

**THE IMPACT OF UNETHICAL ACCOUNTING PRACTICES ON FINANCIAL
REPORTING QUALITY OF MANUFACTURING FIRMS IN NIGERIA**

BY

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**DEPARTMENT OF ACCOUNTING,
FACULTY OF MANAGEMENT SCIENCE,
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BENIN CITY**

JUNE, 2025

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**A PROJECT WRITTEN IN THE DEPARTMENT OF ACCOUNTING, FACULTY OF
MANAGEMENT SCIENCE, UNIVERSITY OF BENIN, BENIN CITY. IN PARTIAL
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SCIENCE (B.SC) DEGREE IN ACCOUNTING.**

JUNE, 2025

DECLARATION

I **Onya Tina Oghenekevwe**, hereby declare that this project is based on a study undertaken by me in the Department of Accounting, Faculty of Management Science, University of Benin. under the supervision of Dr. (Mrs) Emoarehi Eriki.

This study is original and has not been submitted elsewhere for the award of any degree to be best of my knowledge. All idea and views of others have been expressed, they have been duly acknowledge. Any form of liability is entirely mine and not of the supervisor.

Onya Tina Oghenekevwe
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Date

CERTIFICATION

This is to certify that this work was carried out by **ONYA TINA OGHENEKEVWE** in the Department of Accounting, University of Benin, Benin City. The research is regarded satisfactory in terms of scope and quality, and it partially meets the standards for compering a Bachelor of Sciences (B.Sc.) degree in Accounting.

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(Head of Department)

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DEDICATION

This research work is dedicated God Almighty, without him the work will not have been possible.

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My sincere gratitude goes to God Almighty, whose infinite wisdom, grace, mercy and strength have been my guide and sustenance throughout this project. His unwavering love and faithfulness made this accomplishment possible.

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ABSTRACT

This study examined the Impact of Unethical Accounting Practices on Financial Reporting Quality of Manufacturing Firms in Nigeria. The study specifically examined the common unethical accounting practices prevalent in Nigerian manufacturing firms. The study examined the major causes of unethical practices by accounting professionals. The survey design was adopted and the simple random sampling techniques were employed in this study. The population size comprises of selected staff of Sumal Foods Limited in Oyo State. In determining the sample size, the researcher conveniently selected 80 respondents and 72 were validated. Self-constructed and validated questionnaire was used for data collection. The collected and validated questionnaires were analyzed using frequency tables and mean scores, while the hypotheses were tested using ANOVA statistical tool. The result of the findings reveals that the common unethical accounting practices prevalent in Nigerian manufacturing firms includes; falsifying financial statements to mislead stakeholders, manipulating inventory levels to inflate profits is a frequent practice, underreporting expenses to enhance profitability is widely practiced and engaging in related-party transactions without proper disclosure is common. Therefore, The study suggests that accounting professional bodies in Nigeria should advocate for stricter penalties for auditors who misconduct themselves, similar to practices in other countries..

CHAPTER ONE

INTRODUCTION

1.1 Background to the study

Over the last decade, there has been growing global concern about the persistent use of unethical accounting practices and violations of established guidelines. According to Inez (2021), unethical accounting practices refers to actions that violate accounting standards and ethical principles, often leading to the manipulation of financial records, examples of such practices includes; falsifying records, inflating earnings, producing fraudulent reports, and misusing assets (Anthony, 2019). In recent years, incidents of unethical misconduct and financial fraud in corporations have risen, drawing significant attention to these issues (Garcia, 2020). These global crises in the accounting sector have eroded the trust of stakeholders who rely on financial data. The collapse of major firms once considered "too big to fail," such as Enron and WorldCom in the U.S. in 2001, Parmalat, Lehman Brothers, One.Tel in Australia, Barclay Bank in the UK, Polly Peck, Tyco, Cadbury, and MTN in Nigeria, has raised serious questions about the integrity of the accounting profession. This has also created doubt on the reliability of their external auditors (Cortese, 2019).

This has led to a heightened demand for strict adherence to ethical standards within the auditing field (Monem, 2018). Researchers have examined the root causes of these corporate collapses and have attributed them to lack of ethical principles (Aifuwa, Embele, & Saidu, 2018). These

failures have been tied to accountants and auditors neglecting professional ethical standards, which has increasingly undermined the credibility of financial reporting and the auditing profession. Recent global events have further intensified concerns about the trustworthiness of the auditing and accounting field (Adeyemi & Fagbemi, 2019). Ogbonna (2020) emphasized that a society lacking ethical principles is unlikely to sustain itself or achieve its goals, including those of its stakeholders.

Accounting and auditing professionals responsible for preparing financial statements must adhere strictly to ethical standards in their fields; in other to ensure that the financial statements produced are reliable, relevant, timely, accurate, understandable, and comprehensive, providing a true and fair view of a firm's financial position and performance (Ogbonna & Ebimobowei, 2022). Such compliance is essential because these financial reports form the foundation by which stakeholders can trust and make informed decisions. More so, Nzotta (2018) emphasized that financial accounts are fundamental for economic decision-making.

Consequently, professional accountants must uphold their responsibilities to ensure investors and other stakeholders are presented with accurate financial statements that support informed investment decisions. This is particularly important because shareholders depend on these reports when making investment choices. Chima (2021) observed that corporate regulators in many countries, including Nigeria, employ tailored rules to regulate and oversee firms' behavior,

aiming to achieve effective corporate governance. Regulatory agencies worldwide monitor the practices of the auditing and accounting profession. The International Federation of Accountants (IFAC), for instance, has continuously developed auditing standards to enhance the reliability and integrity of financial reporting (Damagum, 2018). With globalization transforming the market landscape, there is an increasing emphasis on adopting the International Financial Reporting Standards (IFRS). Overseen by the International Accounting Standards Board (IASB), these standards aim to establish a uniform framework for preparing financial statements worldwide. In Nigeria, organizations such as the Companies and Allied Matters Act (2004, as amended), Financial Reporting Council (FRC), Institute of Chartered Accountants of Nigeria (ICAN), Association of National Accountants of Nigeria (ANAN), and other industry-specific bodies provide guidelines to uphold ethical and professional standards in auditing and accounting (Akinbode, 2023).

The integrity of financial reporting is crucial for ensuring transparency, accountability, and the overall health of an economy. Financial reports play an essential role in Nigeria's manufacturing sector, offering investors, regulators, and management the information needed for well-informed decision-making (Damagum, 2018). However, unscrupulous accounting practices can significantly undermine the credibility of these reports (Chinedu, 2020). As a vital part of Nigeria's economy, the manufacturing sector contributes substantially to employment, GDP, and exports (Moses & Emeka, 2023). Nonetheless, the sector faces challenges such as poor

infrastructure, regulatory constraints, and inefficient allocation of financial resources. Unethical accounting practices pose a major threat to the reliability and trustworthiness of financial information. High-quality financial reporting is characterized by precision, reliability, transparency, and compliance with relevant accounting standards and regulations. This ensures financial statements accurately reflect a company's performance and financial position (Bidemi et al., 2023). On the other hand, unethical practices in financial reporting can have serious consequences, including eroding investor confidence, attracting regulatory penalties, causing operational inefficiencies, and damaging reputations (Eteka, 2022). This study seeks to analyze the impact of unethical accounting practices on the quality of financial reporting within Nigeria's manufacturing sector.

1.2 Statement of the problem

The quality of financial reporting is undeniably critical to the efficiency of capital markets and the broader economy. In Nigeria, the manufacturing sector plays a significant role in national development, contributing to GDP, employment, and industrial growth. However, the credibility and integrity of financial reporting within this sector have been increasingly undermined by unethical accounting practices (Emmanuel et al., 2019; Okoye & Alao, 2020; Nwobu & Ashike, 2021).

The most prevalent form of unethical behavior is financial statement manipulation, which involves the intentional misrepresentation of accounting data to present a more favorable financial position than actually exists. This includes tactics such as inflating revenues, deferring expenses, manipulating asset valuations, and providing misleading disclosures (Bolaji, 2020; Chukwudi et al., 2021; Udo & Ekong, 2022). These practices are often motivated by the desire to meet financial benchmarks, secure loans, attract investors, or inflate executive compensation packages.

Adediran and Olayinka (2022) noted that weak regulatory enforcement, corruption, and inadequate internal controls are major enabling factors for unethical accounting behavior in Nigeria. Eteka (2022) emphasizes that the consequences of these practices extend beyond the affected companies to damage investor confidence, reduce the credibility of financial markets, and erode public trust in financial reporting. Similarly, Akinyomi and Okpala (2013) argue that poor corporate governance structures often fail to detect or deter these unethical activities.

Ibrahim and Hassan (2023) further assert that a lack of professional competence, weak ethical orientation among accounting personnel, and insufficient oversight mechanisms are persistent challenges. According to Oladele and Adebayo (2021), the prevalence of unethical accounting in the manufacturing sector also reflects a broader cultural tolerance for financial misreporting in Nigerian business practices.

Moreover, Ofori and Appiah (2020) highlight that these issues are not isolated incidents but are systemic and institutional, affecting the long-term sustainability and competitiveness of the manufacturing industry. The resulting financial misstatements impair investor decision-making, misallocate resources, and contribute to corporate failures.

Given these alarming trends, this study seeks to critically evaluate the effects of unethical accounting practices on the quality of financial reporting within Nigeria's manufacturing sector. It aims to explore the root causes, consequences, and possible interventions that could enhance transparency, accountability, and trust in financial disclosures. Common tactics include inflating revenues, understating expenses or liabilities, overvaluing assets, and providing misleading disclosures, Motivations Behind Unethical Behavior, Managers and executives often manipulate financial reports to: Meet unrealistic financial targets, Secure loans or attract investors, Boost company stock prices, Increase performance-based compensation, Conceal poor financial performance (Salaudeen, *et al.*, 2015; Chukwuma, *et al.*, 2025).

Regulatory bodies lack the capacity or willpower to enforce compliance with financial reporting standards. This weakness enables continued unethical behavior with minimal consequences, Poor Corporate Governance and Internal Controls, Many manufacturing firms have ineffective governance structures, Internal audit and control systems are often too weak to detect or prevent fraudulent accounting activities, Low Professional and Ethical Standards, There is a lack of strong ethical orientation among accounting professionals, Inadequate professional training and

ethical education contribute to the problem, Cultural Tolerance for Financial Misreporting (Amanamah, 2024), Unethical accounting practices are normalized or ignored within the business culture, A culture of impunity exists where financial misconduct is rarely punished, Negative Consequences on Stakeholders and the Economy, Loss of investor confidence and trust in financial information, Misallocation of economic resources based on misleading data, Reputational damage to firms and potential for corporate failure, Broader economic effects due to instability in the manufacturing sector (Tang, *et al.*, 2022; Chukwuma, *et al.*, 2025).

The system and institutional nature of a problem is not limited to a few companies but is widespread and systemic. Institutional weaknesses and lack of accountability sustain unethical practices over time. These problems underscore the urgent need for reforms in regulatory frameworks, corporate governance practices, and professional ethics training to improve the quality of financial reporting in Nigeria's manufacturing sector (Magakwe, 2024; Mennella, *et al.*, 2024; Heim & Mergaliyeva, 2025).

1.3 Objectives of the study

The main aim of this study is to examine the impact of Unethical accounting practices on the quality of financial reporting in Nigerian manufacturing firms.

The specific objectives seek to:

1. To evaluate the weak internal control system on financial reporting of manufacturing firms.

2. Examine the information asymmetry on financial reporting of manufacturing firms.
3. Exploring competitive pressure on financial reporting of manufacturing firms.
4. Analyze professional skepticism on financial reporting of manufacturing firms.

1.4 Research Questions

This study l addressed the following questions:

1. What is the weak internal control system on financial reporting on manufacturing firms?
2. How does information asymmetry affect the financial reporting of manufacturing firms?
3. What is the impact of competitive pressure on the financial reporting of manufacturing firms?
4. How does professional skepticism influence the financial reporting of manufacturing firms?

1.5 Research Hypotheses

The Following null hypotheses (H_0) are stated in their null form.

H_{01} : There is no significant difference between the weak internal control systems on financial reporting of manufacturing firms.

H_{02} : There is no significant difference between the information asymmetry on financial reporting of manufacturing firms.

H_{03} : There is no significant difference between the impacts of competitive pressure on financial reporting of manufacturing firms.

.H₀₄: There is no significant difference between the professional skepticism on financial reporting of manufacturing firms.

1.6 Significance of the Study

Investigating the Effects of Unethical Accounting Practices on Financial Reporting Quality in Nigerian Manufacturing Firms is vital for improving governance, boosting investor confidence, supporting informed decision-making, guiding regulatory reforms, protecting corporate reputation, and advancing academic understanding of accounting ethics and governance.

Analyzing these effects can help uncover weaknesses in corporate governance and internal controls, providing valuable insights for policymakers, regulators, and industry stakeholders seeking to improve ethical standards and transparency.

The quality of financial reporting directly influences investor confidence and market efficiency. Unethical practices, such as earnings manipulation or false disclosures, mislead investors, leading to improper capital allocation and reduced market efficiency. This study can contribute by identifying methods to improve the reliability and trustworthiness of financial information.

Accurate financial reporting is essential for effective decision-making within companies. Unethical practices distort financial metrics, misrepresenting a firm's actual financial position. This misrepresentation can lead to suboptimal decisions regarding investments, resource

allocation, and strategic planning. Understanding these consequences can enhance organizations' decision-making processes.

Unethical accounting methods often violate accounting standards and legal regulations. Examining their impact can provide insights into necessary regulatory reforms, improved enforcement mechanisms, and stricter adherence to ethical guidelines in financial reporting.

Additionally, the reputation of manufacturing firms relies heavily on trust and ethical behavior. Unethical practices can damage relationships with key stakeholders, such as customers, employees, suppliers, and the broader community. This research can offer practical recommendations for fostering a culture of integrity and accountability within organizations.

Lastly, this study will be of great significance to academic discourse on corporate governance, financial reporting, and ethics. It provides empirical evidence and theoretical insights that can guide future research and educational initiatives focused on addressing ethical challenges in accounting and business practices.

1.7 Scope of the study

The objective of this study is to examine the impact of unethical accounting practices on the quality of financial reporting in Nigerian manufacturing firms. Specifically, it seeks to identify common unethical accounting practices in the sector, investigate the primary causes of such practices among accounting professionals, and assess their effects on financial reporting quality.

Additionally, the study examines the implications of poor financial reporting quality on stakeholder decision-making and firm performance while proposing strategies to improve ethical standards and financial reporting quality in the manufacturing sector. Geographically, this study is restricted to Ibadan in Oyo State, Nigeria. This study will utilize a sampling techniques to select the sample size that it will focus on.

1.8 Limitations to the Study .

As with any research effort, this study encountered several limitations. The primary challenge was the limited availability of comprehensive literature on the subject, due to the scarcity of data regarding the impact of unethical accounting practices on financial reporting quality in Nigerian manufacturing firms. Consequently, considerable time and effort were required to identify relevant materials, books, and data sources.

Another limitation was the small sample size and the study's restricted geographical focus, which was confined to Nigeria. This limited scope means the findings cannot be generalized to other regions or sectors, highlighting the need for further research.

Financial constraints also posed significant challenges. As a student researcher with limited income, the high transportation costs, exacerbated by inflation in Nigeria, made data collection difficult. Additionally, time constraints arose from the need to balance research activities with

academic responsibilities, including attending lectures and fulfilling other educational commitments.

1.9 Definition of Terms

Ethical Accounting Practice: Refers to the set of standards and guidelines that accounting professionals adhere to in order to prevent fraudulent practices and maintain public trust in their profession.

Unethical Accounting Practice: Actions that violate Generally Accepted Accounting Principles (GAAP), such as misrepresenting a company's financial position or providing false inventory details. These practices are often driven by pressure to maintain a favorable company image.

Financial Reporting Quality: Refers to the extent to which financial information is relevant, accurate, complete, and unbiased. High-quality financial reporting provides reliable and comprehensive information, while poor-quality reporting is biased, incomplete, or fabricated.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter focuses on relevant literatures, to provide a deeper understanding of the research problem; this chapter acknowledges the contributions of scholars who have previously explored similar topics. The goal is to enhance comprehension of the study and bridge any existing gaps in knowledge. This chapter is structured under three main sub-sections: Conceptual framework, Theoretical framework, Empirical framework.

2.2 Conceptual Review

Unethical accounting practices refer to actions that breach ethical principles, professional standards, or legal regulations, often resulting in deceptive financial reporting or financial wrongdoing, such as falsifying financial statements or participating in insider trading (Giriraji, 2008).

2.2.1 Concept of Unethical Accounting Practices

Financial reporting refers to the process of preparing and publishing financial information for stakeholders who rely on financial statements. The concept dates back to 1975 when corporate reporting first emerged in England. In Nigeria, the growing demand for corporate financial information has elevated the importance of financial reporting. It provides relevant data to

existing and prospective investors, creditors, and other users, enabling them to make informed investment, credit, and financial decisions (Okoye & Akenbor, 2014).

Financial reporting also helps assess the timing, amount, and uncertainty of future cash flows, as well as an organizations economic resources and liabilities. According to Olakunori (2009), achieving financial reporting objectives requires a well-defined and universally accepted framework. A financial reporting framework consists of the fundamental accounting principles, assumptions, and methodologies used in preparing financial statements. It applies to a wide range of entities, including publicly listed and privately owned companies, non-profit organizations, and government institutions.

In Nigeria, financial reporting is governed by local accounting regulations, laws, and standards set by regulatory bodies such as the Nigerian Accounting Standards Board (NASB). These regulations operate within a structured set of principles and guidelines. Yusuf (2006) notes that the accounting framework, often referred to as Generally Accepted Accounting Principles (GAAP), should not be viewed as a rigid constitution but rather as a guide for financial statement preparation.

A review of existing literature highlights the primary purposes of a financial reporting framework: Establishing key concepts that guide financial statement preparation and presentation, Assisting in the development of new accounting standards and the revision of existing ones,

Supporting organizations in preparing financial statements, especially when specific International Financial Reporting Standards (IFRS) do not address a particular issue, Helping auditors evaluate whether financial statements comply with IFRS, Enabling users to interpret financial information effectively in compliance with IFRS (Okoye & Akenbor, 2014; Golubeva, 2023).

2.2.2 The Financial Reporting Framework

Organizations have various accounting assumptions, principles, and methodologies available for preparing and presenting financial statements. For example, different methods of calculating depreciation include the straight-line, reducing balance, sum-of-years-digits, and revaluation methods. Similarly, inventory valuation can be performed using FIFO, LIFO, or weighted averages (Tsamis & Liapis, 2014).

The choice of accounting methods and principles significantly impacts an organization's financial performance and position. To ensure consistency and minimize discrepancies, Generally Accepted Accounting Principles (GAAP) provide a standardized financial reporting framework. However, Zhang (2005) notes that GAAP guidelines differ slightly from the International Financing Reporting Standard (IFRS).

The existing financial reporting framework covers the following key areas: The purpose of financial statements, Qualitative characteristics of financial statements, Elements of financial

statements, Recognition criteria for financial statement elements, Concepts of capital and capital maintenance (NASB, 2010).

2.2.3 Objectives of Financial Statements

The primary purpose of financial statements is to provide useful information about an entity's financial position (balance sheet), performance (income statement), and cash flows. These statements help various stakeholders make informed economic decisions.

Key users of financial statements include: Investors and potential capital providers, Employees, Lenders and suppliers, Government agencies.

Financial statements also reflect how effectively management has used the resources entrusted to them. Along with supplementary notes, these reports help stakeholders understand an entity's future cash flow potential, financial risks, and overall financial health.

2.2.4 Ethics in Financial Reporting

Ethics refers to the moral principles that guide individual behavior, helping distinguish between right and wrong, good and bad, and virtue and vice (Brinkmann, 2002; Ogbonna & Appah, 2012).

Ethical considerations play a crucial role in corporate environments, particularly financial reporting. Professional accounting bodies have developed codes of ethics promote ethical behavior within the industry. These codes outline the ethical obligations of accountants and

emphasize the importance of integrity in financial reporting. Ethical codes help manage high-risk activities and maintain trust in financial systems. Micewski & Troy (2006) stated that corporate ethical responsibilities are not all-encompassing; organizations should actively foster ethical behavior in financial decision-making.

Several scholars, including Jenfa (2000), Nwagboso (2008), and Ogbonna & Appah (2012), have highlighted the benefits of professional ethics in accounting:

Encouraging accountants to uphold professional standards in their work, Assuring clients that financial service providers prioritize ethical conduct over financial gain, Promoting professional integrity, competence, and independence, Helping regulatory bodies ensure that accountants possess the necessary skills and expertise, Protecting public interest and maintaining trust in the profession, Accounting, as a discipline, requires a strong sense of responsibility and accountability, which is why all professionals must adhere to a strict code of conduct (Nwagboso, 2008).

In Nigeria, professional guidelines for accountants and auditors are provided by The Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN). These guidelines emphasize the following ethical principles:

- Integrity: Accountants must be honest in all professional dealings.
- Objectivity: Decisions should be based on sound judgment, free from bias or conflicts of interest.

- Professional competence and due care: Accountants must maintain up-to-date knowledge, skills, and professionalism to perform their duties effectively.
- Confidentiality: Financial information obtained during professional services must remain confidential unless disclosure is legally required.
- Professional behavior and courtesy: Accountants should treat colleagues, clients, and regulators with respect and comply with legal and professional standards.

By adhering to these ethical principles, accountants contribute to financial transparency, maintain public trust, and uphold the integrity of the profession.

2.2.5 Financial Reporting Quality

Verdi (2006) describes financial reporting quality as the accuracy with which it presents information about business activities concerning expected cash flows, aiming to inform shareholders about a company's operations. Tang, Chen, and Zhijun (2008) further define financial reporting quality as the extent to which financial statements provide fair and reliable information about a company financial status and performance. Based on these definitions, a financial statement is considered high-quality when it provides authentic details regarding economic performance, financial position, and cash flow activities, ensuring its usefulness to shareholders and stakeholders. Martínez-Ferrero, Garcia-Sanchez, and Cuadrado-Ballesteros (2013) define financial reporting quality as the reliability of information conveyed in financial

reports. Expanding on this, reporting quality can be described as the trustworthiness of both financial and non-financial information presented in reports. At the end of a financial year, no company's financial statements must be accurate and transparent, as this fosters stakeholder confidence.

Financial reporting quality can be assessed through both direct and indirect methods. Direct assessments include the accruals model, value relevance model, analysis of specific financial report elements, and evaluation of qualitative characteristics (Beest et al., 2009). Indirect assessments involve examining earnings management, financial restatements, and the timeliness of reporting (Barth, Landsman & Lang, 2008; Schipper & Vincent, 2013; Cohen, Krishnamorthy & Wright, 2004).

The accruals model evaluates earnings quality based on the assumption that managers use discretionary accruals to influence reported earnings (Healy & Wahlen, 1999; Dechow, Sloan & Sweeney, 1995). While this model effectively measures earnings management using financial statement data (Beest et al., 2009), it has limitations, including difficulty distinguishing between discretionary and non-discretionary accruals (Healy & Wahlen, 1999 as cited in Beest et al., 2009). Additionally, it excludes non-financial components, limiting its ability to present a comprehensive financial view in contexts emphasizing human and environmental accounting.

The value relevance model assesses financial reporting quality by examining correlations between accounting figures and stock market reactions (Barth et al., 1997; 2008; Nichols &

Wahlen, 2004). Stock prices represent market value, whereas accounting figures reflect firm value based on accounting principles (Beest et al., 2009). Despite its usefulness, this model has limitations in accurately determining stock prices and market values.

The International Accounting Standards Board (IASB) qualitative model evaluates financial reporting quality through fundamental and enhancing characteristics (Kythreotic, 2014). Fundamental characteristics include relevance and faithful representation, while enhancing characteristics include comparability, timeliness, verifiability, and understandability. A financial statement is relevant if it helps users evaluate past and present events and make economic decisions (Beest et al., 2009). It is reliable when it is free from material misstatements, unbiased, neutral, verifiable, and a true representation of economic reality (Cheung, Evans & Wright, 2010). Faithful representation requires financial reports to objectively depict economic events without manipulation.

Comparability ensures that identical situations are reflected with consistent accounting figures, allowing users to compare financial statements across different periods and companies (Beest et al., 2009). Timeliness enhances financial reporting quality by ensuring information is available to decision-makers before it loses relevance. Understandability ensures that financial reports effectively communicate information, with greater comprehension leading to higher quality (Cheng et al., 2010). Verifiability is also crucial, as independent validation of financial reports

enhances their reliability. This study employs the IASB qualitative characteristics model to evaluate financial reporting quality.

Concept of Accounting Practices

Accounting practices are essential for ensuring accurate financial reporting, regulatory compliance, and effective resource management. This section explores various accounting frameworks, including Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS), and sustainability reporting trends.

2.2.6 Importance of Accounting Practices

Accounting practices are vital for:

1. **Financial Reporting:** They establish a framework for preparing financial statements, which reflect a company's financial health and inform stakeholders such as investors and creditors (Miller, 2023).
2. **Regulatory Compliance:** Organizations must adhere to local and international standards to avoid legal and financial repercussions (Harris & Moffett, 2022).
3. **Decision-Making:** Reliable accounting practices support management in resource allocation, budgeting, and investment decisions (Jones et al., 2024).

4. Generally Accepted Accounting Principles (GAAP) and International Financial Reporting Standards (IFRS): GAAP, primarily used in the U.S., ensures consistency, transparency, and comparability in financial reporting. It includes principles such as revenue recognition, expense matching, and full disclosure (Khan & Khokhar, 2023). The Financial Accounting Standards Board (FASB) continually updates GAAP to address emerging issues (FASB, 2020).

On the other hand, IFRS, developed by the IASB, is used in over 140 countries, including the EU. Efforts to align GAAP with IFRS aim to improve cross-border financial statement comparability (Graham & Johnson, 2023). Key differences between GAAP and IFRS exist in areas such as revenue recognition and lease accounting (Schmidt et al., 2023).

2.2.7 Sustainability Reporting

Growing emphasis on corporate social responsibility has led to sustainability reporting, requiring organizations to disclose environmental, social, and governance (ESG) performance. Frameworks such as the Global Reporting Initiative (GRI) and Sustainability Accounting Standards Board (SASB) guide these disclosures (Hahn et al., 2024). Sustainability reporting enhances reputation, attracts investment, and fosters stakeholder trust, with studies linking it to improved financial performance (Smith et al., 2023).

2.2.8 Technology in Accounting

Advancements in technology have transformed accounting practices. Cloud accounting enables remote financial management and real-time reporting (Brown & Green, 2023), while artificial intelligence (AI) streamlines processes like fraud detection and forecasting, reducing human error (Patel, 2023).

2.2.9 Ethical Accounting Practices

Following the formation of the International Federation of Accountants (IFAC), a twelve-point agenda was introduced to guide members, including a code of ethics applicable to accountants in all sectors (Dankwanmbo & Izedonmi, 2018). Key ethical principles include integrity, objectivity, professional behavior, confidentiality, and competence.

1. Professional Behavior and Financial Reporting Quality: Professional behavior requires accountants to comply with relevant laws and avoid actions that harm the profession's reputation (Nwagboso, 2008). Practices like stock market manipulation and insider trading undermine financial reporting quality. D'Asquilla (2001) emphasizes the importance of accountants maintaining a positive attitude toward quality reporting despite management pressure, which may otherwise compromise transparency.

2. Objectivity and Financial Reporting Quality: Objectivity mandates that accountants maintain impartiality, avoiding conflicts of interest or external influences that could impair professional

judgment. Situations that compromise objectivity should be avoided (Oraka & Okegbe, 2015). Upholding objectivity enhances financial reporting credibility, professionalism, and service quality, thereby improving report reliability (Ogbonna & Ebimobowei, 2011). Studies confirm that objectivity significantly impacts financial reporting quality, reinforcing the need for strict adherence to ethical accounting principles (Enofe et al., 2015; Eginwin & Dike, 2014).

3. Integrity and Financial Reporting Quality: Professional accountants are expected to uphold integrity in all business, financial, and professional interactions. Integrity goes beyond honesty to include fairness and truthfulness. According to Oraka and Okegbe (2015), integrity is a core value in the Code of Ethics, evaluated based on justice and righteousness. The integrity principle mandates that accountants remain truthful and straightforward in their professional and business dealings. Eginwin and Dike (2014) argue that integrity positively influences financial reporting quality, a view supported by Enofe et al. (2015). Their conclusion was drawn from parametric testing using the e-views tool. To enhance accuracy and generalization, a non-parametric test using SPSS was also conducted.

4. Confidentiality and Financial Reporting Quality: Accountants must maintain confidentiality concerning any information obtained through professional and business engagements. Such information should not be disclosed to third parties without explicit authorization unless legally or professionally required. Furthermore, professionals must not use confidential data for personal

gain or the benefit of others. This confidentiality obligation persists even after the professional relationship ends. However, Ogbonna and Ebimobowei (2011) found no correlation between confidentiality and financial reporting quality in the banking sector. In contrast, Enofe et al.

(2015) identified a negative and significant association using disclosures as a proxy. The discrepancy in findings may be attributed to differences in sample sizes used in these studies.

5. Professional Competence, Due Care, and Financial Reporting Quality: Accountants have an ongoing responsibility to maintain their professional expertise, ensuring clients and employers receive competent services that reflect the latest developments in legislation, industry practices, and techniques. They must exercise diligence and adhere to technical and professional standards when delivering services. Professional competence consists of two main components: acquiring knowledge and continuously maintaining it. Staying updated on relevant business and professional advancements ensures that accountants remain capable of providing high-quality financial reports. Eginwin and Dike (2014) found that professional competence and due care positively impact financial reporting quality, underscoring the importance of continuous learning in ensuring reliable financial information.

Unethical practices in Finance.

Unethical Practices and Finance in Nigeria's Manufacturing Sector. Unethical financial practices in Nigeria's manufacturing sector have significant implications for financial reporting, investment, and overall economic growth (Osazefua Imhanzenobe, 2020). Below are key ways unethical behavior affects the sector:

1. Financial Misrepresentation and Investor Distrust.

Many manufacturing firms in Nigeria engage in earnings manipulation, falsification of financial statements, and overstating revenues to attract investors. This creates information asymmetry, where external stakeholders make financial decisions based on misleading data, often resulting in poor investment choices and capital losses.

2. Regulatory Penalties and Legal Consequences.

Unethical financial reporting exposes manufacturing companies to penalties from regulatory bodies like the Financial Reporting Council of Nigeria (FRCN) and the Securities and Exchange Commission (SEC). Firms caught engaging in fraudulent activities face fines, legal action, or even delisting from the Nigerian Exchange (NGX), affecting long-term financial stability.

3. Increased Cost of Capital

Due to unethical financial practices, lenders and investors perceive Nigerian manufacturing firms as high-risk, leading to increased borrowing costs. Financial institutions charge higher interest rates, and foreign investors demand higher returns before committing capital, limiting firms' ability to expand operations (Tang, *et al.*, 2022).

4. Weak Internal Controls and Corruption

Many Nigerian manufacturing firms suffer from poor corporate governance and weak internal control systems, allowing fraud, embezzlement, and asset misappropriation. This leads to financial losses, reduced profitability, and inefficiency in resource allocation, ultimately affecting the sector's competitiveness.

5. Short-Term Gains vs. Long-Term Sustainability

Some firms engage in unethical financial practices, such as underreporting costs to evade taxes or inflating profits to secure bank loans. While these tactics may provide short-term financial relief, they often lead to long-term consequences like regulatory scrutiny, loss of business reputation, and eventual financial distress.

6. Reputational Damage and Market Decline

Unethical financial behavior weakens confidence in Nigeria's manufacturing sector, discouraging foreign direct investment (FDI) and partnerships. Investors and stakeholders prefer transparent financial reporting, and persistent financial misconduct can lead to a decline in industry growth and market competitiveness (Tang, *et al.*, 2022).

7. Impact on Economic Development

The manufacturing sector plays a critical role in Nigeria's economy, contributing to job creation, industrialization, and GDP growth. However, when unethical financial practices persist, they limit sectoral growth, reduce tax revenue for the government, and hinder economic progress.

Unethical financial practices in Nigeria manufacturing sector create an unstable financial environment, increasing risks for investors and weakening corporate sustainability. Strengthening regulatory enforcement, improving corporate governance, and promoting transparency are necessary to build trust and ensure the long-term financial health of the sector (Izuagie, 2025).

2.2.10 Factors that contribute to unethical accounting practices.

Weak Internal Control System: A weak internal control system refers to the absence or inefficiency of mechanisms designed to ensure accuracy, reliability, and compliance in financial

reporting. When internal controls are inadequate, companies are more vulnerable to fraud, misstatements, and errors. This can result in financial manipulation, loss of investor confidence, and regulatory penalties. Strong internal controls, such as segregation of duties, regular audits, and proper documentation, are essential for preventing unethical accounting practices.

Information Asymmetry: Information asymmetry occurs when one party in a financial transaction has access to more or better information than the other. In financial reporting, this typically benefits company insiders (management) over external stakeholders like investors and creditors. It can lead to misleading financial disclosures, earnings manipulation, and reduced transparency, ultimately affecting investment decisions and market efficiency. Reducing information asymmetry requires strict disclosure regulations and corporate governance measures.

Competitive Pressure: Competitive pressure in financial reporting arises when firms face intense market competition and feel compelled to present strong financial performance to attract investors and customers. This pressure may lead to earnings management, aggressive revenue recognition, or even fraudulent reporting. Companies may exaggerate financial health to maintain a competitive edge, risking legal consequences and reputational damage when such practices are exposed. Ethical leadership and adherence to accounting standards can help mitigate these risks.

Professional Skepticism: Professional skepticism is the critical mindset that accountants and auditors must maintain when assessing financial information. It involves questioning assumptions, evaluating evidence objectively, and being alert to potential misstatements due to fraud or error. A lack of professional skepticism can result in overlooking financial irregularities and failing to detect unethical practices. Strengthening skepticism through auditor independence, regulatory oversight, and professional training enhances the credibility of financial reporting.

2.2.11 Effects of Unethical Accounting Practices on Financial Reporting Quality

A. Distortion of Financial Statements

Unethical accounting practices lead to the misrepresentation of financial statements, making them unreliable for decision-making. For example, techniques like aggressive revenue recognition or deferring expenses artificially inflate profits, creating a false impression of a company's financial health (Dunn et al., 2021).

B. Erosion of Stakeholder Trust

Engaging in unethical accounting damages relationships with key stakeholders, including investors and creditors. Since these stakeholders rely on accurate financial information, discovering falsified reports can erode trust, leading to divestment and declining stock values. High-profile scandals, such as those involving Enron and WorldCom, highlight the severe consequences of unethical practices (Chiarini et al., 2022).

C. Legal and Regulatory Consequences

Beyond reputational harm, unethical accounting can lead to severe legal repercussions, including fines, sanctions, and potential criminal charges for executives. Regulatory bodies, such as the U.S. Securities and Exchange Commission (SEC), enforce stringent measures to deter misconduct, imposing significant financial penalties on violators (García-Sánchez et al., 2020).

D. Quality of Decision-Making

Integrity in financial reporting is crucial for sound decision-making within organizations. When financial data is manipulated, management may make strategic errors—such as unsustainable expansions based on inflated revenue figures—leading to long-term financial instability (Hassall et al., 2023).

E. Increased Cost of Capital

Companies engaged in unethical accounting practices often face higher borrowing costs, as investors and lenders demand higher returns to compensate for increased risk exposure. This rise in capital costs negatively impacts profitability and long-term growth prospects (López & Merino, 2023).

2.2.12 Mitigating Unethical Accounting Practices

To combat unethical accounting practices and enhance financial reporting quality, organizations can implement several strategies:

1. Strengthening Internal Controls

Establishing strong internal controls helps prevent and detect unethical practices. Regular evaluations and enhancements to these systems can minimize financial misstatements (Hassall et al., 2023).

2. Promoting an Ethical Culture

Fostering a corporate culture that values ethics is essential. Organizations should encourage transparency, integrity, and open communication, while ethics training programs can equip employees to resist pressure to engage in misconduct (López & Merino, 2023).

3. Enhancing Transparency

Greater transparency in financial reporting can deter unethical practices. Detailed disclosures and independent audits improve credibility and accountability (Chiarini et al., 2022).

4. Regulatory Compliance

Adhering to regulatory frameworks and accounting standards is crucial in maintaining financial integrity. Organizations should stay informed about legal changes and ensure compliance to uphold stakeholder confidence and avoid legal penalties (García-Sánchez et al., 2020).

2.3 Theoretical Framework

2.3.1 Agency Theory

The agency theory was developed by Jensen and Meckling in 1976, this Theory explores the conflicts that arise between principals (owners/shareholders) and agents (managers). It assumes that individuals act in self-interest, which may sometimes contradict the best interests of shareholders. Managers may prioritize personal benefits, such as bonuses or job security, over long-term company objectives especially when not closely monitored.

A central concept in Agency Theory is information asymmetry, where managers have more knowledge about a firm's financial health than shareholders. This imbalance can encourage unethical behaviors, including financial statement manipulation. To mitigate these conflicts, mechanisms like audits, performance evaluations, and regulatory oversight are essential.

2.3.2 Application of Agency Theory to the Study

Agency Theory helps explain the financial reporting challenges within Nigeria manufacturing sector, where market instability and regulatory pressures often incentivize unethical accounting to meet short-term goals. Managers might manipulate earnings or misstate financial records to secure performance-based bonuses or attract investors.

The consequences of such practices are severe. Stakeholder trust deteriorates when financial information is manipulated, leading to investment losses, reputational harm, and potential legal

consequences. To prevent this, Agency Theory underscores the necessity of strong governance, ethical compliance, and oversight systems to align management decisions with shareholder interests.

By applying Agency Theory, Nigerian manufacturing firms can recognize the root causes of unethical behavior and implement strategies to ensure accurate financial reporting. Strengthening ethical guidelines, enforcing compliance, and fostering transparency can mitigate risks and enhance the reliability of financial statements, ultimately benefiting all stakeholders.

2.3.3 Stakeholder Theory

R. Edward Freeman introduced Stakeholder Theory in the 1984 in his book 'strategic management' emphasizing that businesses should be accountable to a broad range of stakeholders not just shareholders. These include employees, customers, suppliers, and local communities. The theory asserts that businesses operate within a network of relationships, and their success depends on effectively managing these interactions.

One key assumption of Stakeholder Theory is that all stakeholders have a legitimate interest in a company operations, requiring businesses to consider their needs and expectations. Additionally, it assumes that stakeholder relationships are interdependent, meaning that actions affecting one group can have a ripple effect on others. Organizations that engage stakeholders transparently

and ethically can gain a competitive advantage by fostering trust and maintaining accountability in financial reporting.

A professional accountant should respect the confidentiality of information acquired as a result of professional and business relationships and should not disclose any such information to third parties without proper and specific authority unless there is a legal or professional right or duty to disclose. Confidential information acquired as a result of professional and business relationships should not be used for the personal advantage of the professional accountant or third parties. The need to comply with the principle of confidentiality continues even after the end of the relationship between a professional accountant and a client or employer. Ogbonna and Ebimobowei (2011), in their study, did not see any relationship between confidentiality and financial reporting quality in banks. In a similar study (Enofe et al., 2015) found a negative and significant relationship between confidentiality and financial reporting quality using disclosures as a proxy. These two findings prompted the researcher to know the reason for this. It could be because of the small sample size used in the study.

2.4 Empirical Review

Salaudeen et al. (2015) examined unethical accounting practices and financial reporting quality in Nigeria. Their findings indicated that extended audit tenure could impair auditors' independence, potentially leading to compromised financial statements. They recommended

appointing board members and auditors with integrity and limiting audit tenure to maintain objectivity.

Mubaraq, Abdulrasaq, and Saidu (2019) investigated ethical accounting practices in Nigerian manufacturing firms. Their study found that accountant integrity, objectivity, and professional behavior positively affect financial reporting quality. They recommended that professional accountants uphold ethical standards to ensure credibility.

Koufie et al. (2024) explored the influence of ethical accounting on financial reporting quality, incorporating religiosity as a moderating factor. Their study found a strong positive relationship between ethical accounting practices and financial reporting quality. They suggested that top management should promote a culture of integrity.

Enofe et al. (2015) examined the relationship between accounting ethics and financial reporting quality in Nigeria. Their results confirmed a significant positive link, leading them to recommend stricter hiring processes to ensure ethically sound professionals. They also advocated for dedicated ethics and compliance departments within organizations.

Ogbonna and Ebimobowei (2012) analyzed the role of ethical accounting standards in Nigerian banks, concluding that adherence to ethical guidelines enhances financial reporting quality. They recommended that banks establish ethics departments to oversee compliance with professional standards.

Eginiwin and Dike (2014) assessed the impact of accounting ethics on financial reporting in the oil industry. Their study found a positive relationship between ethical accounting practices and financial reporting quality. They suggested that professional bodies should continuously update ethical codes to align with changing industry dynamics.

In Nigeria, investors have lost billions of dollars due to collusion between accountants, external auditors, and company management, who have deliberately falsified and inflated financial statements. Unethical practices by accountants and auditors have led to financial distress and, in some cases, the closure of companies. As a result, several indigenous Nigerian Managing Directors of multinational corporations, such as Lever Brothers Nigeria Plc and Cadbury Nigeria Plc, have been dismissed and replaced by expatriates. Additionally, companies placed under receivership have suffered massive financial losses due to professional misconduct by their appointed receivers.

Despite claims of "protecting the public interest," accountants and auditors may have played a role in the financial struggles and collapse of several companies and banking institutions in Nigeria. However, various statutory provisions and professional regulations hold accountants and auditors responsible for detecting and reporting suspected fraud and accounting malpractices to regulators.

This paper critically examines the assertion that professional accounting bodies effectively safeguard public interest by analyzing documented cases of fraud, financial falsification, and intentional overstatement of company accounts. Using archival records, it presents evidence indicating professional misconduct by accountants, particularly members of the Institute of Chartered Accountants of Nigeria (ICAN). Furthermore, the paper highlights ICAN's reluctance to investigate or penalize its members for ethical breaches. It argues that the failure or unwillingness of ICAN's "Investigation and Disciplinary Machinery" to take action against accountants and auditors involved in malpractice suggests that, whether intentionally or unintentionally, the system operates in a way that protects erring members within accountancy firms from serious scrutiny.

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

In this chapter, the study described the method used in considering the research design, population, sample and sampling techniques, source of data, model specification, moderating model and method of data analysis.

3.2 Research Design

The survey research design was implemented as it aligns with the nature of the study, which involves gathering people's opinions and perspectives. According to Singleton and Straits (2009), survey research can incorporate quantitative methods (such as questionnaires with numerical ratings), qualitative methods (such as open-ended questions), or a combination of both (mixed methods). Since surveys are commonly used to describe and analyze human behavior, they are frequently applied in social and psychological research. research process adopted or employed to systematically and scientifically present the results of a study to the research audience.

3.3 Population of The Study

The population of this study comprises of 72 employees of Sumal food limited, Oyo state

3.4 Sample sampling techniques

This study adopted a purposive sampling technique to select respondents who are directly involved in financial reporting within the Nigerian manufacturing industry. Purposive sampling was appropriate for this study because it allowed the researcher to deliberately choose participants—such as accountants, auditors, and finance managers—who possess the relevant knowledge and experience necessary to provide meaningful responses to the research questions.

To determine the appropriate sample size, Yamane's (1967) formula for sample size determination was employed:

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

Where:

n = sample size

N= population size

e= level of precision (assumed to be 5% or 0.05)

$$n = \frac{100}{1 + 100(0.05)^2} = \frac{100}{1 + 0.25} = \frac{100}{1.25} = 80$$

Therefore, a sample size of 80 respondents was selected for the study.

These 80 respondents were purposively drawn from one major manufacturing firm, based on their roles and responsibilities in financial reporting. This approach ensured that the data collected was accurate, relevant, and reflective of the actual practices and challenges

3.5 Research Instrument and Administration

The primary research instrument used in this study was a questionnaire. A structured survey containing a series of questions was distributed to the selected participants. The questionnaire was divided into two sections: the first section gathered demographic or personal information, while the second section aligned with the study objectives and was designed to address the research questions

3.6 Method Of Data Collection

The research questions were examined using mean scores and simple percentage tables. To analyze the collected data, a four-point rating scale was assigned numerical values as follows:

SA (Strongly Agree) = 4

A (Agree) = 3

D (Disagree) = 2

SD (Strongly Disagree) = 1

Decision Rule:

To determine the decision rule, the following formula was applied.

$$\begin{aligned} &4+3+2+1/4 \\ &=10/4 \\ &=2.5 \end{aligned}$$

Any score of 2.5 or higher was considered acceptable, while scores below 2.5 were rejected.

Therefore, a mean score of 2.5 served as the benchmark for decision-making.

3.7 Pilot study

To ensure the effectiveness and reliability of the research instrument, a pilot study was carried out for the study.

The pilot study aimed to test the clarity, consistency, and reliability of the questionnaire before it was administered to a larger sample.

A total of 80 respondents were selected using convenience sampling from professionals within the sumal food limited sector. These included accountants, internal auditors, finance managers, and compliance officers. The participants in the pilot study were not included in the final sample used for the main research to avoid bias.

The questionnaire was distributed both physically and electronically. Respondents were asked to evaluate the clarity of the questions and the relevance of each item in relation to

the study objectives. Feedback revealed that while most questions were well understood, a few items related to regulatory enforcement and ethical compliance required rewording for better comprehension. These issues were addressed before proceeding with the main survey.

The results of the pilot study confirmed that the research instrument was valid and reliable for collecting data on unethical accounting practices and their effects on financial reporting quality. The pilot also helped to refine the questionnaire layout, reduce ambiguity, and improve the quality of data collection for the main study.

3.9 Ethical Consideration

The study received approval from the Departments Project Committee. Informed consent was obtained from all participants before their involvement in the research. Additionally, permission was secured from relevant authorities to conduct the study. The schedule for distributing the questionnaires was arranged in advance to ensure smooth data collection.

CHAPTER FOUR

DATA PRESENTATION AND ANALYSIS

INTRODUCTION

This chapter presents the analysis of data derived through the questionnaire and key informant interview administered on the respondents in the study area. The analysis and interpretation were derived from the findings of the study. The data analysis depicts the simple frequency and percentage of the respondents as well as interpretation of the information gathered. A total of eighty (80) questionnaires were administered to respondents of which only seventy-two (72) were returned and validated. The remaining 8 invalid, this was due to irregular, incomplete and inappropriate responses to some questionnaire. For this study a total of 72 was validated for the analysis.

4.1 DATA PRESENTATION

Table 4.1: Demographic profile of the respondents

Demographic information	Frequency	percent
Gender		
Male	42	58.3%
Female	30	41.6%
Age		

20-30	15	20.8%
31-40	19	26.3%
41-50	23	31.9%
51+	15	20.8%
Marital Status		
Single	10	13.8%
Married	59	81.9%
Separated	0	0%
Widowed	3	4.1%
Education Level		
WAEC	00	0%
BS.c	35	48.6%
MS.c	37	51.3%
MBA	00	0%

Source: Field Survey, 2024

4.2 ANSWERING RESEARCH QUESTIONS

Question 1: What are the weak internal control systems on financial reporting of manufacturing firms in Nigeria?

Table 4.2: Respondents on the weak internal control system on financial reporting of manufacturing firms in Nigeria.

S/N	ITEM STATEMENT	SA 4	A 3	D 2	SD 1	X	S.D	DECISION
1	Falsifying financial statements to mislead stakeholders is common in these firms	28	20	15	10	4	2.72	Accepted
2	Manipulating inventory levels to inflate profits is a frequent practice	26	22	16	09	3.4	2.54	Accepted
3	Underreporting expenses to enhance profitability is widely practiced	25	20	10	17	3.9	2.81	Accepted
4	Engaging in related-party transactions without proper disclosure is common	15	30	15	12	3.8	2.62	Accepted

Source: Field Survey.

From the responses derived as described in the table relative on the weak internal control system on financial reporting of manufacturing firms in Nigeria, the table shows that all the items (item1-item5) with mean score of 2.72, 2.54, 2.81 and 2.62 were accepted. This is proven as the respective items (item1-item5) respectively had mean scores of 2.50 and above.

Question 2: How does information asymmetry affect the financial reporting of manufacturing firms?

Table 4.3: Respondent on how information asymmetry affects financial reporting of manufacturing firms.

S/N	ITEM STATEMENT	SA 4	A 3	D 2	SD 1	X	S.D	DECISION
1	Pressure to meet financial targets leads to unethical behavior	22	25	15	10	3.7	2.84	Accepted
2	Lack of adequate oversight and regulation encourages unethical practices	18	25	20	9	4	2.76	Accepted
3	Personal financial difficulties can drive accounting professionals to act unethically	15	27	18	12	3.8	2.62	Accepted
4	A culture of competition within the workplace fosters unethical behavior	20	25	15	13	3.2	2.61	Accepted

Source: Field Survey, 2024

From the responses derived as described in the table relative on the major causes of unethical practices by accounting professionals, when carrying out their financial activities, the table shows that all the items (item1-item4) with mean score of 2.84, 2.76, 2.62, 2.61, 2.70 and 2.84 were accepted. This is proven as the respective items (item1-item4) respectively had mean scores of 2.50 and above.

Question 3: What is the impact of competitive pressure on the financial reporting of manufacturing firms?

Table 4.4: Respondents on the impact of competitive pressure on financial reporting of manufacturing firms.

S/N	ITEM STATEMENT	SA 4	A 3	D 2	SD 1	X	S.D	DECISION
1	Unethical accounting practices reduce the reliability of financial statements	25	20	15	12	3.4	2.54	Accepted
2	Financial reports prepared with unethical practices lead to misleading information for stakeholders	37	25	10	00	4	2.72	Accepted
3	The quality of financial reporting is significantly compromised by unethical behavior	31	22	9	10	3.9	2.81	Accepted
4	Unethical accounting practices can result in severe legal penalties for organizations	34	20	16	02	3.4	2.74	Accepted

Source: Field Survey, 2024

From the responses derived as described in the table relative on the impacts of unethical accounting practices on the quality of financial reporting, the table shows that all the items (item1-item4) with mean score of 2.54, 2.72, 2.81, and 2.74 were accepted. This is proven as the respective items (item1-item4) respectively had mean scores of 2.50 and above.

Question 4: How does professional skepticism influence the financial reporting of manufacturing firms?

Table 4.5: Respondents on how the professional skepticism influences the financial reporting of manufacturing firms.

S/N	ITEM STATEMENT	SA 4	A 3	D 2	SD 1	X	S.D	DECISION
1	Poor financial reporting quality leads to misinformation for stakeholders	31	22	9	10	3.9	2.81	Accepted
2	Stakeholders are less likely to invest in a firm with poor financial reporting quality	37	25	10	00	4	2.72	Accepted
3	Poor financial reporting affects the company's reputation among stakeholders	22	25	15	10	3.7	2.84	Accepted
4	Inaccurate financial reports can lead to poor strategic decision-making by management	34	20	16	02	3.4	2.74	Accepted

Source: Field Survey, 2024

From the responses derived as described in the table relative on the implications of poor financial reporting quality on stakeholder decision-making and overall firm performance, the table shows that all the items (item1-item4) with mean score of 2.54, 2.72, 2.81, and 2.74 were accepted. This is proven as the respective items (item1-item4) respectively had mean scores of 2.50 and above.

Question 5: What are the strategies for improving ethical standards and financial reporting quality in the manufacturing sector?

Table 4.6: Respondents on the strategies for improving ethical standards and financial reporting quality in the manufacturing sector

S/N	ITEM STATEMENT	SA 4	A 3	D 2	SD 1	X	S.D	DECISION
1	Implementing a robust code of ethics is essential for improving ethical standards	22	25	15	10	3.7	2.84	Accepted
2	Regular training on ethical practices for employees enhances financial reporting quality	18	25	20	9	4	2.76	Accepted
3	Establishing an internal audit function helps ensure compliance with ethical standards	15	27	18	12	3.8	2.62	Accepted
4	Transparency in financial reporting builds trust among stakeholders in the manufacturing sector	20	25	15	13	3.2	2.61	Accepted

Source: Field Survey, 2024

From the responses derived as described in the table relative on the strategies for improving ethical standards and financial reporting quality in the manufacturing sector, the table shows that all the items (item1-item4) with mean score of 2.84, 2.76, 2.62, 2.61, 2.70 and 2.84 were accepted. This is proven as the respective items (item1-item4) respectively had mean scores of 2.50 and above.

4.3 TEST OF HYPOTHESES

Hypothesis 1: There are no significant impacts of unethical accounting practices on the quality of financial reporting.

Table 4.7: Analysis of Variance (ANOVA) on significant impacts of unethical accounting practices on the quality of financial reporting

	Sum of Squares	df	Mean Square	F-Cal	F-Tab	Sig.
Between Groups	13.802	1	13.802	137.859	3.260	.000
Within Groups	29.835	71	.100			
Total	43.637	72				

P ≤ 0.05

The result of analysis presented in table 4.7 revealed that F-calculated (137.859) was greater than F-table value of 3.260. Also, the P-value (0.000) was less than 0.05 level of significance. This means that there is a sufficient evidence to reject the null hypothesis. Hence, this indicates that the alternate hypothesis which states that there are no significant impacts of unethical accounting practices on the quality of financial reporting is accepted.

CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS:

5.1 Introduction

This chapter summarizes the findings on the effect of unethical accounting practices on financial reporting quality of manufacturing firms in Nigeria. The chapter consists of summary of the study, conclusions, and recommendations.

5.2 Summary of findings

In summary, the broad purpose of this study was to examine the effect of unethical accounting practices on financial reporting quality of manufacturing firms in Nigeria. Specifically the study focused on examining the common unethical accounting practices prevalent in Nigerian manufacturing firms, based on the analysis conducted, the following findings emerged: the weak internal control system on financial reporting of manufacturing firms, the information asymmetry on financial reporting of manufacturing firms, competitive pressure on financial reporting of manufacturing firms, professional skepticism on financial reporting of manufacturing firms.

5.2 Conclusion

Accounting practices are foundational to the effective functioning of businesses and the broader economy. With the ongoing evolution of standards, technologies, and stakeholder expectations, organizations must adapt their accounting practices to remain competitive and compliant. As

sustainability becomes increasingly vital, the integration of ESG considerations into financial reporting will shape the future of accounting. Unethical accounting practices pose a significant threat to the quality of financial reporting, leading to distorted financial statements, erosion of stakeholder trust, legal consequences, poor decision-making, and increased capital costs. To preserve the integrity of financial information and restore public confidence in financial markets, organizations must implement stringent internal controls, promote ethical behavior, enhance transparency, and ensure compliance with regulatory standards. By prioritizing ethical accounting practices, companies can safeguard their reputation and contribute to a healthier financial ecosystem.

The findings of this study showed that the common unethical accounting practices prevalent in Nigerian manufacturing firms includes; falsifying financial statements to mislead stakeholders, manipulating inventory levels to inflate profits is a frequent practice, underreporting expenses to enhance profitability is widely practiced and engaging in related-party transactions without proper disclosure is common.

In addition, all the respondents agreed that there are major causes of unethical practices by accounting professionals, when carrying out their financial activities. These causes include; pressure to meet financial targets leads to unethical behavior, lack of adequate oversight and regulation encourages unethical practices, personal financial difficulties can drive accounting

professionals to act unethically and a culture of competition within the workplace fosters unethical behavior.

Also, the findings of this study showed that the impacts of unethical accounting practices on the quality of financial reporting include; unethical accounting practices reduce the reliability of financial statements, financial reports prepared with unethical practices lead to misleading information for stakeholders, the quality of financial reporting is significantly compromised by unethical behavior and unethical accounting practices can result in severe legal penalties for organizations.

Lastly, the findings from this study revealed that the strategies for improving ethical standards and financial reporting quality in the manufacturing sector include; implementing a robust code of ethics is essential for improving ethical standards, regular training on ethical practices for employees enhances financial reporting quality, establishing an internal audit function helps ensure compliance with ethical standards and transparency in financial reporting builds trust among stakeholders in the manufacturing sector.

5.3 Recommendations

Based on the findings of the study, the following recommendations are proffered

Limit audit tenure: Corporations and regulatory bodies in Nigeria should discourage long-term audit engagements.

Strengthen governance: Boards of Directors and Audit Committees should comprise individuals with corporate experience, integrity, and financial expertise.

Enhance quality control: Audit firms should implement rigorous quality control measures, and professional accounting bodies should emphasize quality monitoring.

Strengthen penalties: Professional accounting bodies should advocate for stricter punishments for erring auditors in Nigeria, similar to those in other countries.

5.4 Suggestions for Further Studies

1. Future research could examine the impact of unethical accounting practices on financial reporting quality in other sectors such as banking, oil and gas, or telecommunications. This would help determine whether such practices are more prevalent or damaging in certain industries compared to the manufacturing sector.

2. A longitudinal study could be conducted to investigate how unethical accounting practices evolve over time and their long-term effects on firm sustainability, investor trust, and regulatory responses.

3. Further studies can explore how technological tools—such as forensic accounting techniques, data analytics, and AI-based audits—can be used to detect and prevent unethical accounting practices in manufacturing firms.

4. Future research may assess how specific corporate governance structures (e.g., board composition, audit committees, ownership structure) influence the likelihood or severity of unethical accounting practices in Nigerian manufacturing firms.

5. A comparative study between Nigeria and other developing or developed countries could be conducted to examine differences in the drivers and impacts of unethical accounting practices on financial reporting quality.

5.5 Contribution to Knowledge

1. This study makes significant contributions to both academic literature and practical understanding in the field of accounting, corporate governance, and financial reporting, particularly within the context of emerging economies like Nigeria.

Context-Specific Insight on Unethical Accounting Practices

While unethical accounting practices have been studied globally, this research provides empirical evidence and insights specifically tailored to the Nigerian manufacturing sector. It highlights how such practices manifest in this industry and the unique institutional, cultural, and regulatory factors that enable them.

2. The study reinforces the relationship between unethical accounting behavior and the decline in the quality of financial reporting, offering measurable impacts. This strengthens the theoretical

understanding of how integrity in financial reporting influences investor confidence and decision-making.

The research identifies major drivers of unethical accounting practices such as weak regulatory oversight, poor corporate governance, and profit-driven motives and connects them to real-world consequences like loss of credibility, misallocation of resources, and potential corporate failure.

3. By examining the limitations of current regulatory frameworks and enforcement mechanisms, this study provides practical recommendations that can inform policymakers, professional bodies (e.g., ICAN, ANAN), and regulators (e.g., FRCN, CAC, EFCC) in designing more robust ethical standards and compliance structures.

Improvement of Ethical Standards in Practice

The research contributes to the growing call for enhanced ethical education, professional accountability, and internal control systems within Nigerian firms. It underscores the need for proactive ethical training and a shift in corporate culture.

4. The use of a structured survey approach and pilot testing for instrument validation adds to the methodological rigor in accounting research. The study provides a framework future researchers can adapt when investigating similar ethical issues in business.

5. The findings and limitations of this study create avenues for future scholarly exploration, including comparative studies across industries, longitudinal research, and investigations into the effectiveness of forensic accounting and corporate governance reforms.

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