

## **Impact of Accounting Ethics on the Practice of Accounting Profession In Nigeria.**

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**Abstract:** *This study is an empirical investigation of the impact of ethical values on the practice of accounting profession in Nigeria. To achieve the purpose of this study, research questions were raised, hypotheses were formulated, and a review of related literature was made. The main objective of this study is to examine if accounting ethics have much impact on the practice of accounting profession in Nigeria, the factors that make the accountants breach accounting rules and if ethical codes of conduct address all the issues that border on ethical practices. The study employed a synthesis of descriptive and survey research methods. The major instrument used for generating the primary data was the questionnaire, which was designed in five-response option of likert-scale. Two hundred and fifty (250) questionnaires were administered, two hundred and nineteen (219) questionnaires were completed and returned. The data generated for this study were analysed through mean scores while the stated hypotheses were statistically tested with z-test. Our findings revealed that there are other major influence which accountants believe have impact on their professional conducts like policies and rules of companies where accountants work, religion were found not to have major influence in the professional conduct of accountants. The legal system and societal value systems also inter-played in the accountants' professional conduct. It was recommended among others that the accountant in practice needs to pay attention to good ethical conduct and there is the need to adhere strictly to the ethical code of conduct.*

**Keywords:** *accounting profession, accounting ethics, ethical codes of conduct, Nigeria.*

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### **I. Introduction**

There are a number of situations in which the guidelines or ethical codes appear not too relevant. In such situations, accountants attempt to resolve such issues by choosing from their actions. Many accountants are likely to resolve conflict of interest, situation that border on loss of revenue or job, personal interest and beliefs cultural background and double standards in the application of sanctions without reference to the expectations of the accountancy profession (Akadakpo and Izedonmi, 2013). The issue of what is wrong or right comes up on a daily basis and the practicing accountant, students of accounting, preparer of accounts, accountants planning to set up professional practice, as well as accountants not in practice have obligation to conduct themselves within the limits of good ethical standards.

A well-run profession or business must have high and consistent standards of ethics in order to stand fast and to stand the test of time (Smith and Smith, 2003). Finance and accounting departments in industries are taking ethical considerations to be extremely important (Vickers, 2005 as cited in Mathenge, 2012). A tension often exists between a company's financial goals and strategies to improve profits, and ethical considerations with concerns for right-behavior. When the public loses confidence in the ability of the market to prevent corporate misbehavior, it often demands increased government regulation. For example, frequent cases of misconduct by corporate executives have led to the passage of various Acts in Nigeria. Such Acts include the Companies and Allied Matters Act, 2004 Cap C20, LFN, the Economic and Financial Crimes Commission (EFCC) Act, 2004, the Investment and Securities Act (ISA) 2007, the Independent Corrupt Practices and other Related Offences (ICPC) Act 2003, Banks and other Financial Institutions Decree 2004, the Nigerian Deposit Insurance Corporation Act 2006, Money Laundering Act, and many others.

The ethical lapses among public accountants, these has necessitated a revision of the accounting professional standards (Rist, 2002). Interestingly, professional accountant working in accounting firms are faced with new challenges within the profession as a result of the debacles of large corporations (Swift, 2002). Organizational cultures and environment pose a good opportunity for accountants to exploit the loopholes in reporting and financial management. Though finance and accounting departments in most organisation are expected to foster the growth of ethical education and awareness but they are often faced with stiff resistance from the top level management (Fisher and Lovell, 2009).

Ethical standards set by professional accounting bodies in Nigeria, ICAN and ANAN, can act to supercharge the engine of morality and good conducts in the discharge of auditing functions in Nigeria. Efforts are being made to introduce and enforce the practice of ethical standards by the regulatory bodies, however, strict adherence to the standards has been a problem (Gowthorpe and Amat, 2005).

### **1.1. Statement Of Research Questions**

Even though recognized professional accounting bodies in Nigeria, like ICAN and ANAN, are trying very hard to ensure best practice in the auditing profession via the enforcement of professional code of conduct for their members, the strict observance of such codes is still questionable. This study examine the need for good ethical values in professional practice of public accounting in Nigeria. Since there is growing criticism of accountants in public practice and their counterparts in private sectors then it is of significance to embark on a study such as this to further explore the relationship between accounting ethics and the practice of accounting profession in Nigeria. The following research questions were raised to address this problem.

1. Does ethic have much impact on the practice of accounting profession in Nigeria?
2. Does ethical codes of conduct address all the issues that border on ethical practices?

### **1.2. Objectives of The Study**

The objectives of this study are to find out:

1. Whether accounting ethics have any impact on the practice of accounting profession in Nigeria.
2. Whether ethical codes of conduct address all the issues that border on ethical practices.

### **1.3. Research Hypothesis**

#### **Hypothesis I**

The professional ethical code of conduct is not sufficient to guide accounting practice in Nigeria.

#### **Hypothesis II**

Ethics does not have much impact on the practice of accountancy profession in Nigeria.

### **1.4. Scope of Study**

The scope of the study is practicing accountancy firms as well as chartered accountants in business, higher educational institution, non government parastatal, vocation and trade in some selected state in Nigeria (Benin City, Auchi, Lagos, Asaba, Bayelsa, Warri and Abuja).

## **II. Literature Review**

### **2.1. Conceptual Framework**

The main drive of accounting ethics and ethical values is the upholding of professionalism and good practice. Perhaps, we start an exploration of the subject ethics by looking at some of the meaning. Ethical responsibility in the business world according to Micewski and Troy (2006) is not holistic, but what we can do is consider any phenomenon that within a certain context influences ethical behavior. In most corporations in the world, the largest ethical issue in the accounting process is the potential for conflict of interest (Gomez, 2002). The breach of ethical rules in the practice of corporate financial reporting is not fair to users and such action can jeopardize the main objective of the financial reports (Gowthorpe and Amat, 2005).

Brinkmann (2002), defined ethics as a discipline in which matter of right and wrong, good and evil, virtue and vice are methodically examined. Ethics looks at human behavior, moral principles and the attempt to distinguish good from bad. When trying to identify common issues being dealt with within the business environment, professional bodies' codes of ethics is the right place to look. These codes represent what we can consider to be the reflection of business ethics. Codes of ethics should mainly address the particularities of high risk activities and are built on the collective conscience of a profession as a proof for the group's acknowledgment of the moral dimension.

According to Smith and Smith (2003), ethical values provide the foundation on which a civilized society exists. Nowadays, ethical standards act as a compass that direct and monitor the actions of people so that the best true and fair practices are achieved. Doolan (2009), append that assuming a person derives ethical values from religious principle, history and literature, or personal observation and experience, there are some basic ethical guidelines and ethical codes to which everyone can agree.

In the particular case of the accounting profession we should mention the International Federation of Accountants' (IFAC) code of ethics establishing the standards for accounting professionals behavior and displaying the fundamental principles they should respect in order to fulfill their common objectives. IFAC's code of ethics generally adopts a principles-based approach. The five fundamental principles in the IFAC code are: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior (IFAC, 2006).

### **2.2. A Review of Relevant Literature in Nigeria**

Akadakpo and Izedonmi (2013), opined that most regularly breaches codes are those that border on independence, integrity, transparency and objectivity. Members (Institute of Chartered Accountant of Nigeria,

ICAN or Association of National Accountant of Nigeria, ANAN) accept jobs without professional clearance from previous auditors/consultants. Some members also breaches accounting ethic codes, such as wrong and false reporting of financial information, embezzlement, fraud and corrupt practices, non-disclosure of conflict of interest and collecting and giving out gifts to influence judgement.

Ogbonna and Ebimobowei (2012), evaluated the effect of ethical accounting standards on the quality of financial reports of banks in Nigeria, and they came to the conclusion that the analysis of the data showed that ethical accounting standards affect the quality of financial reports of banks in Nigeria.

Adeyemi and Fagbemi (2011), concluded that there is the need for the profession to direct its efforts towards shaping the views of new entrants to the profession. This can be achieved through sound ethical training as results from the study suggested that this is an important step towards restoring the integrity of financial reporting process. Adherence and enforcement of high ethical standard for members of the profession will go a long way in maintaining diligence in the way members of the profession carry out their duties.

Ajibolade (2008), in the study "a survey of the perception of ethical behaviour of future Nigerian accounting professionals", indicated that future professional accountants should be properly groomed in ethical standards which is normal for professional growth and improvement of services delivery in financial reporting and auditing in order to maintain the respectability of the profession.

Bakre (2007) is of the view that accountants, auditors, and the accounting professional bodies in Nigeria for extremely poor level of integrity observed. The study also revealed that there were no significant differences in the perceptions of respondent groups on the need for auditors to abide by high ethical standard and the need to shape the views of new entrants to the profession.

### III. Methodology

This study was conducted to examine the impact of ethnics on the practice of Accountancy Profession in Nigeria. While conducting this research, data were collected primarily from questionnaire and oral interviews. The analysis and interpretations and findings from this work are strictly based on the information obtained from selected practicing chartered accountants in Nigeria. The population for this study includes chartered accountants in Nigeria.

A sample size of 250 chartered accountants in public practice, government, trade, vocation and academics was used. The data collection is the questionnaire.

The questions are structured types. The responses are mostly of the multiple-choice types. The questionnaire is broadly categorized into two sections. the first section contains questions relating to the background of the respondents which is the type of organization worked for, sex and years of experience. The second section relates to ethical procedures and practices which seek to find out the respondents knowledge of ethical issues and how they have been dealing with it in their everyday practice. The hypotheses formulated were tested using data generated from the fieldwork. The Z-score test was used in testing the hypotheses at 5% level of significance under the two-tailed test.

#### 3.1. Questionnaire Analysis

	No. of questionnaire administered	250
	No. of questionnaire returned	219
	No. of questionnaire not returned	31
	Percentage of returned questionnaire	87.6%
	Percentage of not returned questionnaire	12.4%
<b>Organization</b>	<b>Frequency</b>	<b>Percentage</b>
Audit practice	99	45.2%
Consulting practice	13	5.9%
Tax practice	9	4.1%
Government parastatals	26	11.9%
Manufacturing	23	10.5%
Service/Commercial	21	9.6%
University	28	12
<b>Total</b>	<b>219</b>	<b>100%</b>
<b>Sex</b>	<b>Frequency</b>	<b>Percentage</b>
Male	186	84.9%
Female	33	15.1%
<b>Total</b>	<b>219</b>	<b>199%</b>

Source: From questionnaire administered

From the table above, two hundred and fifty questionnaires were administered, two hundred and nineteen questionnaires were completed and returned which constitute 87.6% of the questionnaire. Thirty-one representing 12.4% of the questionnaires were not returned. This mean that 87.6% of the questionnaire was a success while 12.4% was failure. Respondents from audit practice constituted the bulk (45%) of the sample,

consulting practice constituted 5.9% of the sample, tax practice (4.1%) of the sample, government parastatals (11.9%) of the sample, manufacturing, service/commercial and University constituted 10.5%, 9.6% and 12.8% of the sample respectively. 186 (84.9%) respondents were males while the balance of 33 (15%) were female.

**Table 4 Major influence in respondents professional practice (Q1)**

Opinions	Frequency	Percentage
The professional ethical codes	84	38.4%
The Nigeria legal system	24	11%
My religion	47	21.5%
Imbibed societal value system	9	4.1%
My belief in not harming the society	12	5.5%
My company's policies and rules	43	19.6%
Total	219	100%

**Source: From questionnaire administered**

Table 4 above clearly shows that the accountancy professional ethical codes have the strongest influence on the conduct of accountants in their professional practice as 38.4% of the sample attributed their professional conduct to this factor. Religion was also found to be a major influence in the professional conduct of accountants with 21.5% of the sample. The policies and rules in the companies in which accountants work have a strong influence on their conduct, this constituted 19.6% of the sample. Other important influences are the Nigeria legal system (11%) societal value system (4.1%) and respondents' belief is not harming the society (5.5%) of the sample.

**Table 5 Regularity of updating accountants with ethical codes (Q2)**

Opinions	Frequency	Percentage
Every six months	49	22.4
Once every year	85	38.8
Once every two years	54	24.7
Once every three years	14	6.4%
Less often	9	4.1
Cannot say	8	3.7
Total	219	100%

**Source: From questionnaire administered**

From the table above, 38% of the respondents expressed the opinion that professional accountants should be reminded or updated with the accountancy ethical standards once every year. About a quarter (24.7%) of the respondents were of the opinion that every two years will suffice while 22.4% of the respondents want to be updated every six months. While some respondents (6.4%) want to be updated once every three years, 4.1% of the respondents want to be updated less often while 3.7% of the respondents cannot really say.

**Table 6 Importance of signing declaration of compliance with ethical code (Q3)**

Opinions	Frequency	Percentage
Very important	121	55.3%
Just important	52	23.7%
Neither important nor unimportant	21	9.6%
Unimportant	11	5.0%
Very unimportant	6	2.7%
Do not know	8	3.7%
Total	219	100%

**Source: From questionnaire administered**

Table 6 above shows that most respondents (55.3%) expressed the opinion that signing declaration of compliance with ethical code as very important while 5.0% of the respondent were of the that signing declaration of compliance with ethical codes as unimportant, while 9.6% of the respondents are indifferent about signing declaration of compliance with ethical code.

**Table 10 Regularity with which respondents were faced with situation that border on conflict of interest (Q7)**

Opinions	Frequency	Percentage
Very often	23	10.5%
Just often	51	23.3%
Neither/indifferent	11	5.0%
Not often	122	55.7%
Never	5	2.3%
Don't know	7	3.2%
Total	219	100%

**Source: From questionnaire administered**

Table 10 above shows that 55.7% of the respondents claimed that they are not often faced with situations that at one time or other border on conflict of interest that can make them breach ethical standards 23.3% of the respondents saw such situations as just often. 10.5% of the respondents claimed to have faced such situation very often. While 5% of the respondents were indifferent to the situation.

**Table 11 Specific Areas in which Respondents often face conflict of interest. (Q8).**

Opinions	Frequency	Percentage
Presentation of report/Reporting Financial information	29	13.2%
Tax matters/compliance with technical standards	18	8.2%
Honesty, integrity, probity, objectivity and independence	13	5.9%
Giving or Receiving gratification	8	3.7%
Audit	16	7.3%
None	27	12.3%
Don't know/ can't say	108	49.3%
Total	219	100%

**Source: From questionnaire administered.**

From table 11 above, respondents were asked the specific areas of their practice in which they often face conflict of interest that border on ethical standards, almost half of the respondents claimed not to have any idea 13.2% of the respondents said in presentation of report or reporting financial information. 12.3% of the respondents said there are no areas. 8.2% of the respondents claimed in tax matters/compliance with technical standards, 7.3% of the respondents claimed in audit, 5.9% of the respondents claimed their honesty, integrity, probity, objectivity and independence. While 3.7% of the respondents claimed in giving or receiving gratification.

**Table 12 How respondents resolve conflict of interest (Q9)**

Opinions	Frequency	Percentage
Contact my superior for advice	51	23.3%
Contact my colleagues for advice	35	16.0%
Take a position based on my personal beliefs or interest	26	11.9%
Abide by the ethical standards of the accounting profession	73	33.3%
Take a position that will be more beneficial to my organization	18	8.2%
Don't know/can't say	16	7.3%
Total	219	100%

**Source: From questionnaire administered**

From the analysis above, 33.3% of the sample interviewed claimed they would resolve conflict of interest by abiding by the ethical standards of the accounting profession 23.3% of the respondents will contact their superior for advice, 16.0% of the respondents will contact their colleagues for advice while 11.9% of respondents will take a position based on their personal beliefs or interest and 8.2% of the respondents will take a position that will be more beneficial to their organization.

**3.2. Test of Hypotheses and Analysis of Results**

**Hypothesis 1**

The professional ethical code of conduct is not sufficient to guide accounting practice in Nigeria  
In testing hypothesis 1, question 13 was used.

**Table 16: Analysis of responses to question 13**

Opinions	Frequency	Percentage
Strongly agree	68	31.1%
Moderately agree	59	27.0%
Indifferent	27	12.3%
Disagree	29	13.2%
Strongly disagree	36	16.4%
Total	219	100%

**Source: Fieldwork (2010)**

**Decision Rule**

The empirical analysis shows that the table Z-value of 1.96 is greater than the calculated Z-value of 2.66. In the figure above the calculated Z-value falls outside the acceptance region into the rejection region which means that we reject the null hypothesis and accept the alternative hypothesis which states the professional ethical code of conduct is not sufficient to guide accounting practice in Nigeria.

## Hypothesis 2

Ethics does not have much impact on the practice of accountancy in Nigeria. In testing hypothesis 2, question 15 was used.

**Table 18: Analysis of responses to question 15**

Opinions	Frequency	Percentage
Strongly agree	88	40.2%
Moderately agree	62	28.3%
Indifferent	19	8.7
Disagree	27	12.3%
Strongly disagree	23	10.5%
Total	219	100%

Source: Fieldwork (2010)

## Decision Rule

The empirical analysis shows that the table Z-value of 1.96 is greater than the calculated Z-value of 6.9. In the figure above the calculated Z-value falls outside the acceptance region into the rejection region which means that we reject the null hypothesis and accept the alternative hypothesis which states that ethics does not have much impact on the practice of accountancy in Nigeria.

## IV. Conclusion And Recommendations

Ethical codes of the accounting profession have a strong influence on the conduct of accountants. It was found that there are other major influence which accountants believe have impact on their professional conducts like policies and rules of companies where accountants work, religion were found not to have major influence in the profession conduct of accountants. The legal system, societal value systems and beliefs in not harming the society also inter-played in the accountants' professional conduct.

Many accountants are of the opinion that the ethical codes by the professional bodies in Nigeria, ICAN and ANAN is insufficient in their profession conduct as they confirm that other factors have an inter-play in their day to day professional conduct. Certain situation such as giving out gratification, working in an organization that produces products that may be injurious to human health and exerting high pressure in securing professional jobs may not be regarded as too ethical but in which ICAN does not enforce sanction because the ethical codes do not cover such situations. In addition, technological development has extended the horizon of information flow which is available to accountants in their everyday practice. But the confidentiality and integrity of such information cannot be fully relied upon. The accountant is at risk of publishing such information and may expose himself to litigation if such information is subsequently found to be incorrect. The ethical codes do not cover such cross border information and thus extend the liability of accountants.

Based on the findings generated from this study the following recommendations are made:

1. The accountant in practice needs to pay attention to good ethical conduct and there is the need to adhere strictly to the ethical code of conduct.
2. Members need to sign a declaration of compliance with ethical codes periodically. This may be once every year or two years.
3. ICAN needs to wait till a case is formally reported but may cause preliminary investigation to be commenced once the general public becomes aware of such breach. This may be through the new media-printed or electronic.
4. The most breached offences need to continue to attract the most sanction.

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**APPENDIX**

**Z-Test: One Sample for Means**

	Variable 1
Mean	43.8
Known Variance	2.15
Observations	219
Hypothesized Mean Difference	0
Z	2.667569588
P(Z<=z) one-tail	0.116518991
z Critical one-tail	1.644853627
P(Z<=z) two-tail	0.233037982
z Critical two-tail	1.959963985

**Z-Test: One Sample for Means**

	Variable 1
Mean	43.8
Known Variance	3.69
Observations	219
Hypothesized Mean Difference	0
Z	6.96675588
P(Z<=z) one-tail	0.116518991
z Critical one-tail	1.644853627
P(Z<=z) two-tail	0.233037982
z Critical two-tail	1.959963985

**Source: SPSS OUTPUT**

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