International Journal of Innovative Finance and Economics Research 9(3):155-162, July-Sept., 2021

© SEAHI PUBLICATIONS, 2021 www.seahipaj.org ISSN: 2360-896X

Accounting Ethics and Professional Practice Efficiency in Nigeria

[1]Emenike-Wali, Glory Nkechinyere, PhD & Dr. Gospel J. Chukwu[2]

1Department of Accounting, Faculty of Business Studies
Ignatius Ajuru University of Education, Port Harcourt, Nigeria
glozynke@gmail.com

[2]Department of Accountancy
Ken SaroWiwa Polytechnic, Bori, Rivers State, Nigeria
gospeljchukwu@gmail.com

ABSTRACT

This study was carried out to examine the impact of accounting ethics on professional practice of accountants in Nigeria. In order to achieve the objective of the study, questionnaires were distributed to selected accountants, in public and private practice. The data obtained were analysed using the simple regression model. The result shows a positive and significant ($p<0.05$) correlation between accounting ethics and professional practice of accountants in Nigeria. In literature, the Rest Model and Relativism theory were used to give fact about the concepts. It was found that Accounting Professional Ethics positively affects Faithful Representation of Financial Statement of corporate firms. Again, Accounting Professional Ethics positively affects the Relevance of Financial Statement of the corporate organizations. It was therefore recommended that, strong enforcement mechanism such as a council to regulate the activities of professional accountants should be established and any professional practices accountant indulging in unethical practices should be denied of membership and the practicing license should be withdrawn. Also there is need for total overhauling of our societal values. Lastly, there should be a disciplinary committee in accounting bodies to check and implement proper sanctions on professionals who abuse their privileges by engaging in unethical.

Keywords: Financial Statement, Professional Ethics, Accounting and Relativism

INTRODUCTION

Ethical behavior of professional accountants is synonymous to a mirror that reflects the image of the object before it. Therefore, in the interest of the accounting profession ethical standards must be in place and obeyed by all in the profession. A lot of people think that being ethically responsible will make one poor. This is a misguided belief based on the idea of get-rich-quick-or-die-trying. This ideology has in fact landed many individuals and organizations on the wrong side of the law with dire consequences. This problem could easily be avoided simply by keeping things right. Another myth about accounting ethics is the fact that many aspiring professionals think it is nearly impossible to keep to the code of ethics of most professional accounting bodies.

Auditing is one of the most important tasks that accountants perform. These tasks involve verifying information to assess the truth and accuracy of accounting information, whether for internal purposes by way of improving the internal control system or external evaluations for tax purposes, stakeholders report or lending institutions. To act ethically during an audit, an accountant should evaluate numbers with the primary objective of getting to the truth. There should be no conflicts of interest, such as standing to gain if the numbers portray operations in an advantageous light.

When a company hires an outside auditor to review its accounting data, it is the job of that accountant to be thorough and fair and to search for inconsistencies even if these red flags will add additional work or create other problems for the company. An auditing accountant who works for a bank or government agency should not be swayed by personal feelings such as greed or even sympathy but should be concerned only with making sure that the numbers line up and accurately express the company's financial activity. This forms the basis for professional ethics.

Professional ethics describes the moral principles and values that govern in the context of a particular profession such as lawyers, doctors, architects and accountants. In its simplest form, ethics is knowing what is right and doing what is right. This implies that ethics goes beyond being honest, though the issue of right and wrong can differ enormously. The purpose of ethics in business is to guide managers and employees and to let them abide by a code of conduct that will create and maintain public confidence/trust in their products and services (Smith and Smith, 2003).

Every profession has a system of ethics that is predetermined and written down to guide new and old members on code of conduct. Accounting profession like any other profession in the world have predetermined codes of conduct that guides it operations, these codes determine what is wrong or right in accordance with professional best practices generally accepted by the Accounting profession. (Francis, 1990) In today's business environment, the role of accountants is significant. Managers and other decision-makers base their decision mainly on information that accountants provide. Since accuracy of decisions depends on the reliability of accounting information, the ethical dimension of the profession has gained considerable attention recently.

The accounting profession is addressing many issues and raising several questions about regaining public trust post Enron and Arthur Andersen. The American Accounting Association (AAA) has asked universities to place emphasis on "accounting education" to foster students' sensitivity to ethical and social responsibilities. The accreditation standards for business and accounting programs require curriculum coverage of ethical courses. In 2006, the International Accounting Education Standards Board (IAESB), an independent standard-setting board of the International Federation of Accountants (IFAC), released an information paper entitled Approaches to the Development and Maintenance of Professional Values, Ethics and Attitudes in Accounting Education Programs (IFAC, 2006) to encourage and assist accounting educators and member bodies of IFAC to implement ethics education programs (Cooper et al., 2014). The above assertions may be laudable and send positive signals to the growing societal need for forthright, honest, trustworthy Professional Accountants to deliver on their professional duties.

This work is unique because it and first among its kind because it shows discusses ethical issues using the rest model in the contest of Nigeria. Again, the theory adopted has scarcely been used in literature for article on fraud within and outside the Nigerian space but this work is using it in the accounting ethical environment in Nigeria.

Review of Relevant Literature

Theory of Relativism

This study adopted the theory of relativism. Given the nature of the doctrine of ethics, it's believed that relativism will give a clearer view of the concept. The ethical theory of relativism is in contrast to the absolutist ideology. It states that there is no objective or absolute moral truth, and there are no universal standards of moral behavior. There are two aspects to relativism;

Descriptive ethical relativism: This is the view that different cultures and societies have different ethical systems and cultures. 'Right' or 'Wrong' are concept that relate to the particular culture. There is no universal rule about right or wrong.

Normative ethical relativism: The beliefs or moral values within each culture are right within that culture. It is impossible to judge the values of another culture externally or objectively. Moral values of a culture can only be judged from within the culture.

Religious relativism is an example of normative ethical relativism and maintains that one religion can be true for one person or culture but not for another person. No single religion, therefore, is universally or exclusively true.

Historical relativism is another example of normative ethical relativism and provides context for ethical views to vary over periods of time. For example, the elimination of suspected witches or the widespread adoption of slavery in the past may not be acceptable in today's society. Similarly, trends may move in the opposite direction for example the liberalization of clothing fashion or the changing

role of women in society. Relativism accepts that ethical behaviour cannot be judged objectively. What is right and what is wrong can also vary according to circumstances and time or season.
J L Mackie is a fairly recent moral philosopher who supported the relativist view. He argued that ethical values and moral judgment are a human invention, which is imposed on society by institutions. (Grama, 2015).

Code of Ethics in Accounting

The International Ethics Standards Board for Accountants, itself an independent agency, has created a code outlining the principles at play in ethical accounting. These principles cover many facets of ethical behavior for accountants, although unique situations may call for judgment calls that aren't explicitly reflected in these principles.
Integrity: Integrity isn't a set of rules or a course of action, but rather a state of mind oriented towards honesty, straightforwardness and a commitment to acting following principle rather than for the sake of personal gain.
Objectivity: To the extent that it is humanly possible, accountants shouldn't be influenced by the interests or perspectives of the individuals or businesses who hire them. An accountant also shouldn't let personal biases or interests influence either the numbers that go into an accounting system or the results that come out of it. Figures and results should be taken at face value and should drive conclusions and decisions.
Professional Competence and Due Care: The field of accounting isn't a static body of knowledge but rather an evolving frame of reference that changes as legislation and best practices are redefined over time. It is the responsibility of an ethical accountant to stay abreast of these developments and provide clients with up-to-date information and the highest quality service.
Confidentiality: Accountants handle sensitive information, and it is an accountant's ethical responsibility to refrain from disclosing any of this information to outside parties who may stand to gain from it. Similarly, an accountant shouldn't use any information obtained while performing professional services for the sake of personal gain, such as selling stock in a business whose books appear questionable.
Professional Behavior: As with any profession, an accountant should perform tasks and responsibilities with an eye to the highest personal and professional standards. These include completing tasks thoroughly and on time, following through on commitments and only accepting payments for services that have been rendered.

Ethical Dilemmas in Accounting

Although governing bodies and rules of accounting use a clearly stated code of ethics in accounting, it may create the impression that there are clear and consistent rules for every accounting situation. However, the situation can be much murkier when you begin working in real cases. An accountant may be working for two different businesses and may have access to one company's privileged information that could affect the well-being of the other company. Company A may be considering investing in Company B, but the accountant may know from working with both businesses that Company B is struggling. In this case, the most ethical course of action would be for the accountant to step back and avoid providing inside information to either company.
Accountants can also face ethical dilemmas when deciding how to report accounting information; a process that allows for some discretion and judgment calls. Deciding whether to expense or depreciate a piece of equipment can affect net profit on an income statement, which may affect the value of the company that investors evaluate. (Jeffrey, 2015) It may not be illegal to report the expenditure in a way that adds to the company's value, but it does skew information in ways that aren't entirely transparent. Similarly, the decision to allocate an item of expenditure to one department rather than another can create an imbalance in the success metrics of the departments in question even if the expenditure was beneficial to both.
There are no clear and easy answers for these dilemmas, but an ethical accountant can follow guidelines that may make these decisions somewhat simpler. It's important to think of the spirit behind both the accounting code of conduct and the law, as well as their specifics. Even if an accountant can't discuss the details of a situation with an outsider, even just imagining such a

conversation can provide him with a valuable perspective. And although they hardly provide rigorous or objective criteria, intuition and gut feelings can be helpful ethical guides.
Lowers (2007) Accounting ethics is a body of good practices that is based on good conscience which accounting professional bodies promote. Professional accounting bodies like ACCA require that you complete an online accounting ethics module in order to be qualified as a chartered accountant in addition to meeting order requirements. Accounting ethics is deeply rooted in the principle of applied ethics where morals and values are not just preached but put to practice and test. Accounting ethics is that aspect of accounting that borrows a lot from philosophy where humans are judged on the basis of right and wrong.
The public rely on accountancy as a noble profession to establish code of conducts that must be adhered to by practitioners and accounting firms. It is believed that ethical accountant is vital to reducing the prevalence of fraud in corporate world. An accountant that has high moral standard would not agree to falsify the books of accounts when asked to do so by directors. Accounting as a sensitive profession is faced by many challenges on a day to day basis pushing them to deviate from following the laid down principles, concepts and conventions that would ensure that transactions are fairly reported. For accountants to withstand the pressure and still stand by what is ethically right, a leave might be borrow from auditors in identifying and dealing with difficult situations that would affect their accountancy job (Mukarushem and Kule, 2016).

The Moral Issues

In practice there are often pressures on an individual at work to bend the rules and act in a way that is not ethical. Unethical behaviour might be illegal, but it's often -legal but immoral. Pressures to act unethically can create a moral dilemma. Sometimes it is not clear what the right course of action should be. When an individual think that something might be wrong, he could be faced with a decision about what to do. Making a moral or ethical decision might not be easy, especially when colleagues or bosses do not agree with you and will not listen to what you have to say. Some individuals might take the view that when they are at work, they act according to a different set of rules and with a different moral outlook, compared to the way they think and behave in their private life. This view can be used to justify decisions or actions at work that are unethical, on the grounds that 'business is different'. However, this is not a view that accountants should take because accountants are bound by professional codes of conduct (Jamshidinavid and Karmari, 2012).
Accountants aid organizations by performing roles such as preparation and presentation of timely and accurate financial reports, identification of areas of inefficiency and wastage of resources, setting up effective system of internal controls, investigation of the performance operations of competing organizations to assist management in policy formation as well as investigation of fraud within the organization (Igben, 2009). However, in performing these roles, accountants should have a human face, considering the fact that they are dealing with human beings in the organization. There should be the realization that their role as accountants is to help the organization move forward, not to find scapegoats. To do this effectively, accountants need to abide by the behavioural ethics of the accounting profession. (European Journal of Business and Management 2014).

Importance Of Accounting Ethics

Gray (2006) outlined the importance of accounting ethics as follows:
Avoidance of financial crisis: most financial crisis that we have experienced could have easily been avoided if investment accountants, financial planners, and other finance professionals were ethical in their dealings. Rating agencies cannot give excellent rating to rotten toxic assets if they have moral values.
Win-win situation for all: stakeholders of a business enjoy when proper ethical standard is followed in keeping the books of accounts of an entity. Though some stakeholders like management would rather prefer to commit accounting fraud so as to get more bonus and benefits that are linked to performance, but, the presence of an accountant with high ethical standard will deter managers from committing this fraud.
Increased confidence in accounting profession: the public will simply place more reliance on accountants and the accounting information system as a whole if they are convinced that people with moral values acts as the preparers, assessors, and auditors of accounting system.

Prevent fraud: the best way to prevent fraud is to have a functional internal control in place. Good accounting ethics upholds internal control and corporate governance.

Avoid conflict of interest: following the code of ethics of the professional body that you affiliate with make your life a lot easier when those conflicting moments come knocking at the door.

Saves practitioners money: being compliant and ethical in your practice as an accountant saves you time, energy, and money. You need not invest extra time trying to cover your track hoping that someone would not dig it out some day if you do what is morally right and ethical. Accounting ethics when combined with good business ethics brings out the best in a business venture. (Robinson & Herron, 2001).

Rest Model

Rest (1977) stated that the production of moral behaviour in a particular situation involves four activities: (1) moral sensitivity; interpreting the situation in terms of how people's welfare is affected by possible actions of the subject (2) moral judgment; figuring out what the ideally moral course of action would be (3) moral motivation; selecting among valued outcomes to intend to the moral course of action and (4) moral character; executing and implementing what one intends to do. The main approach in his model is ethical judgment that is guided by moral awareness. Meanwhile, being aware of a moral dilemma involves recognizing an ethical issue is at stake in a given situation (Alteer et al., 2013). Awareness precedes judgment, which is a process of seeking the most morally justifiable course of action from the alternatives. Moral judgment is only part of the psychology of morality. He explicitly includes moral awareness in his Four Component Model of moral behaviour, calling it moral sensitivity. Narvaez, (2001) observed that ethical sensitivity borders on the empathic interpretation of a situation in determining who is involved, what actions to take, and what possible reactions and outcomes might ensue. The Ethics Education Framework (EEF) describe individual ethical sensitivity as the ability to recognize an ethical threat or issue when it occurs and being aware of alternative courses of action which can lead to an ethical solution (Leung et. al. 2006). It also includes an understanding of how each alternative course of action affects the parties concerned. Once an ethical problem is identified, decision makers make judgments about what is the right or wrong thing to do in this situation. After concluding what course of action is best, decision makers must be focused (motivated to follow through) on their choices. Executing the plan of action takes character. Moral agents have to overcome opposition, resist distractions, cope with fatigue, and develop tactics and strategies for reaching their goals (IFAC, 2006). Several factors (e.g. age, year of graduation, gender, etc.,) were studied to promote ethical sensitivity (Alteer et al., 2013).

Although focus is placed on the development of sensitivity and judgment during the prequalification stage (educational stage), such character traits have to be further enhanced and supported in the post-qualification stage when the individual wrestles with different motivations, and strengthens his/her character through experience and continuing education and development (IFAC, 2006). Formal education may be an important factor in moral judgment development (Dellaportas, 2006; Reeves, 2000). Rest and Narvaez (1994) found unusual gains in moral judgment with age, but also found that education was a far more powerful predictor of moral development with the general trend that the longer students continue in formal education the higher the ethics sensitivity scores tend to be. Rest (1986) found in reviewing two meta-analyses of around 10,000 participants that age and education accounts for 30 to 50% of the variance in ethics sensitivity scores (Emerson et al., 2007).

Due to the sensitivity around a company's financials, a study of accounting ethics is required as it is an essential aspect of the role of auditors and accountants in preparation of statements. Generally, the term ethics refers to morals or a code system that strongly offers the criteria for distinguishing between wrong and right (Banerjee &Ercetin, 2014).

Empirical Review

The increasing significance of ethics in the accounting profession is evidenced by the seminal events that witnessed the collapse of major corporations (e.g. Enron and WorldCom); regulatory interventions (e.g. Sarbanes- Oxley Act in the USA), calls for increased ethics interventions in the accounting curriculum (Dellaportas et al., 2014), the issuance of the IFAC's Code of Ethics for Professional Accountants (2005), and also the release of International Education Standard 4 by the IFAC (IFAC, 2014). One of the crucial factors to develop and promote a person's moral awareness is education (Kohlberg, 1983). Other empirical evidence demonstrating the importance of ethics education include those in Ward et al. (1993), Lane et al. (1988), and Leung and Cooper (1995). Hoffman and Moore (1982) also pointed out to the need for ethics education and training. Jackling et al. (2007) demonstrate the potential causes of ethical failure and the need for ethics education. Chan & Leung (2006) also indicate that an accounting ethics intervention may have a positive effect on accounting students' ethical sensitivity development. The recent corporate and accounting crises, have also pointed out the significant importance of business schools undertaking the teaching of ethics to future accountants and leaders (Coopers, 2003; Waddock, 2005). At the heart of the criticisms leveled at the accounting profession is the moral base of the profession (Lovell, 1995). The collapse of large corporations has serious financial implications to investors, employees and the public (Elias, 2004), giving rise to a credibility crisis (Earley and Kelly, 2004).Ethical misconduct may be real or apparent; nevertheless, professional and educational institutions have responded by calling for more ethics education in the accounting curriculum (Lovell, 1995). This increasing interest in ethics for professional accountants calls for ethics education pre- and after qualification (Lovell, 1995; Early and Kelly, 2004). Ethics education includes all aspects of educational and developmental activities which aim to enhance and maintain professional values, ethics and attitudes. Professional values, ethics and attitudes that include: a commitment to technical competence; ethical behaviour (such as independence, objectivity, confidentiality and integrity); professional manner (such as due care, timeliness, courteousness, respect, responsibility and reliability); pursuit of excellence (such as commitment to continuous improvement and life-long learning) and social responsibility (such as awareness and consideration of the public interest) identify professional accountants as members of a profession (IFAC, 2006). Behavioural principles presented by IES 4 have been developed by the IFAC to ensure that the professional accountants perform their duties free from bias and financial temptation (Ponemon, 1990). As experience has shown, however, ethical action is not brought about by normative rules of conduct alone, but is prescribed by ethical judgment (Beach, 1984).

MATERIALS AND METHODS

Data for this research study were primary data generated from questionnaire administration. The data were then analyzed using multiple regression analysis through the use of econometric model specified below: APE = f(RFS, FRFS,)

Where: APE is Accounting Professional Ethics; RSA is Relevance of Financial Statement and FRFS is Faithful Representation of Financial Statement respectively. Specifying it in econometric form, we have; $APE = + a0 + a1\ RFS + a2\ FRFS + \mu t$

Where; aα, a1, a2, and μt represent Intercept, Impact of is Relevance of Financial Statement, Impact of Faithful Representation of Financial Statement and Error terms respectively.

The apriori expectation is that Accounting Professional Ethics has a positive relationship with the (RSA) Relevance of Financial Statement and (FRFS) Faithful Representation of Financial Statement.

Test of Hypotheses

Relationship between Accounting Professional Ethics and Relevance of Financial Statement

Results indicate that there is a strong positive relationship between Accounting Professional Ethics; RSA is Relevant Financial Statement ($r = 0.617$, P-value < 0.05). This implies that strictly abiding by Accounting Professional Ethics positively affects the Relevance of Financial Statement of the corporate organizations. The relationship is also significant.

The agrees with the observation of Igben, (2009) who posited that Accountants aid organizations by performing roles such as preparation and presentation of timely and accurate financial reports, identification of areas of inefficiency and wastage of resources, setting up effective system of internal controls, investigation of the performance operations of competing organizations to assist management in policy formation as well as investigation of fraud within the organization. However, in performing these roles, accountants should have a human face, considering the fact that they are dealing with human beings in the organization. There should be the realization that their role as accountants is to help the organization move forward, not to find scapegoats. To do this effectively, accountants need to abide by the behavioural ethics of the accounting profession.

Relationship between environmental evaluation and financial performance

There was a significant, positive and strong relationship between Accounting Professional Ethics and Faithful Representation of Financial Statement (r = 0.726, P-value < 0.05). This implies that Accounting Professional Ethics positively affects Faithful Representation of Financial Statement of corporate firms. This is in agreement with the work of Chan & Leung (2006) which indicate that an accounting ethics intervention may have a positive effect on accounting students' ethical sensitivity development. Ethics education includes all aspects of educational and developmental activities which aim to enhance and maintain professional values, ethics and attitudes. Professional values, ethics and attitudes that include: a commitment to technical competence; ethical behaviour (such as independence, objectivity, confidentiality and integrity); professional manner (such as due care, timeliness, courteousness, respect, responsibility and reliability); pursuit of excellence and social responsibility.

CONCLUSION

Ethical dilemmas are common occurrence in the workplace and originate from a situation where a group or an individual must make a decision between two options, where the answer is not always black or white. For managers, investors and even small – business owners, it is imperative to learn accounting ethics and their functions to avoid financial and legal dilemmas due to the misrepresentation of financial statements. There may be moral dilemmas, like the Rest model with its four dimensions accountants should develop strength of character to navigate through.

The role of accountants in the organization is significant in today's business world this is due to the fact that the information they provide is crucial in aiding managers, investors and others in making critical economic decisions. Hence, ethical improprieties by accountants can be detrimental to society, resulting in distrust by the public and disruption of efficient capital market operations. Due to the importance of the information supplied by accountants, it is necessary for accountants to have general business skills, people skills for motivating other team members, technical skills and observe certain professional ethical standards.

RECOMMENDATIONS

1. It was therefore recommended that strong enforcement mechanism such as a council to regulate the activities of professional accountants should be established any professional practices accountant indulging in unethical practices should be denied of membership and the practicing license should be withdrawn.
2. Also there is need for total overhauling of our societal values.
3. Lastly, there should be andisciplinary committee in accounting bodies to check and implement proper sanctions on professionals who abuse their privileges by engaging in unethical.

REFERENCES

Banerjee, S., and Ercetin, S. S. (2014). Chaos, complexity and leadership 2012. Dordrecht: Springer Science and Business Media Press.

Blumberg, B., Cooper, D. R., and Schindler, P. S. (2014). Business research methods. London: McGraw-Hill Education Press.

Copeland, M. K. (2015). The importance of ethics and ethical leadership in the accounting profession. In Research on professional responsibility and ethics in accounting (pp. 61-98). Bingley: Emerald Group Publishing Limited.

Elias, R. Z. (2002). Determinants of earning management ethics among accountants. Journal of Business Ethics, 40(1), 33-45.

Enofe, A. O., Nakpodia, J. O., and Moruku, J. A. (2014). Ethics and role of accountants.

Grama, J. L. (2015). Legal issues in information security, second edition. Burlington, MA: Jones and Bartlett Learning Press.

Grasso, L. P., Tilley, P. A., and White, R. A. (2009). The ethics of earning management: Perceptions after Sarbanes-Oxley. Management Accounting Quarterly, 11(1), 45-69.

IFAC (2015), Handbook of the Code of Ethics for Professional Accountants, 2015 http://www.ifac.org edition.www.ethicsbpoard.org

Institute of chartered accountants if Nigeria, Management governance and Enterprise and innovation Hub Ocean House, 12th Floor, the Ring Blacknell, Berkshire, RG12 1AX United Kingdom

Jeffrey, C. (2015). Research on professional responsibility and ethics in accounting. Bingley: Emerald Publications.

Jennings, M. (2009). Business ethics: Case studies and selected readings. Mason, OH: South-Western Cengage Learning.

Leonard, B. (2011). Study of the Sarbanes-Oxley Act of 2002 Section 404: Internal control over financial reporting requirements. Collingdale, PA: DIANE Publishing.

Louwers, T. J. (2007). Auditing and assurance services. New York, NY: McGraw-Hill Press.

Micewski, E. R., and Troy, C. (2006). Business ethics – Deontologically revisited. Journal of Business Ethics, 72(1), 17-25.

Mukarushem, V., and Kule, J. W. (2016). Effect of financial statement analysis on investment decision making: A case of Bank of KIgali. European Journal of Business and Social Sciences, 5(6), 279-303

Smith, J., and Smith, V. (2007). Earnings management: Emerging insights in theory, practice, and research. London: Springer Publications.

Strohm, C. (2006). United States and European Union auditor independence regulation: Implications for regulators and auditing practice. Wiesbaden: DeutscherUniversita
ts-Verlag Press.

Vay, D. L. (2006). The Effectiveness of the Sarbanes-Oxley Act of 2002 in preventing and detecting fraud in financial statements: A dissertation. Boca Raton, FL: Dissertation.com Press.