Abstract

This study seeks to establish the relationship between Ethical Thoughts in Accounting and Accounting Practice, the objective is to specifically determine the extent to which principles in ethical standards such as Integrity, Independence, Confidentiality, Professional Competence as well as Objectivity affect accounting practice. The method of research adopted is survey design and Primary source of data collection was used and data were collected through questionnaires from the practicing members of the two regulatory professional bodies in Nigeria. The results were however tested using Chi-square method of non-parametric. It is observed that the emergence of these ethical theories exist to minimize fraud, errors, misappropriations and pilfering of Corporate assets. It is recommended that implementation prescriptions of these theories by International Ethical Standards Board for Accountants and Professional bodies should be adhered to and simplified so as to avoid confusing and scandalous reporting of financial statements.

CHAPTER ONE

INTRODUCTION

Background of the study

During the seventeenth century at the instance of the growth of the Corporations and the industrial revolution, the thought of ethical concept in Accounting began as observed by Rhotark(2004) that the industrial revolution, which is conventionally regarded as beginning in the 1760s with the invention of power machinery, had several consequences of far-reaching importance to the history of accounting. One was the growth of the large-scale enterprise, beyond anything previously known, requiring quantities of capital greater than could be provided by one man or one family. Another was the introduction of the variable time period into production in the two senses of the time period required to amortize machinery and other equipment, and the time period required for production itself. The demand for capital involved increasing numbers of savers in investment situations, either directly or through financial intermediaries such as banks and insurance companies. The corporation proved to be the most satisfactory form of business organization from this point of view. As more and more individuals and institutions were involved as stockholders, the financing function became separate from the management function, which has been designated the *managerial revolution.* In this situation the owners of the business were no longer able to inform themselves by keeping accounts for its operations, because they took no part in the management of the enterprise. To afford these outside investors a measure of protection, the British government introduced a succession of Companies Act. These laws placed certain obligations on the promoters and managers of corporations as part of the price they had to pay for the privilege of incorporation. The 1844 Act required the directors of a company to supply the stockholders with audited balance sheets annually, and the 1865 Act provided a model form of balance sheet for this purpose. This legislation has been progressively supplemented and refined to the present day. It is aimed at providing investors and other financiers with audited information in the form of accounts on which to base their investment and disinvestment decisions and from which to judge the manner in which the directors of the corporation have managed the business. In spite of these legal provisions for the protecting of stockholders and creditors, unscrupulous managers nevertheless found ways to make capital look like profits, to pay dividends to one set of shareholders out of capital paid in by another set, and to defraud creditors' extent, they always will. One of the objectives of accounting theory is to develop rules of conduct which will make this behaviour more difficult. This explains the normative nature of many propositions in accounting; they are attempts to dissuade people from behaving dishonestly (Rohtak2004). Historically, there have been three basic approaches to the development of accounting theory and ethical thoughts. Attention was first directed to the account itself, and attempts were made to construct rules for the operation of accounts. This led to the celebrated personification theories in which the account was ascribed the qualities of a person who received and gave. But an account is not a person, and recognition of this fact directed attention to the transactions and events which are in great part the subject-matter of accounts. This led to attempts to formulate rules and standards designed to ensure that objective economic facts were recorded and reported. It then became clear that accounts contained values other than those represented by transactions and events, and that the very concept of value was subjective. Attention is now directed to the user of accounting, and contemporary accounting research is heavily influenced by such questions as : is it useful ? to whom ? Is it used ? (Rohtak. 2004) The principles and application of ethics in the accounting profession is concept that deals with the expected behaviour and accountability of the accounting profession (Uwuigbe and Ovia 2011). Every profession tends to formulate their standards of conduct in writing as ‘code of ethics’. These codes are set to give guidance to the behaviour of the accountant as he discharges his duties, relates with his contemporaries, his client, his employer and the public at large. Finn, Munter and McCaslin (1994) posit that the accounting profession has been founded on the notion that ethical behaviour is a cornerstone of providing professional services to the client. To this end, this study seeks to determine the effects of ethical thoughts in accounting on the practice of accounting and specifically set out to determine the effects of ethical principles as contained in the IESBA CODE OF ETHICS, such as integrity, objectivity, independence, confidentiality and professional competence on accounting practice.

STATEMENT OF THE PROBLEM

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 examines the need for good ethical values in professional practice of public accounting in Nigeria. Since there is growing critism 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

1.3 OBJECTIVE OF THE STUDY

The objectives of the study are;

To ascertain the significant relationship between Integrity and accounting practice

To ascertain the significant effect of objectivity on accounting practice

To ascertain significant relationship between confidentiality and accounting practice

To ascertain the significant effect of independence on accounting practice

To ascertain the significant relationship between professional competence and accounting practice.

RESEARCH HYPOTHESES

For the successful completion of the study, the following research hypotheses were formulated by the researcher;

H_0: There is no significant relationship between Integrity and accounting practice

H_1: There is significant relationship between Integrity and accounting practice

H_{02}: There is no significant relationship between confidentiality and accounting practice

H_2: There is significant relationship between confidentiality and accounting practice

SIGNIFICANCE OF THE STUDY

This study will give a clear insight on an assessment of ethical thought in accounting and effects on accounting practice. The study will be beneficial to students, ICAN, ANAN and the general public. The study will also serve as a reference to other researchers that will embark on this topic

SCOPE AND LIMITATION OF THE STUDY

The scope of the study covers an assessment of ethical thoughts in accounting and effects on accounting practice. The researcher encounters some constrain which limited the scope of the study;

a) AVAILABILITY OF RESEARCH MATERIAL: The research material available to the researcher is insufficient, thereby limiting the study

b) TIME: The time frame allocated to the study does not enhance wider coverage as the researcher has to combine other academic activities and examinations with the study.

c) Organizational privacy: Limited Access to the selected auditing firm makes it difficult to get all the necessary and required information concerning the activities.

1.7DEFINITION OF TERMS

ETHICAL: Ethics or moral philosophy is a branch of philosophy that involves systematizing, defending, and recommending concepts of right and wrong conduct. The field of ethics, along with aesthetics, concern matters of value, and thus comprises the branch of philosophy called axiology.

ACCOUNTING: Accounting is the systematic and comprehensive recording of financial transactions pertaining to a business. Accounting also refers to the process of summarizing, analyzing and reporting these transactions to oversight agencies, regulators and tax collection entities

ACCOUNTING PRACTICE: Accounting practice is the system of procedures and controls that an accounting department uses to create and record business transactions. … Auditors rely upon consistent accounting practice when examining a company’s financial statements.

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