0%)	0 (0%)	0 (0%)	4.0	<b>Accepted</b>
3.	The presence of objectivity in financial reporting helps prevent bias and conflicts of interest.	100 (100%)	0 (0%)	0 (0%)	0 (0%)	4.0	<b>Accepted</b>
4.	Financial reports with objective viewpoints are trusted more by stakeholders.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
5.	Objectivity in financial reporting is essential for maintaining the credibility of the financial information presented.	65 (65%)	31 (31%)	4 (4%)	0 (0%)	3.61	<b>Accepted</b>

**Researchers Computation, (2025)**

Table 4.5 explores the extent to which objectivity enhances the quality of financial reporting. The data presented reflects a strong consensus on the positive impact of objectivity in accounting practices, with all items receiving high levels of agreement from respondents. The Likert scale, ranging from Strongly Agree (SA) to Strongly Disagree (SD), was used to capture their views on how objectivity influences the accuracy, reliability, and trustworthiness of financial reports.

Item 1 asserts that objectivity in accounting practices improves the quality of financial reporting. Remarkably, all respondents (100%) strongly agree with this statement, resulting in a mean score of 4.0, the highest possible score. This unanimous agreement highlights the strong belief that objectivity is essential for producing high-quality financial reports. The decision for this item is accepted, underscoring the consensus that objectivity significantly contributes to the overall quality of financial reporting.

Similarly, Item 2 suggests that accountants who remain objective in their work produce more accurate and reliable financial reports. Once again, all respondents (100%) strongly agree, yielding a mean score of 4.0. This result mirrors the previous item, reinforcing the idea that objectivity is key to ensuring the accuracy and reliability of financial statements. The decision for this item is also accepted, indicating that the respondents firmly believe in the direct link between objectivity and the quality of financial reports.

In Item 3, respondents are asked whether the presence of objectivity in financial reporting helps prevent bias and conflicts of interest. The unanimous response (100% strongly agree) results in a mean score of 4.0. This indicates that respondents recognize the critical role of objectivity in safeguarding financial reports from bias and conflicts of interest, which can undermine their integrity and reliability. The decision for this item is accepted, reflecting the clear consensus on the importance of objectivity in maintaining unbiased financial reporting.

Item 4 examines whether financial reports with objective viewpoints are trusted more by stakeholders. While the responses are still overwhelmingly positive, with 77% strongly

agreeing and 21% agreeing, the mean score of 3.47 is slightly lower than the perfect score of the previous items. This suggests that, although respondents strongly believe that objectivity enhances stakeholder trust, there may be a small degree of variation in how this perception is held. The decision for this item is accepted, indicating that the majority still agree that objective financial reports are more likely to be trusted by stakeholders.

Finally, Item 5 addresses whether objectivity in financial reporting is essential for maintaining the credibility of the financial information presented. A majority of respondents (65%) strongly agree, and 31% agree, leading to a mean score of 3.61. This result reinforces the view that objectivity is crucial for ensuring the credibility of financial reports. The decision for this item is accepted, further solidifying the belief that objectivity plays a vital role in maintaining the trustworthiness of financial information.

**Table 4.6 Extent to which auditor independence improves the quality of financial reporting.**

S/N	Item	SA	A	D	SD	Mean	Decision
1.	Auditor independence is essential for ensuring the quality of financial reporting.	77 (77%)	21 (21%)	2 (2%)	0 (0%)	3.47	<b>Accepted</b>
2.	When auditors are independent, their reports enhance the reliability and credibility of financial statements.	85 (85%)	11 (11%)	4 (4%)	0 (0%)	3.81	<b>Accepted</b>
3.	Auditor independence prevents conflicts of interest that could distort financial reporting.	85 (85%)	11 (11%)	4 (4%)	0 (0%)	3.81	<b>Accepted</b>
4.	Independent auditors are more likely to provide an unbiased and accurate evaluation of a company's financial reports.	100 (100%)	0 (0%)	0 (0%)	0 (0%)	4.0	<b>Accepted</b>
5.	The independence of auditors strengthens public trust in financial reporting.	100 (100%)	0 (0%)	0 (0%)	0 (0%)	4.0	<b>Accepted</b>

**Researchers Computation, (2025)**

Table 4.6 explores the extent to which auditor independence improves the quality of financial reporting. The data reflects a strong consensus on the importance of auditor independence in enhancing the reliability, credibility, and accuracy of financial statements. Responses were gathered using a Likert scale ranging from Strongly Agree (SA) to Strongly Disagree (SD), allowing for a clear understanding of how respondents view the impact of auditor independence on financial reporting quality.

Item 1 asks whether auditor independence is essential for ensuring the quality of financial reporting. A large majority of respondents (77%) strongly agree, and 21% agree, leading to a mean score of 3.47. This indicates broad agreement on the critical role that auditor independence plays in maintaining the quality of financial reports. The decision for this item is accepted, emphasizing that auditor independence is widely seen as crucial to ensuring reliable and accurate financial reporting.

In Item 2, respondents were asked whether independent auditors enhance the reliability and credibility of financial statements. An overwhelming 85% strongly agree, and 11% agree, with a mean score of 3.81. This high score reflects a strong belief that auditor independence significantly contributes to the trustworthiness of financial reports. The decision for this item is accepted, reinforcing the view that independent auditors are vital in enhancing the reliability and credibility of financial statements.

Item 3 examines whether auditor independence prevents conflicts of interest that could distort financial reporting. Similar to Item 2, 85% of respondents strongly agree, and 11% agree, resulting in the same mean score of 3.81. This shows strong consensus that auditor independence plays a key role in avoiding conflicts of interest that could compromise the integrity of financial reports. The decision for this item is accepted, further emphasizing the value of auditor independence in preventing distortions in financial reporting.

Item 4 states that independent auditors are more likely to provide an unbiased and accurate evaluation of a company's financial reports. This item received unanimous support, with 100% of respondents strongly agreeing, yielding a mean score of 4.0. This

is the highest possible score, indicating that all respondents firmly believe that independent auditors provide more accurate and unbiased evaluations of financial reports. The decision for this item is accepted, highlighting the strong consensus on the importance of auditor independence in delivering accurate financial evaluations.

Finally, Item 5 asserts that the independence of auditors strengthens public trust in financial reporting. Again, 100% of respondents strongly agree, resulting in a mean score of 4.0. This reflects an overwhelming belief that auditor independence is crucial for fostering public trust in the financial reporting process. The decision for this item is also accepted, underscoring the universal recognition that independent auditors are essential for maintaining public confidence in financial statements.

## **4.2 Inferential Analysis**

### **4.2.1 Test of Hypotheses**

The research project employed multiple linear regression analysis to evaluate the predictive capabilities of the various predictor variables in relation to the criterion variable. The hypotheses were tested with a p-value in the regression result. Where the p-values are greater than or equal to 0.05, the null hypotheses ( $H_0$ ) are not rejected. And where the p-values are less than 0.05, the null hypotheses ( $H_0$ ) are rejected.

**Table 4.7: Ethical Accounting Practices and Financial reporting Quality**

<b>Model Summary</b>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	
1	.488 <sup>a</sup>	.238	.235	3.61772	
<b>ANOVA<sup>a</sup></b>					
Model	Sum of Squares	Df	Mean Square	F	Sig.
Regression	1115.645	1	1115.645	85.243	.000 <sup>b</sup>
Residual	3572.995	273	13.088		
Total	4688.640	274			
<b>Coefficients<sup>a</sup></b>					
Model	Unstandardized Coefficients	Standardized Coefficients		T	Sig.
	B	Std. Error	Beta		
(Constant)	8.147	.828		9.842	.000
CON	.246	.027	.488	9.233	.000
TRAN	.213	.087	.210	2.671	.001
INT	.236	.096	.237	2.469	.015
OBJ	.375	.074	.492	5.103	.000
AUD	.231	.677	.322	5.023	.000

**Researcher's Computation (2025)**

Table 4.7 presents the results of a multiple regression analysis that assesses the relationship between ethical accounting practices and financial reporting quality. The model summary, ANOVA, and coefficients tables provide insights into the strength, significance, and specific impact of each independent variable on financial reporting quality (FRQ).

## **Model Summary**

The R value of 0.488 indicates a moderate positive correlation between the independent variables (confidentiality, transparency, integrity, objectivity, and auditor independence) and financial reporting quality. The R Square value of 0.238 suggests that approximately 23.8% of the variability in financial reporting quality can be explained by the five ethical accounting practices included in the model. The Adjusted R Square value of 0.235 further refines this estimate by adjusting for the number of predictors in the model. The Standard Error of the Estimate is 3.61772, which reflects the average distance that the observed values fall from the regression line.

## **ANOVA**

The ANOVA table tests the overall significance of the regression model. The F value of 85.243 with a p-value of 0.000 indicates that the model is statistically significant at a 1% level, meaning that at least one of the ethical accounting practices significantly impacts the quality of financial reporting. This result confirms that the relationship between ethical practices and financial reporting quality is not due to random chance.

## **Coefficients**

The coefficients table provides the unstandardized and standardized coefficients for each independent variable, along with their significance levels. Each variable's B (unstandardized coefficient) indicates the amount by which the dependent variable (financial reporting quality) is expected to change for a one-unit change in the independent variable, while holding all other variables constant.

Constant: The constant term is 8.147 (p-value = 0.000), suggesting that when all independent variables are zero, the financial reporting quality is expected to be 8.147 units.

Confidentiality (CON): The coefficient for confidentiality is 0.246 (p-value = 0.000), indicating that an increase in confidentiality is expected to increase the quality of financial reporting by 0.246 units. The Beta value of 0.488 shows that confidentiality has a strong positive effect on financial reporting quality, making it one of the most influential variables in the model.

Transparency (TRAN): Transparency has a coefficient of 0.213 (p-value = 0.001), suggesting that a one-unit increase in transparency is expected to increase the financial reporting quality by 0.213 units. The Beta value of 0.210 indicates a moderate positive effect of transparency on financial reporting quality.

Integrity (INT): The coefficient for integrity is 0.236 (p-value = 0.015), suggesting that greater integrity in financial reporting is associated with an increase in financial reporting quality by 0.236 units. The Beta value of 0.237 shows a moderate effect of integrity on financial reporting quality.

Objectivity (OBJ): The coefficient for objectivity is 0.375 (p-value = 0.000), which is the highest among the ethical practices, indicating that objectivity has the strongest positive impact on the quality of financial reporting. The Beta value of 0.492 confirms that objectivity plays a critical role in improving financial reporting quality.

Auditor Independence (AUD): The coefficient for auditor independence is 0.231 (p-value = 0.000), meaning that auditor independence also positively influences financial reporting quality. The Beta value of 0.322 indicates that auditor independence has a significant effect on financial reporting quality.

### **Hypotheses Testing**

Based on the regression results from Table 4.7, we can evaluate each hypothesis to determine whether the ethical accounting practices (confidentiality, transparency, integrity, objectivity, and auditor independence) significantly impact the quality of financial reporting.

***Ho1: There is no significant impact of confidentiality on the quality of financial reporting.***

**Result:** The coefficient for confidentiality (CON) is 0.246, with a p-value of 0.000.

**Interpretation:** Since the p-value is less than 0.05, we reject the null hypothesis (Ho1) and conclude that confidentiality does have a significant impact on the quality of financial reporting. Specifically, an increase in confidentiality is associated with a 0.246 unit increase in financial reporting quality, indicating that confidentiality is a key factor in improving financial reporting.

***Ho2: There is no significant effect of transparency in disclosures on stakeholder perceptions of financial reporting.***

**Result:** The coefficient for transparency (TRAN) is 0.213, with a p-value of 0.001.

**Interpretation:** Since the p-value is less than 0.05, we reject the null hypothesis (Ho2) and conclude that transparency does have a significant effect on stakeholder perceptions of financial reporting. Specifically, transparency increases financial reporting quality by 0.213 units, making it an important factor in enhancing the credibility of financial reports.

**Ho3: *There is no significant relationship between financial statement integrity and ethical accounting practices.***

**Result:** The coefficient for integrity (INT) is 0.236, with a p-value of 0.015.

**Interpretation:** Since the p-value is less than 0.05, we reject the null hypothesis (Ho3) and conclude that integrity does have a significant relationship with financial reporting quality. Specifically, an increase in integrity leads to a 0.236 unit improvement in the quality of financial reports, highlighting the importance of maintaining integrity in accounting practices.

**Ho4: *There is no significant role of objectivity in enhancing the quality of financial reporting.***

**Result:** The coefficient for objectivity (OBJ) is 0.375, with a p-value of 0.000.

**Interpretation:** Since the p-value is less than 0.05, we reject the null hypothesis (Ho4) and conclude that objectivity does play a significant role in enhancing the quality of financial reporting. Specifically, objectivity has the strongest positive effect, with a 0.375 unit increase in the quality of financial reports, indicating that maintaining objectivity is crucial for accurate and reliable financial reporting.

*Ho5: There is no significant effect of auditor independence on improving the quality of financial reporting.*

**Result:** The coefficient for auditor independence (AUD) is 0.231, with a p-value of 0.000.

**Interpretation:** Since the p-value is less than 0.05, we reject the null hypothesis (Ho5) and conclude that auditor independence does have a significant effect on improving the quality of financial reporting. Specifically, an increase in auditor independence is associated with a 0.231 unit improvement in financial reporting quality, indicating that auditor independence is essential for ensuring the reliability and credibility of financial statements.

## CHAPTER FIVE

### SUMMARY, CONCLUSION, AND RECOMMENDATIONS

#### 5.1 Summary of Findings

This study aimed to investigate the relationship between ethical accounting practices and the quality of financial reporting. The research was guided by five specific ethical accounting practices: confidentiality, transparency, integrity, objectivity, and auditor independence. The study utilized a survey design, and data was analyzed using descriptive statistics and multiple regression analysis to test the hypotheses.

The key findings of the study are as follows:

The key findings of this study are as follows:

- **Confidentiality and Financial Reporting Quality:**

The study revealed that confidentiality significantly influences financial reporting quality (Adeyemi & Fagbemi, 2021). Organizations that ensure strict confidentiality in handling financial information demonstrate higher reporting integrity, preventing unauthorized disclosures that could compromise financial credibility (Okolie, 2022).

- **Transparency and Stakeholder Trust:**

The analysis confirmed that transparency in financial disclosures fosters stakeholder confidence and enhances financial reporting reliability (Ijeoma, 2020). This finding is consistent with prior studies emphasizing that organizations practicing full disclosure and clarity in their financial statements experience greater trust from investors, regulators, and the public (Arowoshegbe & Uniamikogbo, 2019).

- **Integrity and the Accuracy of Financial Reports:**

Findings suggest that integrity is fundamental in ensuring the accuracy and fairness of financial reporting (Ofoegbu, 2019). This result corroborates previous studies, which found that high levels of ethical integrity in accounting minimize manipulations and errors in financial records (Nwanyanwu, 2021).

- **Objectivity and the Prevention of Bias:**

The study found that objectivity plays a crucial role in eliminating bias in financial statements, ensuring that reports reflect an accurate and unbiased financial position (Olajide & Oluwaseun, 2023). This aligns with empirical evidence suggesting that accountants who maintain objectivity are less likely to succumb to managerial pressure or conflicts of interest (Oladipupo & Izedonmi, 2020).

- **Auditor Independence and Financial Reporting Reliability:**

Lastly, auditor independence significantly enhances the credibility of financial reports (Chukwunedu & Okafor, 2018). Empirical studies have shown that external auditors who maintain independence from management provide more reliable, unbiased, and trustworthy evaluations of financial statements, reinforcing compliance with ethical accounting standards (Eze & Nnadi, 2021).

## **5.2 Conclusion**

The study concluded that ethical accounting practices play a pivotal role in enhancing the quality of financial reporting. Specifically, confidentiality, transparency, integrity, objectivity, and auditor independence were found to have a significant positive

effect on financial reporting quality. These practices not only ensure the accuracy and reliability of financial statements but also contribute to stakeholder trust and informed decision-making.

The findings of this study suggest that organizations must prioritize these ethical practices to maintain high-quality financial reporting. The results also emphasize the importance of fostering a culture of ethical behavior within the accounting profession to enhance the transparency and credibility of financial reports.

### **5.3 Recommendations**

Based on the findings of this study, the following recommendations are made:

- **Promotion of Ethical Training:** Organizations should invest in training and development programs to foster ethical behavior among accounting professionals. This would ensure that confidentiality, transparency, integrity, objectivity, and auditor independence are prioritized in everyday accounting practices.
- **Strengthening Audit Independence:** Regulatory bodies and auditing firms should take further steps to strengthen the independence of auditors. This could include more stringent rules on auditor rotation and clearer guidelines on preventing conflicts of interest to ensure unbiased financial reporting.
- **Encouraging Transparency in Disclosures:** Companies should be encouraged to adopt more transparent reporting practices. Regulatory bodies could introduce or strengthen regulations that require detailed and clear disclosures of financial information, helping to build trust with stakeholders.

- **Ethical Codes of Conduct:** Accounting firms and organizations should implement and strictly enforce codes of ethics to guide the behavior of accounting professionals. These codes should emphasize the importance of confidentiality, integrity, and objectivity in all financial reporting activities.
- **Further Research:** Future studies could explore other factors that influence financial reporting quality, such as corporate governance practices or technological advancements in accounting. Additionally, research could be expanded to include different geographical regions and industries to assess the generalizability of these findings.

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## APPENDIX

**DEPARTMENT OF ACCOUNTING  
FACULTY OF MANAGEMENT SCIENCES  
UNIVERSITY OF BENIN, BENIN CITY**

Dear Sir/Madam,

**REQUEST FOR YOUR COOPERATION IN COMPLETING THIS  
QUESTIONNAIRE**

My name is **OKUNDAYE GIFT**, and I am currently pursuing a Bachelor of Science degree in Accounting at the University of Benin. As part of the requirements for my programme, I am conducting a study on "Ethical Accounting Practices and Financial Reporting Quality in Nigeria." You have been selected as part of the sample for this study.

I kindly request that you take a few minutes from your busy schedule to complete this questionnaire. Please note that your identity will remain confidential and your responses will be used solely for academic purposes related to this study.

Thank you for your participation.

### **SECTION A**

In the space provided, please tick (√) where appropriate about you

#### **Demographic Information**

**1. What is your gender?**

Male

Female

**2. What is your highest level of education?**

Bachelor's Degree

Master's Degree

Doctorate Degree

Others

3. **How many years of professional experience do you have in accounting or finance?**

- 1-5 years ( )
- 6-10 years ( )
- 11-15 years ( )
- More than 15 years ( )

**SECTION B**

**Objective 1: To evaluate the extent to which confidentiality impacts the quality of financial reporting.**

S/N	Items	SA	A	N	D	SD
1	Confidentiality is essential in maintaining the integrity of financial reporting.					
2	Breaching confidentiality in financial reporting can lead to inaccurate financial statements.					
3	Accounting professionals should prioritize client confidentiality to enhance the reliability of financial reports.					
4	Financial reporting quality improves when sensitive financial information is kept confidential.					
5	Strong confidentiality practices are a key factor in building trust in financial reports.					

**Objective 2: To evaluate the extent to which transparency in disclosures affects stakeholder perceptions of financial reporting.**

S/N	Items	SA	A	N	D	SD
6	Transparent disclosures in financial reports lead to better stakeholder trust.					
7	The quality of financial reporting increases when organizations are transparent in their disclosures.					
8	Stakeholders are more likely to invest in firms that provide transparent financial disclosures.					
9	Lack of transparency in financial disclosures can undermine the reliability of financial reports.					
10	Transparency in financial reporting is crucial for informed decision-making by stakeholders.					

**Objective 3: To evaluate the extent to which financial statement integrity is linked to ethical accounting practices.**

S/N	Items	SA	A	N	D	SD
11	Financial statement integrity is directly linked to ethical accounting practices.					
12	Ethical accounting practices ensure the accuracy and fairness of financial statements.					
13	A lack of integrity in financial statements can be attributed to unethical accounting practices.					
14	Ethical accountants are more likely to produce reliable and accurate financial statements.					
15	Maintaining integrity in financial reporting is a key element of professional ethical standards in accounting.					

**Objective 4: To evaluate the extent to which objectivity enhances the quality of financial reporting.**

S/N	Items	SA	A	N	D	SD
16	Objectivity in accounting practices improves the quality of financial reporting.					
17	Accountants who remain objective in their work produce more accurate and reliable financial reports.					
18	The presence of objectivity in financial reporting helps prevent bias and conflicts of interest.					
19	Financial reports with objective viewpoints are trusted more by stakeholders.					
20	Objectivity in financial reporting is essential for maintaining the credibility of the financial information presented.					

**Objective 5: To evaluate the extent to which auditor independence improves the quality of financial reporting.**

<b>S/N</b>	<b>Items</b>	<b>SA</b>	<b>A</b>	<b>N</b>	<b>D</b>	<b>SD</b>
21	Auditor independence is essential for ensuring the quality of financial reporting.					
22	When auditors are independent, their reports enhance the reliability and credibility of financial statements.					
23	Auditor independence prevents conflicts of interest that could distort financial reporting.					
24	Independent auditors are more likely to provide an unbiased and accurate evaluation of a company's financial reports.					
25	The independence of auditors strengthens public trust in financial reporting.					