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THE ADEQUACY OF ETHICS IN ACCOUNTING PRACTICE IN NIGERIA

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ABSTRACT

The recent increase in the level of accounting scandals recorded in large organizations generates disrepute and frequently paints the accounting profession as unethical. A huge gap exists between the documented form of ethical codes and what is obtainable in real practice. This study evaluated the adequacy of ethical codes and conducts in the accounting profession in Nigeria. Survey Research design was used through the administration of questionnaires. The population comprises of to 3,200 ANAN and ICAN members. Obtained responses were subjected under critical hypothetical tests based on outlined hypotheses. Findings reveal that code of ethics in Accounting is adequate for Professional Accountancy Practice in Nigeria and that lack of awareness of ethical standards is the only statistically accepted that inhibits strict adherence to the breach of ethical accounting practice in Nigeria.

Key words: Accountancy; Ethics; code of conduct; ethical standards.

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1. INTRODUCTION

The accounting profession is one of the few professions held in high esteem by society. Hence, other professional sectors, the business community, the government, as well as the general public greatly rely on the accounting profession for professional financial services such as sound financial reporting, effective management of financial resources and tax consultation services (Stuart et al, 1980). Osisioma (2000) describes accountancy as a pivotal profession in the sense that accounting services are required in times of opulence to help manage abundant resources and also needed in times of paucity to realize frugal and optimal allocation of scarce resources. It is also required in times of stability where it is needed in order to sustain and advance the economic status quo.

The concept of accounting dates back to as early as 5000 BC in the Babylonian empire where facts were recorded on clay tablets (Pacioli, 1494). Though these record keeping methods were crude, they served the primary purpose of accounting which is the gathering, processing, and preserving of information. Accounting as a profession is a noble one which commands great respect and requires a high level of discipline. Also, accounting as a discipline has gained social recognition amongst other disciplines and is characterized by versatility, sensitivity, and competence which is expressed in the handling of challenging issues and tasks. The accounting profession is a broad and complex profession in the sense that activities executed by accountants contain complex problems which necessitates a high degree of expertise by the accountant in various specialties to facilitate the solving of most of the problems generated by management and society. Accounting is an indispensable part of any business. It keeps records of the level of growth and can be used as a prediction tool for the future. Accounting is one of the fastest growing professions globally, it continually expands as new businesses emerge. Presently, there is a high demand for good accountants due to increasing complexities in business and industry which is as a result of an increase in the economic expansion. Hence, the need for management and control which requires the bookkeepers and accountants who can do the necessary analysis and offer managerial advice. The important role played by professional accountants in the general stability and progress of society cannot be overemphasized especially in the area of guaranteeing the quality of financial reporting.

Accountancy as a profession deals with confidential financial details of both individuals and establishments. In some cases, this involves the execution of million-dollar transactions and other responsibilities like safeguarding retirement funds for income earners and social workers. Ethical codes are fundamental principles that regulate and guide accounting professionals in order to aid them to enhance their profession, retain public trust, and exhibit honesty. Dismally, not every accountant is trustworthy (Cristina & & Florina, 2008). Cases of violations of public and private trust occur frequently, and resolution of ethical dilemmas do not always end favorably. Ethical system as defined in the context of the accounting profession relates to a system of shared values, conventions, practices and norms which delineate and guide the conduct of the accountants as agents, and as members of established professions in the exercise of good conscience, judgment, traditions and discretion in the performance of their official duties. General guidelines on professional ethics are the moral rules relating to a particular profession (ICAN, 2009). All professional accountants are expected to follow the guidelines on the conduct of members as issued by different professional bodies. One of the greatest problems in the accounting profession is the problem of financial ethics. This is characterized by fraudulent activities which occur when accountants and managers fail to adhere to earning standards of management ethics. In cases like this, financial information is altered by accountants and managers which usually involves the addition of prearranged results in financial statements, which gives contradictory results from the actual ones (Ronen & Yaari, 2007). This leads to distrust, particularly when fraudulent activities or data infringement transpire.

The distinctive mark of the accountancy profession according to the International Federation of Accountants is the obligation to execute its activities in the interest of the public. Hence, the responsibility of a professional accountant is not exclusively to satisfy the needs of a particular client or employer (Frankel, 1989). While acting in public interest, a professional accountant should observe and comply with the ethical requirements of the laid down codes and guidelines. The professional accountant is expected to desist from any business or activity that impairs the integrity or good reputation of the profession as any contrary indulgence could jeopardize professional service delivery. In the field of business, a professional accountant has a responsibility to further the legitimate aims of their employing organization (Pimenta & Souza, 2014). The code of ethics in accounting considers situations which might steer up conflicts and provides guidelines that require the professional accountant to comply with the fundamental principles of the profession. These laid down guidelines are designed to aid the professional accountant to properly fulfill their responsibility to society.

1.1. Statement of Problem

Due to the complex nature of accounting, the accounting profession is characterized by ethical standards which necessitate strict adherence to the ethics of the profession. In the business world, professional accountants are not only expected to maintain high standards, but they are also expected to help organizations achieve ethical balance. Although the recognized professional accounting bodies in Nigeria like the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN). These bodies try as much as possible to ensure best practices in the accounting profession through the enforcement of a professional code of conduct for its members, the strict observance of such codes is still in doubt. The confidence bestowed on the practicing accountants by the public is still in question. Members still breach the rules to the extent that raises the question of whether the ethical guidelines adequately cover all that is required to be covered, or whether the problem lies with the procedure for implementing the code of the ethics in the accounting profession. Hence, this study seeks to examine the ethical system in professional accounting and factors responsible for the bridge of ethical standards in the profession.

1.2. Objectives of the Study

The main objective of this study is

- To examine if the existing code of ethics in accounting is adequate for professional accounting practice.
- To identify contributing factors that inhibit strict adherence to ethical standards in accounting practice.

1.3. Hypotheses

To solve the problem and answer the questions stated above, the following hypotheses were formulated,

- Code of ethics in accounting is not adequate for a professional accountancy practice in Nigeria.
- There are no contributing factors that inhibit strict adherence to ethical standards in accounting.

2. LITERATURE REVIEW

Accounting is a basic requirement in almost every aspect of human endeavor and basic accounting knowledge is a prerequisite for any person who intends to undertake any form of business. The 19th century witnessed tremendous growth in the accounting profession all over the world. Indeed, during the early years of the 20th century, major advancements in the economic and social sectors have entrusted the accounting profession with higher responsibilities. This was due to the increase in size, number, and complexity of large corporate businesses, and also as a result of the regulatory influence of government in the affairs of businesses by taxation.

Professional accountants in business regularly find themselves at the forefront of preserving the integrity of financial reporting. Intrinsically, professional accountants in businesses consequently have the task of upholding the quality of financial reports right at the sources where the figures are produced. In connection with protecting the public interest, there is a perception that accountants need to be trustworthy in order to provide public value. Without public trust, accountants will lose acceptability as protectors of public interest. The impact of the accountancy profession is felt globally especially in global capital markets.

Hence, confidence in the financial information made available by professionals comprising the basis of public trust and value.

An efficient profession or business requires high and reliable ethical standards in order to stand the test of time (Smith & Smith, 2003). Ethical considerations are being prioritized in the finance and accounting departments of industries (Mathenge, 2012). There is usually a level of tension that exists between an organization's financial goals and policies for profit maximization and ethical considerations with concerns for morality. When the public is not assured of the market's ability to check corporate misbehavior, it relies more on the government for regulations. For instance, recurrent cases of misconduct by corporate officials have led to the passage of various Acts in Nigeria which include the Economic and Financial Crimes Commission (EFCC) Act 2004, the Investment and Securities Act (ISA) 2007, Banks and other Financial Institutions Decree 2004 and Money Laundering Act, etc. Due to ethical lapses amongst public accountants, a review of the standards of professional accounting has become necessary (Rist, 2002). Most organizational values and environment create a good opportunity for accountants to exploit the loopholes in financial management, although in most organizations, the accounting and finance departments are expected to enhance the growth of ethical education and awareness, they are often confronted with stiff opposition from the upper-class management (Fisher and Lovell, 2009).

There is a sharp contrast between ethics and morality. The distinguishing factor is that ethics is described in terms of a philosophical discipline (rational and critical) as to right and wrong. Whereas morality encompasses a set of values, norms, and principles that govern human actions as regards behavior (Vazquez, 2011). Ethics can also be understood in the field of philosophy as relating to human behavior and the consequences that emanate from its attitudes (Gitman, 2007). On the other hand, morality encompasses values and beliefs systems that integrate a social process, in which individuals try to distinguish between right and wrong conduct (Kabir, 2009).

According to Guilem & Figueiredo (2008), individuals deliberately assume a set of norms or rules of conduct to establish interpersonal relationships centered on moral values. Morality paves the way for ethics at certain points because human attitudes and its consequences are analyzed based on rational philosophy so as to establish norms of conduct (Crane & Matten, 2004). Also, Smith and Smith (2003) opine that ethical values serve as the foundation on which any civilized society exists. Currently, ethical standards act as a scope that directs and monitors the actions of people in order to ensure that true and fair practices are achieved. Doolan (2009) adds that regardless of the source through which one derives ethics – be it religion, literature or personal experience, there exists some basic ethical guidelines and codes that are universal to everyone.

2.1. Adequacy of Ethics in the Accounting Profession: An Overview

The accounting profession is laden with the responsibility of exhibiting a high sense of accountability and stewardship. Its major priority is to uphold its public image, and this advantageous position can only be maintained by continually rendering unique services to the public at a level which firmly establishes public confidence (Bucholz, 1989). Consequently, members of the profession are expected to conduct themselves in a manner consistent with their responsibilities to the client, other professional colleagues, and the public at large. The moral standards that regulate the behavior of accountants in the discharge of their responsibilities are known as accounting professional ethics (IFAC 2001). The five fundamental principles which the International Ethics Standards Board for Accountants (2010), the IESBA Code of Ethics requires accountants to adhere to are:

Integrity

Integrity is defined as the quality of being honest and having strong moral principles. Integrity is seen in an individual's ability to be candid and honest in all business and professional activities. Upholding integrity necessitates accountants to dissociate themselves from any false or misleading information. Abstinence from conducts that could portray the accounting profession in bad light or negatively affect the reputation of the profession is a reasonable expectation that businesses and clients require from accountants.

Independence and Objectivity

In the accounting profession, ethics work effectively in accordance with independence. Trust is driven by a critical component which is the ability to make unbiased decisions and recommendations to the benefit of the client. For instance, in a situation where there is a conflict of interests, independence guidelines come to play. Personal interests could influence an accountant to offer bias financial advice to a client. In order to remain objective and independent, it is necessary to ensure that recommendations are not susceptible to external influence. A professional accountant's judgment is compromised when they subject their judgment to another. Independence enables the accountant to accomplish his task without fear or favor Millichamp (1990). Objectivity is a state of mind, a quality that lends value to a member's service. Objectivity enforces impartiality, honesty and eradicates conflict of interest. Objectivity requires fairness in all conducts and judgments. However, objectivity cannot be achieved where independence is impaired.

Confidentiality

Exposure of confidential data or revealing of financial information by an accounting professional without express authorization violates trust which is the foundation of a professional relationship (Mintz, 1992). The only exceptions are in cases where there is a legal or professional purpose which necessitates such actions. In the course of their duty, accountants may acquire privileged information. Such information is referred to as insider information. Therefore, accountants are not expected to take advantage of such information to make any biased decision based on selfish interests.

Professional Competence and Due Care

With the constant change in technology, legislation, and best practices, it is necessary for a professional accountant to be updated. In order to exercise sound judgment, it is crucial for an accountant to stay abreast of new developments. Consultation of professionals is a standard practice which strengthens the bond and respect among a network of individuals. The same guiding principles apply to account professionals who are in leadership positions, hence, they must ensure that their subordinates are properly guided with respect to the execution of their responsibilities.

2.2. The Relevance of Ethical Codes in Professional Accounting

Smith, (1999) views professional ethics as the element that holds the professional to a higher standard of conduct than the laws that regulate that particular profession. This infers that irrespective of the fact that the accounting profession is controlled by accounting principles, ethical standards are of principal importance. According to Nwagboso (2008), professional ethics in accounting aids the accountant determine the respectability of his conduct while executing his professional duties, it specifies the kind of professional stance which the accountant must maintain if he must succeed. It instills a level of confidence in clients that the accountant is willing to deliver excellent services by placing service above financial reward. Professional ethical codes enable regulatory bodies to carry out their responsibility by guaranteeing that the professional accountant has the skills and aptitude expected of him by employers and clients, this ensures the protection of public interest and enhances the credibility of the accounting profession.

Several ethical guidelines have been developed for the accounting profession by the International Federation of Accountants (IFAC). The following ethical principles are the foundation upon which the accounting profession is founded; they include integrity, confidentiality, objectivity, professional independence, professional competence, fidelity and professional behavior (IFAC, Handbook of International Auditing, Assurance, and Ethics Pronouncements, 2006). Other ethical codes include guidelines on professional engagement, professional fee on accounting and taxation services, conflict of interest resolution and responsibilities to colleagues and non-members of the professional regulatory body, etc. Nigam, (2008) posited that the conduct of accounting professionals in providing essential accounting and auditing services impacts the economic welfare of the nation. Ethics in professional accounting are meant to hold the accountants to a higher standard of conduct.

2.3. The Nigerian Situation

The accounting profession in Nigeria has witnessed cases of inflated contract in both private and public parastatals, cases of fraud, embezzlement, and falsification of financial records, etc. All these occurrences clearly reveal a violation of ethical standards in corporate financial reporting and auditing (Oseni, 2011). To properly ascertain the level of ethical adequacy and adoption in the Accounting profession, we cannot draw conclusion on the above stated issues by mere rule of the thumbs, hence the need for empirical evidence which is required to aid investigate the degree of adoption of accounting ethics by professional accountants in Nigeria and also observe the factors influencing the adoption of accounting ethics by professional accountants in Nigeria.

Cletus & Oghoghomeh (2014), investigated the ethics of accounting profession in Nigeria with a view to determining the level of its adoption in professional accounting practice and also to determine factors influencing its adoption by professional accountants. For this purpose, certain hypothetical claims were made, which were backed up with a critical review of related literature. The population for the study comprised of 125 independent auditors and management accountants from various accounting/auditing firms as well as business organizations in Port Harcourt, the capital city of Rivers State. Data gotten from respondents through questionnaires were analyzed with frequency and percentages while the stated hypotheses were statistically tested using the Chi-square test and Spearman’s Rank correlation coefficient. The results of this study revealed a low adoption of accounting ethics in professional practice in Nigeria which exists as a result of factors such as greed and self-interest, poor societal value, lack of complete information, lack of clearly defined ethical guidelines, lack of professional competence, the effect of cultural change, self-deception and rationalization. The most prevalent of the above-mentioned factors are greed and self-interest while the lack of clearly defined ethical guidelines is the least influencing factors. Based on the above discovery, the establishment of a strong enforcement mechanism such as a body to monitor and regulate the activities of professional accountants was recommended which would exist to promptly sanction defaulting accountants. It was also recommended that members indulging in unethical practices should be denied membership and have their practicing license withdrawn. More so, they emphasized the need for total overhauling of our societal values and standards.

Ali & Haydar (2013) in their study, investigated accounting professionals’ perceptions of the importance of education phases and environmental conditions in the development of ethics awareness as well as coverage of accounting ethics education. Data was gotten from public accountants through online questionnaires within the period of November and

December 2011. The questionnaire was developed based on a review of earlier research. A total number of 219 feedback were received from accountants who took part in the survey. The findings confirmed that most of the respondents (i.e. practicing accountants) have not taken ethics education hitherto. Also, the findings supplied evidence to show that all stages of education ranging from kindergarten to university is vital and impact the development of ethical awareness. Environmental factors also influence the development of ethics awareness. It was suggested that having Ethics as a separate course will be the most appropriate approach to ethics education. Responses also indicated that “auditing” should be the main course in which ethics is taught extensively. The respondents also approved the inclusion of ethics within various stages of the accountancy curriculum.

Jaijairam (2014) examined the role of professional accounting bodies in promoting and enhancing ethics in the global accounting profession. Probing further to ascertain whether there is strong mutual interdependence between the accounting profession and the role of the professional accountant. The study utilized a qualitative descriptive research design which involved a survey method that required the collection of primary data. The primary data collected necessitated an assessment of responses from accountants in relation to their dependence or independence from accounting professional ethics and the accountant’s role. Data was gotten by the use of questionnaires, offered to employees in various financial institutions. Personnel from the departments of management, accounting, and finance were requested to respond. The analysis was carried out on the primary data gotten from the responses provided by accounting professionals. Chi-Square statistics were used for data computation due to its suitability in analyzing the dependence or independence of accountants’ role in accounting profession ethics. Findings indicated that the accountant’s role is solely dependent on the accounting profession. The study established that ethics dimensioning for the accounting profession is very essential for national professional bodies in increasing business reputation while decreasing criminal activities and fraud.

Charles & Mary, (2018) carried out a study that adopted the stewardship theory as a theoretical background to develop an empirical framework for examining the influence of ethical professional standards on financial reporting practices in less developed countries. Findings from the study revealed a low degree of adoption of ethical professional standards which emphasized greed and self-interest as the most prevalent of the causative factors while the least prevalent factor is lack of will to sanction violations of clearly defined ethical codes of conduct. Their recommendation was for the establishment of strong enforcement mechanism as well as the establishment of peer review procedures and institutional management system to regulate the activities of professional accountants and ensure strict implementation of codes of professional practice.

In a similar study, Eginiwin & Dike (2014) examined the effect of accounting ethics on the quality of financial reporting. A survey was carried out on some selected oil exploration and producing companies in Nigeria. Return on Investment (ROI), dividend per share and earning per share were used as financial reporting variables. The researchers identified some significant accounting ethics variables which helped in the research and they include; integrity, accountability, objectivity independence and competence. 133 copies of the questionnaire were administered to 20 of the sampled oil exploration companies while data for the analysis were drawn from 118 copies of the administered questionnaire which were eventually returned by the respondents from the 20 companies selected for the study. The received data was ranked on a five-point Likert’s scale and analyses were carried out with the use of multiple regressions. The findings revealed that a positive relationship exists between accounting ethics and the quality of financial reporting with respect to return on investment (ROI), earning per share (EPS), and dividend per share (DPS).

2.4. Factors that lead to Breach of Ethical standards in Accounting

Competing Demands

Accountants often face the dilemma of choosing between promoting the values central to their profession and demands from the public. Creating a balance between these competing demands forms the basis of being professional as opposed to just having a job or any other form of employment. It is expected of professionals to exercise professional judgment in the execution of their duties, most especially in challenging situations. They are expected not to indulge in activities that will jeopardize the reputation of their profession causing them to lose the public's trust. Professional behavior, competence, objectivity, integrity, and confidentiality are ethical codes expected of professional accountants globally, irrespective of the roles they perform. Nonetheless, competing demands and persistent pressure can put professional accountants in a difficult situation. These conflicts are related to ethics and commercial pressures which might arise in situations where professional accountants are expected to help an organization realize certain financial outcomes (Placeholder2). In cases like this, the action required of the professional accountant may involve compromising compliance with accounting standards and rules of financial reporting which puts the professional accountants in a state of tension. Professional accountants have a clear ethical and legal obligation to uphold integrity in carrying out their duties especially in the area of accurately reporting financial statements, but failing to do so could be detrimental to their careers and could set them up for criminal liability.

Confidentiality Issues

Just like other professionals such as lawyers and doctors, accountants deal with confidential information. Inappropriate use of such confidential information or failure to properly protect confidential information falls below the ethical standards expected of professional accountants. Using confidential information to take advantage of a company's value is most evident. The exposure of confidential knowledge to a company's competitor, or allowing outsiders to snip important information through negligence are also major issues. Ironically, maintaining a principled stand on an ethical matter can also be seen as a breach of confidentiality in a situation where an accounting team terminates their services due to ethical issues at a sensitive time without a proper explanation of the reasons for their action. This could raise suspicion from both insiders and outsiders.

Conflict of Interests

This is one of the ethical issues that are most difficult to recognize. Conflict of interests can come to play when certain incentives or benefits are attached to certain services or products that benefit the accountant but detrimental to the organization or company or vise-versa. This could consciously or unconsciously lead to a situation where bias decisions are made.

Omission or Negligence

At some point, accountants might feel pressurized to leave some information out of financial reports if they will portray the company in a bad light. This is another way of actively misrepresenting numbers. This might psychologically feel safe. It is likened to avoiding saying the truth by keeping quiet which is equivalent to telling a lie. This could be misleading for an investor who chooses to invest in a company without proper knowledge about any potential problem. In such cases, due to inaccurate information, the investor is not able to properly access the risks involved. This could also be fatal to the organization or company working with such incomplete information.

2.5. Comparison between the Ethical Codes of ICAN/ANAN and IFAC/IESB

With regards to ethical code of conducts and guidelines, the professional bodies responsible for the regulation of the accounting profession in Nigeria ICAN & ANAN alongside the regulatory associations of other member countries of the International Federation of Accountants (IFAC) operate by the same ethical principles which form the foundation upon which the accounting profession is founded; they include integrity, confidentiality, objectivity, professional independence, professional competence, fidelity, and professional behavior. But regardless of the laid down fundamental principles of the profession, it is difficult to define every situation that creates threats to compliance with the fundamental guiding principles and specifying the appropriate mitigating action is quite tough. The mode of engagements and work assignments of the Professional Accountant differs and so does the threats also, thus, the application of various safeguards. Compliance with the fundamental ethical codes may be threatened by several circumstances. Although the professional accountant has an obligation to assess any threats to compliance with the fundamental ethical codes and principles, he is expected to put qualitative and quantitative factors into consideration in view of the significance of a threat. Where a professional accountant cannot implement appropriate safeguards, he is expected to decline or discontinue the specific professional service, or where necessary, tender a resignation.

Ethical standards when strictly adhered to, become adopted and reflect effusively in professional assignments (Nwanyanwu, 2010). Accounting is a profession that depends heavily on the need to exhibit a high level of accountability and stewardship which therefore emphasizes the need for all members to be guided by a professional code of conduct. The Institute of Chartered Accountants of Nigeria (ICAN) revoked its decade-long confidentiality principle guiding the activities of professional accountants and their employers or clients. This followed the launch of a new global ethical standard code by the International Ethics Standards Board for Accountants for professional accountants on July 15, 2017. The code, known as “Non-Compliance with the Laws and Regulations (NOCLAR)” is a “whistle-blowing” initiative which directs professional accountants to expose any act of non-compliance to the rules and regulations by their employers/clients to relevant authorities. The introduction of NOCLAR in Nigeria has annulled the confidentiality principle which exists between professional accountants and their employers/clients respectively.

The International Ethics Standards Board for Accountants with effect from July 15, 2017, authorized a new standard for implementation after six years of extensive consultation based on a multi-stakeholder approach and rigorous due process. The current dynamic nature of the business environment has highlighted the need for professional accountants and regulatory bodies to exhibit a high level of professionalism and diligence in providing services to the public in the changing business environment. The whistle-blowing initiative is a new section in the code of ethics aimed at guiding professional accountants on what actions to take when they notice a potential illegal act committed by a client/employer. NOCLAR applies to professional accountants in business, government, education, the non-profit sector and other segments of the economy (IESBA, 2016).

3. METHODOLOGY

The survey research design will be used through the administration of questionnaires to ANAN and ICAN members. 3,200 questionnaires were administered and only 3118 was returned – representing about 97% response rate. Obtained responses were inputted into SPSS version 25 and frequencies, tables and percentages were extracted and documented. Obtained responses will be also subjected under critical hypothetical tests based on outlined hypotheses. For the first hypothesis, Spearman’s rho and Kendall’s tau_b non-parametric correlation will be employed while principal component analysis will be used for the second hypothesis. The Spearman's rho and Kendall's tau_b non-parametric correlation was chosen

4. DATA ANALYSES

Hypotheses Testing

Hypothesis I: Code of Ethics in Accounting is not Adequate for Professional Accountancy Practice in Nigeria

Decision Rule

Reject H_0, if P-value ≤ .05; otherwise Do Not Reject H_0

The Kendall's tau_b correlation of [.641] shows a fairly positive association between variables while the Spearman's rho correlation of [.647] also shows a fairly positive association between variables, both at a statistical significance of [p-value < .001]. This reveals the basis on which the null hypotheses can be rejected. Since the [p-value < .05], the null hypothesis will be rejected and the alternate declared as empirical finding. Hence code of ethics in Accounting is adequate for Professional Accountancy Practice in Nigeria *[See Appendix II]*

Hypothesis II: There are no contributing factors that inhibit strict adherence to ethical standards in accounting.

(F) = $b_1F_1 + b_2F_2 + b_3F_3 + b_4F_4 + b_5F_5 + b_6F_6 + b_7F_7 + \mu$ *[See Appendix III]*

Decision Rule

Do not Reject Factors, if EigenValue > 1; otherwise Reject

The correlation matrix table shows that all the factors are all correlated with valid significant levels all at [p-value < .001]. The anti-image matrix shows that the model fit is good as most of the off-diagonal elements are small. *[See **Anti-image Matrices Table, Appendix III**]*

The screen plot from SPSS output *[See **Screen Plot Table, Appendix III**]* shows the unrotated factor loadings for the 7 tested factors using the principal components method of extraction. The first factor is the only one with a variance (eigenvalues) that are greater than 1 and also with the highest communality of .958. Therefore, Factor 1 [a proxy for lack of awareness of ethical standards] appear to explain most of the variation in the data. The percentage of variability explained by factor 1 is 87.296% while other components or tested factors or determinants share 12.704%. *[See **Total Variance Explained Table, Appendix III**]*

Since only factor 1 was extracted, we conclude that a lack of awareness of ethical standards is the only statistically acceptable determinant to the breach of ethical accounting practices. Although all the factors had a statistical level of significance, only factor one seemed to explain most of the variation in the model. *[See **Total Variance Explained Table, Appendix III**]*

Implication of Findings

The correlation test analysis conducted between 'existing code of ethics' and 'the sufficiency of accounting practice' showed a strong positive correlation. This provides empirical evidence that a code of ethics is strongly associated with an efficient accounting practice in Nigeria.

5. CONCLUSION AND RECOMMENDATION

The correlation test analysis conducted between 'existing code of ethics' and 'the sufficiency of accounting practice' showed a strong correlation positive. This provides empirical evidence that a code of ethics is strongly associated with an efficient accounting practice in Nigeria.

The factor analysis in Appendix III revealed that out of seven (7) tested factors, only 'lack of a clearly defined ethical code of conduct' explained most of the variation in the model as shown by the eigenvalue. From the result of the study, it has been established that a lack of awareness of ethical standards is the only statistically acceptable determinants to the breach of ethical accounting practices.

Given the findings, fostering and developing ethical awareness in the practice of accounting will enhance professionalism in the practice of accounting. It calls for fundamental recognition that ethics is in everything people do especially as professionals. Unswerving recognition of the ethical implications of financial reporting will ideally make an accountant a major contributor to the achievement of organizational goal.

According to Robert (2005), every ethical dilemma is unique, having its own facts and circumstances and in most cases, the ethical course of action is not readily apparent. Codes of ethics, as well as their official interpretations, do not directly address some specific questions. Therefore, it is often not possible to simply look up the solution to an ethical problem. In deciding when an ethical problem exists and in determining what constitutes ethical behavior, the practitioner must often rely primarily upon his or her own professional judgment (Cheng, 2012).

It is recommended however that organizations should seek to build ethical leadership by educating accounting personnel in going beyond simply complying with laws, to adopting principled workplace conduct, constant ethical reasoning, and thorough decision-making skills. Clear procedures and receptive reporting systems build trust; therefore, individuals must be able to identify how their regular conducts affect others and how their actions reflect on the organization's reputation and credibility.

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APPENDIX I

Table 1 Responses from Questionnaire Distribution

Questions/Variables	A (%)	SA (%)	I (%)	D (%)	SD (%)
There is an existing code of ethics in my Accounting Firm	1381 (44.30%)	1565 (50.20%)	171 (5.50%)		
There is a high level of compliance	490 (15.70%)	1375 (44.10%)	630 (20.20%)	468 (15.00%)	156 (5.00%)
Lack of Awareness of Ethical Standards is a possible reason for breaching ethical standards of the accountancy profession	2504 (80.30%)	449 (14.40 %)	94 (3.00%)	37 (1.20%)	34 (1.10%)
Nonenforcement of ethical standards is a reason for breaching ethical standards of the accountancy.	649 (20.80%)	751 (24.10%)	745 (23.90%)	857 (27.50%)	115 (3.70%)
Inadequate sanctions for offenses committed lead to a breach of ethical standards.	1261 (40.45%)	797 (25.55%)	496 (15.90%)	393 (12.60%)	171 (5.50%)
The reluctance in reporting any case of misconduct to the professional body contributes to a breach of ethical standards.	1514 (48.56%)	1205 (38.65%)	246 (7.89%)	153 (4.90%)	
The best action when unethical practices are going in your organization is to make a report to your chief executive or superior officer or head of the department.	2143 (68.72%)	870 (27.90%)	105 (3.38%)		
Making a report to the appropriate authority such as ICAN is the most appropriate action when unethical practices are going on.	768 (24.64%)	608 (19.50%)	1034 (33.17%)	583 (18.70%)	124 (3.99%)
The best action is to keep indifference to the practices.	446 (14.30%)	296 (9.50%)	571 (18.30%)	1110 (35.60%)	695 (22.30%)
Registering one's appointment is the most appropriate action.	728 (23.34%)	378 (12.12%)	1116 (35.78%)	719 (23.07%)	177 (5.69%)
Attempts to avoid unpleasant consequences such as loss of revenue, loss of a job, etc. are factors that inhibit strict adherence to ethical standards	1084 (34.78%)	1359 (43.60%)	474 (15.21%)	200 (6.41%)	
Personal interests of accountants are one of the factors that inhibit strict adherence to ethical standards	1265 (40.56%)	1064 (34.13%)	673 (21.60%)	116 (3.71%)	
Lack of clearly defined company policies that ensure the adherence to ethical standards inhibits the strict adherence to ethical standards.	1257 (40.33%)	1102 (35.33%)	637 (20.42%)	122 (3.92%)	
Inadequate monitoring of the conduct of accountants in practices also inhibits strict adherence to ethical standards.	1566 (50.21%)	1229 (39.41%)	324 (10.38%)		
Intruding into the privacy of people in order to secure information is an ethical offense that normally attracts sanctions of disciplinary actions.	1328 (42.60%)	914 (29.30%)	776 (24.90%)	100 (3.20%)	
Wrong reporting of financial information is also an ethical offense that normally attracts sanctions of disciplinary actions.	1250 (40.10%)	1412 (45.28%)	456 (14.62%)		
Collecting or giving out gifts to influence the reporting of incorrect financial information is another ethical offense that normally attracts sanctions of disciplinary actions.	1588 (50.93%)	1486 (47.65%)	44 (1.42%)		
Advertising your practice to induce patronage is also an ethical offense that normally attracts sanctions of disciplinary actions.	1257 (40.30%)	1347 (43.20%)	514 (16.50%)		
Accepting an appointment without	1472 (47.20%)	1341 (43.00%)	290 (9.30%)	16 (0.50%)	

professional clearance is an ethical offense that normally attracts sanctions of disciplinary actions.					
Fraud, corruption, and bribery is also an ethical offense that normally attracts sanctions of disciplinary actions.	1740 (55.80%)	1347 (43.20%)	31 (1.00%)		
Money laundering, terrorist financial and crime proceeds are other ethical offenses that normally attract sanctions of disciplinary actions.	1500 (48.10%)	1234 (39.59%)	384 (12.31%)		
Licenses or certificates withdrawal is a disciplinary measure or sanction that go with ethical offenses.	1632 (52.34%)	1383 (44.34%)	104 (3.32%)		
Another disciplinary measure or sanction that go with ethical offenses is suspension from professional practice or membership for a period of time	1660 (53.23%)	1389 (44.54%)	70 (2.23%)		
Payment of fines is a disciplinary measure or sanction that go with ethical offenses.	1538 (49.34%)	1397 (44.82%)	182 (5.84%)		
A disciplinary measure or sanction that goes with ethical offences is a letter of sanction or reprimand.	1581 (50.69%)	1396 (44.78%)	141 (4.53%)		
Suspension from professional activities is a disciplinary measure or sanction that go with professional activities	1414 (45.34%)	1195 (38.31%)	510 (16.35%)		
The code of ethics does not play any role on the practice of professional accountants in Nigeria.			384 (12.3%)	1512 (48.50%)	1222 (39.20%)
The professional code of ethics is not sufficient for the accountancy profession in Nigeria			649 (20.80%)	2314 (74.20%)	156 (5.00%)
The financial regulation of a particular company is not responsible for the breach of the code of ethics of the accountancy profession.	1412 (45.30%)	1207 (38.72%)	498 (15.98%)		
The inclusion of professional etiquette education as a core component of accounting education is not going to increase the awareness of its importance	34 (1.10%)		628 (20.14%)	1626 (52.15%)	830 (26.61%)

A = Agree; SA = Strongly Agree; I = Indifferent; D = Disagree; SD = Strongly Disagree

APPENDIX II

Non-parametric Spearman's rho and Kendall's tau_b Correlation Extract from SPSS for Hypothesis I

Correlations

			There is an existing code of ethics in my Accounting Firm	The professional code of ethics is not sufficient for the accountancy profession in Nigeria
Kendall's tau_b	There is an existing code of ethics in my Accounting Firm	Correlation Coefficient	1.000	.641**
		Sig. (2-tailed)	.	.000
		N	3118	3118
	The professional code of ethics is not sufficient for the accountancy profession in Nigeria	Correlation Coefficient	.641**	1.000
		Sig. (2-tailed)	.000	.
		N	3118	3118
Spearman's rho	There is an existing code of ethics in my Accounting Firm	Correlation Coefficient	1.000	.647**
		Sig. (2-tailed)	.	.000
		N	3118	3118

The professional code of ethics is not sufficient for the accountancy profession in Nigeria	Correlation Coefficient	.647**	1.000
	Sig. (2-tailed)	.000	.
	N	3118	3118

**. Correlation is significant at the 0.01 level (2-tailed).

APPENDIX III

SPSS Principal Component Analysis Output for Hypothesis II

Correlation Matrix

		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Correlation	Factor 1	1.000	.763	.904	.926	.951	.952	.888
	Factor 2	.763	1.000	.593	.766	.715	.727	.665
	Factor 3	.904	.593	1.000	.867	.915	.908	.853
	Factor 4	.926	.766	.867	1.000	.921	.930	.843
	Factor 5	.951	.715	.915	.921	1.000	.991	.860
	Factor 6	.952	.727	.908	.930	.991	1.000	.860
	Factor 7	.888	.665	.853	.843	.860	.860	1.000
Sig. (1-tailed)	Factor 1		.000	.000	.000	.000	.000	.000
	Factor 2	.000		.000	.000	.000	.000	.000
	Factor 3	.000	.000		.000	.000	.000	.000
	Factor 4	.000	.000	.000		.000	.000	.000
	Factor 5	.000	.000	.000	.000		.000	.000
	Factor 6	.000	.000	.000	.000	.000		.000
	Factor 7	.000	.000	.000	.000	.000	.000	

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.911
Bartlett's Test of Sphericity	Approx. Chi-Square	41060.683
	Df	21
	Sig.	.000

Anti-image Matrices

		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Anti-image Covariance	Factor 1	.058	-.045	-.020	-.014	-.004	-.003	-.033
	Factor 2	-.045	.326	.076	-.055	.002	-.003	-.008
	Factor 3	-.020	.076	.122	-.017	-.009	.001	-.034
	Factor 4	-.014	-.055	-.017	.105	.004	-.010	-.009
	Factor 5	-.004	.002	-.009	.004	.017	-.014	.000
	Factor 6	-.003	-.003	.001	-.010	-.014	.016	.000
	Factor 7	-.033	-.008	-.034	-.009	.000	.000	.196
Anti-image Correlation	Factor 1	.939[a]	-.324	-.241	-.177	-.141	-.093	-.309
	Factor 2	-.324	.898[a]	.383	-.295	.029	-.040	-.030
	Factor 3	-.241	.383	.932[a]	-.147	-.194	.025	-.223
	Factor 4	-.177	-.295	-.147	.956[a]	.086	-.248	-.063
	Factor 5	-.141	.029	-.194	.086	.853[a]	-.874	.007
	Factor 6	-.093	-.040	.025	-.248	-.874	.853[a]	.004
	Factor 7	-.309	-.030	-.223	-.063	.007	.004	.965[a]

a. Measures of Sampling Adequacy(MSA)

Communalities

	Initial	Extraction
Factor 1	1.000	.958
Factor 2	1.000	.627
Factor 3	1.000	.862
Factor 4	1.000	.918
Factor 5	1.000	.951
Factor 6	1.000	.956
Factor 7	1.000	.837

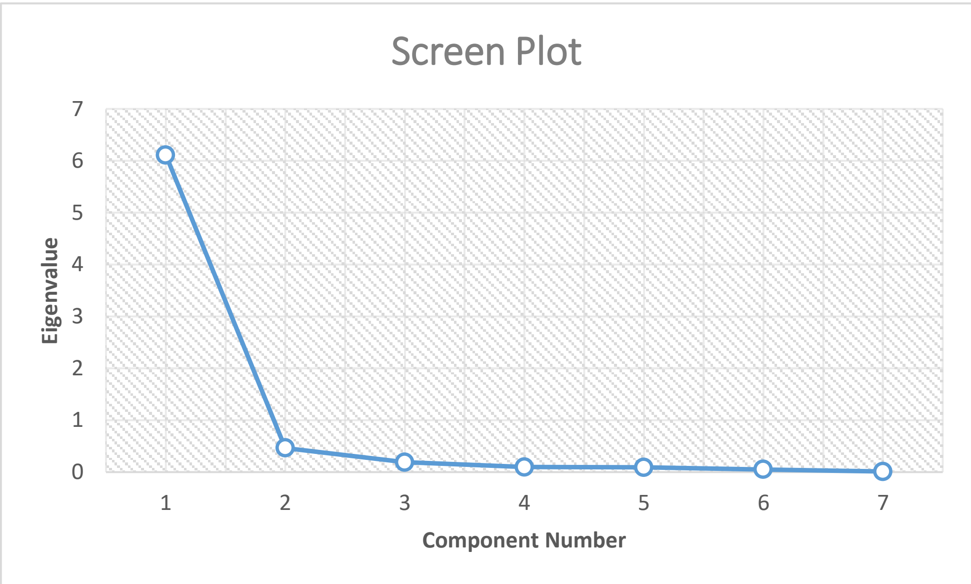
Extraction Method: Principal Component Analysis.

Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Component	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.111	87.296	87.296	6.111	87.296	87.296
2	.462	6.603	93.900			
3	.188	2.690	96.589			
4	.094	1.340	97.929			
5	.088	1.251	99.180			
6	.049	.695	99.874			
7	.009	.126	100.000			

Extraction Method: Principal Component Analysis.

Screen Plot



Component Matrix[a]

	Component 1
Factor 1	.979
Factor 6	.978
Factor 5	.975
Factor 4	.958
Factor 3	.929
Factor 7	.915
Factor 2	.792

Extraction Method: Principal Component Analysis.[a]
a. 1 components extracted.

Reproduced Correlations

		Factor 1	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7
Reproduced Correlation	Factor 1	.958[a]	.775	.909	.938	.955	.957	.896
	Factor 2	.775	.627[a]	.736	.759	.773	.774	.725
	Factor 3	.909	.736	.862[a]	.890	.906	.908	.850
	Factor 4	.938	.759	.890	.918[a]	.935	.937	.877
	Factor 5	.955	.773	.906	.935	.951[a]	.954	.892
	Factor 6	.957	.774	.908	.937	.954	.956[a]	.895
	Factor 7	.896	.725	.850	.877	.892	.895	.837[a]
Residual	Factor 1		-.013	-.005	-.012	-.004	-.005	-.008
	Factor 2	-.013		-.143	.007	-.058	-.047	-.060
	Factor 3	-.005	-.143		-.023	.009	.000	.003
	Factor 4	-.012	.007	-.023		-.014	-.007	-.034
	Factor 5	-.004	-.058	.009	-.014		.037	-.032
	Factor 6	-.005	-.047	.000	-.007	.037		-.034
	Factor 7	-.008	-.060	.003	-.034	-.032	-.034	

Extraction Method: Principal Component Analysis.
a. Reproduced communalities
b. Residuals are computed between observed and reproduced correlations. There are 3 (14.0%) nonredundant residuals with absolute values greater than 0.05.