ACCOUNTING ETHICAL STANDARDS AND FIRMS' PERFORMANCE IN NIGERIA

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Abstract

The research was carried out to ascertain the effect of ethical standard on firm performance. Ethical standards ensure that accountants acts in public interest and protects the client or employing firm from any form of unprofessional behaviour that may come from the accountant. The broad objective of this study is to investigate the effect of accounting ethics on firms' performance. Primary data were used for the study. The research adopted a survey design method to draw data from respondents and questionnaires administered to respondents. The questionnaires were distributed to professional accountants in eastern Nigeria. A total of 300 questionnaires were distributed through random sampling to sampled professionals' opinion, which only 255 questionnaires were dully filled which constitute the valid questionnaire used for analysis. The validity of the questionnaire is done using the Cronbach Alpha criteria stipulated in section 3 of the study. The Cronbach Alpha coefficient of 0.9910>0.5 in the study. The data collected were analysed using ordinary least square (OLS).The results showed that the null hypothesis is rejected and the alternative accepted in respect to OBJ and PBH while the null hypothesis is accepted and the alternative rejected in respect to INJ, CMP, and CNF in H_1*; In* $H_{2,}$ *the null hypothesis is rejected and the alternative accepted in respect to INJ, CMP and PBH while the null hypothesis is accepted and the alternative rejected in respect to OBJ and CNF and* $H_{3;}$ *the null hypothesis is rejected and the alternative accepted in respect to INJ and CNF while the null hypothesis is accepted and the alternative rejected in respect to OBJ, CMP and PBH. The research recommends that managers should enhance adherence to the existing ethical standards and policies, ensuring they are well-communicated to all employees. Emphasize the importance of ethical behavior in accounting and financial reporting could strengthen the companies' policy that will likely improve their financial performance in terms of return on equity; the corporate governance structures should promote a culture of accountability where employees are encouraged to report any unethical behavior or accounting irregularities they come across. This may close leakages and increase the return on assets as financial performance index for the companies and the managers should tie employee performance evaluations and incentives to ethical behavior in accounting and financial reporting. They should further recognize and reward employees who consistently demonstrate ethical conduct towards whistle blowing issues of fraud in the company that may affect the profitability of the company negatively.*

Keywords: Accounting, Ethical Standard and Firm Performance.

Introductions

The need to apply accounting ethics has become imperative in all facet of organizational endeavour. Ethics is the moral gauge that demarcates bad behaviour from good behaviour (Okonye and Omeziri, 2017). Ethics can be defined as values that humans have about behaviour based on good and bad will or the consequences of their actions (Emenike-Wali & Chukwu, 2021). Enofe, Utomwen and Danjuma (2022), posits that investors will not retain his investment in any firm where there are low rectitude or invest in a morally challenged firm. The investors rely on financial reports to take investment decisions which will positively improve the worth of the firm. Investments into a firm begin to dwindle once it is affirmed that such a firm, has integrity challenge (Okonye & Omeziri, 2017). According to Edi and Irin (2022), ethical standards refer to the principles that promote trust, good behaviour, fairness and governing the conduct of a professional accountant. Ethical standards are a set of principles established by an organization to communicate its underlying moral values. It is the codes that used as reference point in decision making. The channel of communication between the stakeholders and the firms is the financial reports therefore, there is need to guide the professional accountants who are involved in the affairs of the firms either as an employer or an auditor to comply with the laid down professional ethics not just for the growth of the firm alone but for public interest. According to Edi and Irin (2022),lack of accounting ethic within a firm is one of the factors encouraging fraudulent financial reporting; this has given rise to decline in the quality of financial reports. Ogoun and Ephibayerin (2020), were of the opinion that the decline in the quality of financial reports presented by firms as collaborated by professional accountants has brought the professional accountancy bodies' world over to public scrutiny and given the surge in fraudulent acts in recent times. A number of companies have collapsed even when they have a clean of health bill as having complied with stated standards, these companies include Enron, Bank of Credit, WorldCom, Commerce International, Global Crossing, Cadbury, Parmalat, and Polly Peck.(Zeghal & Mhedhbi, 2016). With the collapse of these companies, the need for high ethical standard became paramount (Rockness & Rockness, 2010).

Enofe and Osunfor (2015), assert that sequel to the embarrassments caused by the way these companies collapsed, the United States Congress passed the Sarbanes-Oxley (SOX) Act in 2002and also constituted the Public Company Accounting Oversight Board (PCAOB), the essence of this reform is to sustain ethical behaviour among professional accountants through ethical enlightenment among accounting practitioners and to enhance ethical decision making when faced with challenging choices. According to Ogbonna and Appah (2011), in order to curb unethical choices with their attendant multiplier effects, often manifested in the quality of financial reporting, the set of codes of ethical professional conducts attracted further scrutiny and strengthening. The primary objective of these codes is to guide professional accountants with yardsticks to adopt in order to provide quality professional service and to meet the expectations of the clients or employers and other third parties who may rely on the financial reports to make a business decision.

Aifuwa, Embele and Saidu (2012), posit the main purpose of financial reports or financial statements is to communicate economic forecast and information concerning the affairs (the resources and performance) of a reporting firm. Alexander and Britton, (2000), said that the information as conveyed in the financial reports assist users in making financial decision which in turns either affects the company positively or negatively. Where the financial report is perceived to contain misleading information, both investors and intending investors may withdraw their investment. Arowoshegbe, Uniamikogbo, and Atu, 2017, are of the view that, due to this fact, it is perceived that the preparers and auditors of financial statements do a quality work as their reports are taken by stakeholders to be truthful. It, therefore, becomes imperative for firms to provide high quality financial information that will aid decision making of investors and other users of financial information (IASB, 2008).The study seeks to understand the extent compliance to ethical principles has strengthened firms' growth in Nigeria. Many works carried out in similar field have failed to address the issues surrounding firms' performance as a result of existence of ethical practices and compliance by firms in Nigeria. Edin and Irin (2022) undertook a study to analyse the effect of accounting ethics which are integrity, objectivity, competence, confidentiality, and professional behaviour toward the quality of financial report. Their study reveals that integrity, objectivity, competence and confidentiality have a significant effect to the quality of financial statement. Also Ogoun and Ephilbayerin (2020), carried out a research on accounting ethics and quality of financial reporting. They found out that ethics is positive and significant in producing high quality financial reporting. Their findings agree with the study of Ogoun and Ephibayerin. Again Emenike-Wali and Chukwu (2021), carried out a research on accounting ethics and professional practice efficiency in Nigeria. Their work revealed that accounting ethics significantly affects faithful representation of financial statement of corporate firms and also impacts positively on the relevance of financial statements of the corporate firms. The results confirm the assertion that ethical principles enhances the quality of financial report produced in firms but did not address the nexus between ethical standard and firm's performance. Therefore, the current study seeks to examine the relevance of accounting ethics in improving investors' confidence, which in returns will lead to firms' performance. The aforementioned issues above lead us to the following questions:

1. what is the effect of accounting ethical standards on return on equity (ROE) of Nigeria's firms?
2. what effect do accounting ethical standards have on profit after tax (PAT) of Nigeria's firms?
3. to what extent do accounting ethical standards affect the return on assets (ROA) of Nigeria's firms?

Hypotheses of the Study

The following hypotheses were formulated:

Ho_1: There is no significant relationship between accounting ethical standards and return on equity (ROE)in Nigeria.

Ho_2: There is no significant relationship between accounting ethical standards and profit after tax (PAT) of firms in Nigeria.

Ho_3: There is no significant relationship between accounting ethical standards and return on assets (ROA) in Nigeria.

Review of Related Literature

Conceptual Framework

According to Enofe, Utomwen, and Danjuma (2022) ethics is anchored on the context of outlined behaviour which are either written or unwritten based on agreed accepted standard guiding affected group(s). Okonye and Omeziri (2017) define ethics as a gauge for morality which differentiates what is right or wrong, good or bad. Ahinfu, Addo, Boateng and Boaky (2017), describe ethics as a method of moral philosophy, by which individual dealings are judged good or bad or right or wrong", or "the rules of conduct recognized in respect of a particular class of human actions." Ethics arms at ensuring that both individuals and institutions are moderated to comply with the laid down standards that are reasonable and solidly based (Nathan, 2015).Ethics is so vital in society that many ethical principles of a society such as honesty, fidelityand excellent pursuits can be integrated into law.

Aguolu (2006), stated ethical standards ensures that humans comport themselves in order to live a fulfilled live, it does not consider oneself only but the feeling and welfare of others. It considers the general good of greater majority. The development of these dignified standards is philosophically seen as being reliant on the uniqueness of man that enables him find results to his environmental difficulties. Ethical standards include the developed some principles of morality, which are consistently adhered to, and accepted by the group. Accounting ethical standards ensures that professional accountants live within the tenet of the profession especially in communicating to the stakeholders through the preparation of financial reports (Ahinful, et al, 2017). Financial reports are the window through which interested stakeholders understands the happenings within the accounting period.

Aifuwa, et al (2021), see financial reporting quality as the extent at which financial report conveys information regarding the business activities within a given accounting period. The content and quality of information contained in financial reports depicts the extent shareholders will rely on such reports for decision making. Financial report quality is the extent of which financial report gives fair and verifiable information with regards to the financial positions of a firm (Ahinful et al., 2017).Tang, Chen and Zhijun, (2008), state that financial report with high quality attributes, is one that is able to communicate in complete terms all the financial activities of the firm, performance of the firm, and financial position of the firm. It must discern the activities of the business in relation to its cashflows generation that will enable the shareholders and other stakeholders to make informed financial decision concerning the business firm. The financial report must communicate complete, faithful and unbiased information at the end of the financial year.

Fundamental Principles of Ethical Standards

According to Okonye and Omeziri (2017), the professional accounting bodies have to put rules in place to guide its members in discharging their professional duties. Ordinarily, rules are encrypted in a code of ethics which is a guide to members of a professional community in carrying out their professional roles. These fundamental principles include; integrity, objectivity, professional competence and due care, confidentiality, professional behaviour, technical standards and independence. Okonye and Omeziri (2017), posit that integrity imposes on the professional accountant to be honest in the discharge of his professional duties and even in his private life. Integrity is the quality of a person's characteristics which indicate consistency between actions, values, steps taken, measures used, principles held, hopes to be directed, and results (Edi & Irin 2022). A professional accountant should be conventional and truthful in all professional and business relationships that will not manifest a form of conflict of interest (Ahinful et al., 2017).A professional accountant must abstain from actual or obvious conflict of interest. This is necessary to ensure adequate discharge of any professional from actual or obvious conflict of interest and to perform their duties ethically.

Niyonzima and Soetan, (2018), state that the objectivity principle imposes on all professional accountant to be straightforward and not allow bias or other considerations affects his professional opinion. The IFAC code of ethics for professional accountants recognizes that the targets of the accountancy professional is to work to an extreme standards of professionalism, to achieve the apexlevels of performance and generally to ensure that public interest requirement is being fulfilled. Lack of objectivity from the internal auditors may affect the possibility of fraud in the financial statements. The dispositions of a professional accountant are key to the sustainability of a company. Auditors must ensure quality and professional ethics to provide maximum audit quality results and avoid misrepresentation of audit reports so as to eliminate the trust of investors and other shareholders (Edi &Irin, 2022).It is required that a professional accountant should possess professional knowledge and skills at a level that the client or employer will derive value for money spent in engaging the professional services of the professional accountant (Okonye & Omeziri, 2017). The required professional knowledge and skills should be based on current developments in accounting field, rules and procedures (Enofe, Edemenya & Osunbor, 2015). According to Osisioma (2000), skilled professional services require the professional accountant to apply high level of professional judgment and understanding in the discharge of professional engagements. According to Darwanis, Saputra, and Kartin (2016), the more competent officials of internal auditor who supervises the preparation of financial reports, the more the company begins to produce quality financial reports. The leader of the audit team has to apportion audit responsibilities to members of the team responsibilities according to each person's level of competence (Edi & Irin, 2022). However, according to Okonye and Omeziri (2017), there is a relationship between good internal audit and good auditor's competence. To produce a quality internal audit, there must be a competent auditor. Largely, the qualities of financial reports produced by some firms are stated to be poor due to lack of competent management of auditors (Edi & Irin, 2022). Also Palimbong, Rura, and Tawakkal, (2018), stated, the internal control system is an integral process in actions and activities carried out continuously by leaders and all employees to provide adequate confidence in achieving organizational goals through effective and efficient activities, reliability, financial reporting, safeguarding state assets, and compliance with laws and regulations. However, Osisioma (2000), maintenance of professional competence implores a continuous training and retraining of the professional accountant to align the professional with current development in practice. Continuing professional developments progress and sustain the abilities that empowera professional accountant to execute competently within the professional environs. Agwor and Okafor, (2018), maintained that the principle of confidentiality imposes on professional accountant the responsibility to desist from disclosing information obtain from the client in the course of any professional engagement to a third party without appropriate and specific authority to do so from the client except where such disclosure is allowed legally or for professional right or duty to do so. The principle further stipulates that professional accountant must refrain from using confidential information obtained in the course of professional duties or business relation for personal advantages or for the gains of a third party. Humta and Göktürk (2021), further maintained that a professional accountant must maintain confidentiality even in a social circle. Professional accountant must be conscious of his discussion even within the firm to people who are not connected with audit. Even after the end of the business relation or professional relation, the accountant must maintain confidentiality (Okonye & Omeziri 2017).

The fundamental principles imposes on professional account the obligation to behave in a manner that will not bring accounting profession to disrepute (Enofe, et al 2015). 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 (Emenike, Wali & Chukwu, 2021). The way professionals view their profession by reflecting attitudes and behaviour can be assessed and measured through the principles of professionalism. Public accountants must also master the knowledge needed to support their profession in carrying out audit duties (Rahmawati & Hanun, 2015).

Measures of Firm Performance

Kamilah and Zabri (2016),posited in their research that performance measurement systems is a set of procedures that ensures organisations to run business operations effectively and efficiently in accomplishing goals. Edin and Irin (2022), stated that performance is seen as behaviour that is the way in which firms or individuals ensures that works are done. Omar (2019), states, organizational performance principally focused on the capability and ability of an organization to efficiently exploit the available resources to achieve accomplishments consistent with these to bjectives of the company, as well as considering their relevance to its users. Firms' performance is a way of evaluating how resource a business firm has been in a given fiscal year (Okonye & Omeziri, 2017). There are many variables for measuring firms' performance depending the perception of the interested party. Most of the studies reviewed used: return on assets (ROA), return on equity (ROE), return on sales (ROS), earnings per share (EPS), market capitalization growth, gross and net profit margin, economic profit, and Tobin's Q as variables used for measuring performance; Edin and Irin (2022). For the purpose of this study ROE, PAT and ROA will be used as the dependent variables and the measure of firms' performance in Nigeria.

Durand and Coeurderoy (2001) return on equity (ROE) is the measure of a company's net income divided by its shareholders' equity. ROE is a gauge of a corporation's profitability and how efficiently it generates those profits. The higher the ROE, the better a company is at converting its equity financing into profit. Olokoyo (2013), maintained that return on equity (ROE) is a measure of a company's financial performance that shows the relationship between a company's profit and the investor's return.

The theory of firm value is of essence to firms as it is the basis for measuring firm's prosperity within a given period. It symbolizes all the assets owned by a company (Omidiji, Adegbie & Ajayi, 2020).According to Okonye (2019) return on assets is a variable that shows a company's profitability in relation to its total assets. ROA can be used by management, analysts, and investors to determine whether a company uses its assets efficiently to generate a profit. You can calculate a company's ROA by dividing its net income by its total assets. ROA is an accounting measure of firms' performance; the essence is to measure the operating and financial performance of a firm. A lower rate of ROA, is disadvantageous to the shareholders' wealth. However, a higher ROA indicates a more produce use of the asset to the benefits and advantage of the shareholders. Higher ROA also echoes the company's effective utilization of its assets in preserving the interests of the shareholders and ultimately the shareholders' wealth (Ibrahim & Samad, 2011).

Okonye, (2019), posits PAT is essential in measuring firms' performance, it indicates the actual amount that a company in a given fiscal year. It shows the cost and the cash earnings of the company, which then determines the operational efficiency and performance. Profitability is a means used for the ascertainment of the firms' efficiency utilization of resources and also ability of a firm to generate revenue which is capable of absorbing all necessary, exclusive and reasonable expenses, including tax and then leave a balance that could be revolved back into the business for expansion (Nathan, 2015).

Different theories from utilitarian theory (Bentham, 1984), expected behavior theory (Ajzen, 1991), reasoned action theory (Fishbein & Ajzen, 1967), agency theory (Jensen & Mackling, 1976), stakeholder theory (Freeman, 1984), and resource dependence theory (Freeman, 1984) were subject to accounting ethics and corporate governance characteristics (Fehmi & Ibrahim, 2021). An accountant is expected to act in the "public interest", this is the bane of professional accountant in today's world. In the code of ethics for professional accountant, the obligation to represent society and public is known as the public interest (Okonye and Omeziri, 2017). The professional accountant should serve the interest all the stakeholders - consumers, lenders, governments, employers, staff, investors, the business and financial community and others who depend on professional accountants' work (Fehmi & Ibrahim, 2021). The notion of public interest, therefore, means that the responsibility of the professional accountant is not limited to the needs of the particular client, the employer, or himself, but of all the stakeholders who depend on the reports which he has prepared and audited (Jackling, Cooper, Leung, & Dellaportas, 2007). Therefore the stakeholders' theory propounded by Freeman, 1984 as quoted in Fehmi and Ibrahim, (2021) which takes into account the interest of all the stakeholders in decision making is the anchor theory because it aligns with the concept which requires a professional accountant to act in public interest.

Empirical review

Edin and Irin (2022), took a study on analyzing the effect f accounting ethics towards the quality of financial report. They adopted purposive sampling method as the sampling techniques and used descriptive survey to obtain data for the research. Their research found out that integrity, objectivity, competence and confidentiality have significant effect to the quality of financial statements. Emenike-Waliand Chukwu (2021), their study was based on the impact of accounting ethics on professional practice of accountants in Nigeria. The study made use of questionnaire to elicit data needed for the research which were further analyzed using regression techniques. The result shows a positive and significant (p□0.05) correlation between accounting ethics and professional practice of accountants in Nigeria.Ogoun and Ephibayerin (2020), they studied the effect of accounting ethics on financial reporting in Nigeria. They employed descriptive survey method to draw data from the respondents. Ordinary least square techniques were used to analyse the data obtained. They found out that high ethical standard is vital in attaining objective, reliable and transparent financial reports.

Enofe, Utomwen and Danjuma (2019); they examined the impact of ethics on accounting practice in Nigeria. They adopted survey design to obtain data from respondents. Chi-square parametric was utilized as the data analysis method. The findings indicate that firstly, ethics play a significant role in accounting practice. Secondly corporate governance improves ethical compliance of accounting professionals and thirdly, accounting regulatory bodies influences the level of compliance with ethical standards. Ahinful, Boateng and Oyebisi, Okere, Ayodotun, Abimbola and the empirical reviews above show the previous works done by different authors. It is discerning that none of the previous research tried to evaluate the effect of accounting ethical standards on firms' performances. This work will unveil whether any of the variables used in measuring ethical standard which will show a contrary relationship with the dependent variables (ROE, ROA and PAT).

Methodology

The population of this study is made up of 300 accountants, auditors and staff of accounting departments of selected firms in eastern Nigeria. A simple random sampling technique was used to sample 300 respondents (accountants, auditors and staff of accounting departments) in Nigeria. Questionnaires were use as tools for data collection for the study in order to derive the objectives. All questions in sections B were structured using a five-point scale ranging from strongly disagree (SD) = 1; Disagree (D) = 2; Neutral (N) = 3; Agree (A) = 4; strongly agree = 5.A total of 300 questionnaires were distributed. At the end of a one month period, 255 questionnaires were retrieved. Data collected from the field were checked for errors that will affect the analysis. The data obtained in the field survey were analysed using the ordinary least square (OLS) estimation technique and the model is specified as:

Firm performance= f (Accounting Ethics) ---------------------- 1

The model used in this study is modified form of Abosede and Kajola (2011). The model shows the relationship between ethical standard and overall firms' performance, while controlling for other firm specific factors. Model specification is as shown below:

$ROE = \beta_0 + \beta_1 INT_{it} + \beta_2 OBJ_{it} + \beta_3 CMPDC_{it} + \beta_4 CONF_{it} + \beta_5 PRBH_{it} + e_{it}$ ---------- (2)

$ROA = \beta_0 + \beta_1 INT_{it} + \beta_2 OBJ_{it} + \beta_3 CMPDC_{it} + \beta_4 CONF_{it} + \beta_5 PRBH_{it} + e_{it}$ ---------- (3)

$PAT = \beta_0 + \beta_1 INT_{it} + \beta_2 OBJ_{it} + \beta_3 CMPDC_{it} + \beta_4 CONF_{it} + \beta_5 PRBH_{it} + e_{it}$ ----------- (4)

Where:

INT = Integrity

OBJ = Objectivity

CMPDC = Competence and due care

CONF = Confidentiality

PRBH = Professional behaviour

$\beta_1, \beta_2, ... \beta_5$ = coefficients of the explanatory/ control variables 1, 2, ., 5 for models.

it = error terms.

Dataanalysis

This section presents the outcome of the descriptive statistics of the responses. The questionnaire are distributed to professional accountants in Imo State. A total of 280 questionnaires were distributed to the sampled professionals and 260 questionnaires were returned. Out of the 260 returned questionnaires, only 255 questionnaires were dully filled which constitute the valid questionnaire used for analysis. The validity of the questionnaire is done using the Cronbach Alpha criteria stipulated in section 3 of the study. The Cronbach Alpha coefficient of 0.9910>0.5 in the study appendix reveals that, the questionnaires are valid for further analysis.

Descriptive Analysis of Responses

In this sub section, the mean response for each question is used to analyze 5 questions that constitutes each of the 8 variables namely; integrity, objectivity, competence, confidentiality, professional behavior, return on assets, return on equity and profit after tax.

Table 1: Return on equity

	Return on equity	$\bar{x}$	N
1.	Do you agree that integrity of professional has positive effect on the Return on Equity (ROE) of the company	4.3	255
2.	Do you agree that objectivity of professional has positive effect on the ROE of the company	3.7	255
3.	Professional competence and due care by professional accountant has significant effect on ROE in Nigeria.	3.4	255
4.	Confidentiality by professional accountant has no significant effect on ROE in Nigeria.	3.3	255
5.	Professional behaviour by professional accountant has significant effect on ROE in Nigeria.	3.5	255

Source; Field Survey, 2023

The table above showed the responses given on return on equity as financial performance by the respondent. The decision rule mean score of $\bar{x}3.00$ (Approximation) is used to take decision on all the five (5) point Likert scale. From table1 above, the respondent agreed (4.3) that, integrity of professional has positive effect on the Return on Equity (ROE) of the company. Also, they agreed (3.7) that, objectivity of professional has positive effect on the ROE of the company. Furthermore, the respondent agreed (3.4) that, professional competence and due care by professional accountant has significant effect on ROE in Nigeria. Again, they agreed (3.3) that, confidentiality by professional accountant has no significant effect on ROE in Nigeria. Finally, they agreed (3.5) that, professional behaviour by professional accountant has significant effect on ROE in Nigeria.

Table 2: Return on assets

		$\bar{x}$	N
6.	Integrity of professional accountant has significant effect on return on assets (ROA) in Nigeria.	4.6	255
7	Do you agree that objectivity of professional has positive effect on the ROA of the company	4.2	255
8	Professional competence and due care by professional accountant has significant effect on ROA in Nigeria.	4.1	255
9	Confidentiality by professional accountant has no significant effect on ROA in Nigeria.	2.8	255
10	Professional behaviour by professional accountant has no significant effect on ROA in Nigeria.	2.8	255

Source; Field Survey, 2023

The table above showed the responses given on return on assets as financial performance by the respondent. The decision rule mean score of $\bar{x}3.00$ (Approximation) is used to take decision on all the five (5) point Likert scale. From table2 above, the respondent agreed (4.6) that, integrity of professional accountant has significant effect on return on assets (ROA) in Nigeria. Also, they agreed (4.2) that, objectivity of professional has positive effect on the ROA of the company. Furthermore, the respondent agreed (4.1) that, professional competence and due care by professional accountant has significant effect on ROA in Nigeria. Again, they disagreed (2.8) that, confidentiality by professional accountant has no significant effect on ROA in Nigeria. Finally, they disagreed (2.8) that, professional behaviour by professional accountant has no significant effect on ROA in Nigeria.

Table 3: Profit after tax

	Question	$\bar{x}$	**N**
11	Integrity of professional accountant has significant effect on return on assets (PAT) in Nigeria.	4.3	255
12	Do you agree that objectivity of professional has positive effect on the PAT of the company?	4.3	255
13	Professional competence and due care by professional accountant has significant effect on PAT in Nigeria.	4.6	255
14	Confidentiality by professional accountant has significant effect on PAT in Nigeria.	2.9	255
15	Professional behaviour by professional accountant has significant effect on PAT in Nigeria.	3.01	255

Source; Field Survey, 2023

The table above showed the responses given on profit after tax as financial performance by the respondent. The decision rule mean score of $\bar{x}3.00$ (Approximation) is used to take decision on all the five (5) point Likert scale. From table3 above, the respondent agreed (4.3) that, integrity of professional accountant has significant effect on return on assets (PAT) in Nigeria. Also, they agreed (4.3) that, objectivity of professional has positive effect on the PAT of the company. Furthermore, the respondent agreed (4.6) that, professional competence and due care by professional accountant has significant effect on PAT in Nigeria. But they disagreed (2.9) that, confidentiality by professional accountant has significant effect on PAT in Nigeria. Finally, they agreed (3.01) that, professional behaviour by professional accountant has significant effect on PAT in Nigeria.

Table 4: Integrity

		$\bar{x}$	N
16	Integrity of auditor has greatly improved the quality of financial statements in Nigeria	4.1	255
17	There has not been improvement in the integrity of the auditor despite the laws in place in Nigeria	3.8	255
18	Professional integrity has improved earning capacity of the firms	3.7	255
19	Professional integrity has not improved earning capacity of the firms	2.3	255
20	Professional integrity has improved investors confidence	3.9	255

Source; Field Survey, 2023

The table above showed the responses given on integrity as ethics of professional accountants by the respondent. The decision rule mean score of $\bar{x}$3.00 (Approximation) is used to take decision on all the five (5) point Likert scale. From table4 above, the respondent agreed (4.1) that, integrity of auditor has greatly improved the quality of financial statements in Nigeria. Also, they agreed (3.8) that, there has not been improvement in the integrity of the auditor despite the laws in place in Nigeria. Furthermore, the respondent agreed (3.7) that, professional integrity has improved earning capacity of the firms. But they disagreed (2.3) that, professional integrity has not improved earning capacity of the firms. Finally, they agreed (3.9) that, professional integrity has improved investors' confidence.

Table 5: Objectivity

		$\bar{x}$	N
21	Objectivity of the auditor has not improved the quality of financial statement in Nigeria.	4.1	255
22	Objectivity has improved earning capacity of the firms	4.6	255
23	Objectivity has not improved earning capacity of the firms performance	3.5	255
24	Objectivity has improved investors confidence	4.1	255
25	Professional competence and due care of the auditor has greatly improved the audit quality of financial statement in Nigeria	4.2	255

Source; Field Survey, 2023

The table above showed the responses given on objectivity as ethics of professional accountants by the respondent. The decision rule mean score of $\bar{x}3.00$ (Approximation) is used to take decision on all the five (5) point Likert scale. From table5 above, the respondent agreed (4.1) that, objectivity of the auditor has not improved the quality of financial statement in Nigeria. Also, they agreed (4.6) that, objectivity has improved earning capacity of the firms. Furthermore, the respondent agreed (3.5) that, objectivity has not improved earning capacity of the firms performance. But they disagreed (4.1) that, objectivity has improved investors confidence. Finally, they agreed (4.2) that, professional competence and due care of the auditor has greatly improved the audit quality of financial statement in Nigeria.

Table 6: Competence

		$\bar{x}$	**N**
26	Professional competence and due of the auditor has not improved the audit quality of financial statement in Nigeria	4.1	255
27	Professional competence and due has improved earning capacity of the firms	2.2	255
28	Professional competence and due has not improved earning capacity of the firms	2.0	255
29	Professional competence and due has improved investors confidence	3.9	255
30	Professional competence and due has not improved investors confidence	3.6	255

Source; Field Survey, 2023

The table above showed the responses given on competence as ethics of professional accountants by the respondent. The decision rule mean score of $\bar{x}3.00$ (Approximation) is used to take decision on all the five (5) point Likert scale. From table6 above, the respondent agreed (4.1) that, professional competence and due of the auditor has not improved the audit quality of financial statement in Nigeria. But they disagreed (2.2) that, professional competence and due has improved earning capacity of the firms. Furthermore, the respondent disagreed (2.0) that, professional competence and due has not improved earning capacity of the firms. But they agreed (3.9) that, professional competence and due has improved investor's confidence. Finally, they agreed (3.6) that, professional competence and due has not improved investors confidence.

Table 7: Confidentiality

	Question	$\bar{x}$	N
31	Confidentiality of the auditor has greatly improved the audit quality of financial statement in Nigeria	4.4	255
32	Confidentiality of the auditor has not improved the audit quality of financial statement in Nigeria	1.9	255
33	Confidentiality has improved earning capacity of the firms	3.6	255
34	Confidentiality has not improved earning capacity of the firms	2.4	255
35	Confidentiality has improved investors confidence	3.7	255

Source; Field Survey, 2023

The table above showed the responses given on confidentiality as ethics of professional accountants by the respondent. The decision rule mean score of $\bar{x}$3.00 (Approximation) is used to take decision on all the five (5) point Likert scale. From table7 above, the respondent agreed (4.4) that, confidentiality of the auditor has greatly improved the audit quality of financial statement in Nigeria. But they disagreed (1.9) that, confidentiality of the auditor has not improved the audit quality of financial statement in Nigeria. Furthermore, the respondent agreed (3.6) that, confidentiality has improved earning capacity of the firms. But they disagreed (2.4) that, confidentiality has not improved earning capacity of the firms. Finally, they agreed (3.7) that, confidentiality has improved investors confidence.

Table 8: Professional Behaviour

	Question	$\bar{x}$	N
36	Professional behaviour of the auditor has greatly improved the audit quality of financial statement in Nigeria	4.0	255
37	Professional behaviour of the auditor has not improved the audit quality of financial statement in Nigeria	2.0	255
38	Professional behaviour of the auditor has not improved the audit quality of financial statement in Nigeria	2.3	255
39	Professional behaviourhas improved earning capacity of the firms	4.1	255
40	Professional behaviourhas not improved earning capacity of the firms	2.9	255

Source; Field Survey, 2023

The table above showed the responses given on professional behaviour as ethics of professional accountants by the respondent. The decision rule mean score of $\bar{x}$3.00 (Approximation) is used to take decision on all the five (5) point Likert scale. From table8 above, the respondent agreed (4.0) that, professional behaviour of the auditor has greatly improved the audit quality of financial statement in Nigeria. But they disagreed (2.0) that, professional behaviour of the auditor has not improved the audit quality of financial statement in Nigeria. Furthermore, the respondent disagreed (2.3) that, professional behaviour of the auditor has not improved the audit quality of financial statement in Nigeria. But they agreed (4.1) that, professional behavior has improved earning capacity of the firms. Finally, they disagreed (2.9) that, Professional behavior has not improved earning capacity of the firms.

Data Validity Test

In order to ensure that the results are robust, the study conducted a multicollinearity test using the correlation values of the independent variables. The result is found in Table 9 below:

Table 9: Multicollinearity result

	ing	obj	cmp	cnf	pbh
ing	1.0000				
obj	0.3354	1.0000			
cmp	0.0481	0.2720	1.0000		
cnf	0.5254	0.4704	0.4306	1.0000	
pbh	0.3430	0.1669	0.5380	0.0783	1.0000

Source; Field Survey, 2023

From table 9 above, the correlation result shows that, the data set is free from multicollinearity issues since all the variables have low correlation values that are less than 0.7. The highest correlation is between PBH and CMP at 0.5380.

Table 10: Regression model 1

F(5, 249) = 857.66 Prob > F = 0.0000
R-squared = 0.9451 Adj R-squared = 0.9440

roe	Coef.	t	P>|t|
ing	.0552979	0.89	0.375
obj	.5630503	5.36	0.000
cmp	.033407	0.34	0.731
cnf	-.0131973	-0.15	0.882
pbh	.3988223	4.49	0.000
_cons	.0585695	0.50	0.615

Source: **Stata output in appendix**

Table 10 presents the regression result between professional ethics and financial performance proxies. From the model summary table above, the following information can be distilled.

The regression result as presented in table above to determine the relationship between ING, OBJ, CMP, CNF, PBH and ROE. The R^2result shows that, professional ethics as a whole contributes to 94.51% variation in the ROE of the companies without considering other factors not included in the study model. The adjusted R-square value of 0.9440 shows that, when other factors are considered, the result will deviate by 0.0011(0.9451-0.9440). The constant value of 0.0585695 shows that, when professional ethics is held stationary; there will be a variation in ROE by 0.0585695 units. Regardless, a unit increase in ING will lead to increase in ROE by 5.5%. A unit increase in OBJ will lead to increase in ROE by 56.3%.A unit increase in CMP will lead to increase in ROE by 3.3%.A unit increase in CNF will lead to decrease in ROE by 1.3% and a unit increase in PBH will lead to increase in ROE by 5.8%. The F-ratio of 0.000 shows that the model is fit.

Table 11: Regression model 2

F(5, 249) = 2484.79			Prob > F = 0.0000
R-squared = 0.9804			Adj R-squared = 0.9800
roa |	Coef.	t	P>|t|
ing |	.7162847	23.59	0.000
obj |	-.0634479	-1.24	0.217
cmp|	-.1802551	-3.81	0.000
cnf |	.0815617	1.87	0.062
pbh |	.3275825	7.56	0.000
_cons |	.6301207	11.09	0.000

***Source:* Stata output in appendix**

Table 11 presents the regression result between professional ethics and financial performance proxy. From the model summary table above, the following information can be distilled.

The regression result as presented in table above to determine the relationship between ING, OBJ, CMP, CNF, PBH and ROA. The R^2result shows that, professional ethics as a whole contributes to 98.04% variation in the ROA of the companies without considering other factors not included in the study model. The adjusted R-square value of 0.9800 shows that, when other factors are considered, the result will deviate by 0.0004 (0.9804-0.9800). The constant value of 0.6301207 shows that, when professional ethics is held stationary; there will be a variation in ROA by 0.6301207 units. Regardless, a unit increase in ING will lead to increase in ROA by 71.6%. A unit increase in OBJ will lead to decrease in ROA by 6.3%. A unit increase in CMP will lead to decrease in ROA by 18%. A unit increase in CNF will lead to increase in ROA by 8.1% and a unit increase in PBH will lead to increase in ROA by 3.2%. The F ratio of 0.000 shows that the model is fit.

Table 12: Regression model 3

F(5, 249) = 1975.50Prob > F = 0.0000			
R-squared = 0.9754Adj R-squared = 0.9749			
pat |	Coef.	t	P>|t|
ing |	.3219042	8.38	0.000
obj |	-.0705489	-1.09	0.278
cmp |	-.003541	-0.06	0.953
cnf |	.7586696	13.78	0.000
pbh|	-.0043645	-0.08	0.937
_cons |	-.2960461	-4.12	0.000

Source: **Stata output in appendix**

The regression result is presented in the table above to determine the relationship between ING, OBJ, CMP, CNF, PBH and PAT. The R^2result shows that, professional ethics as a whole contributes to 97.54% variation in the PAT of the companies without considering other factors not included in the study model. The adjusted R-square value of 0.9749 shows that, when other factors are considered, the result will deviate by 0.0005 (0.9754-0.9749). The constant value of -0.2960461 shows that, when professional ethics is held stationary; there will be a variation in PAT by -0.2960461 units. Regardless, a unit increase in ING will lead to increase in PAT by 32.1%. Aunit increase in OBJ will lead to decrease in PAT by 7%. A unit increase in CMP will lead to decrease in PAT by 0.3%. A unit increase in CNF will lead to increase in ROA by 75.8% and a unit increase in PBH will lead to decrease in PAT by 0.4%. The F ratio of 0.000 shows that the model is fit.

HO$_1$*: There is no significant relationship between accounting ethical standards and return on equity in Nigeria.*

The calculated probability values review a figure of 0.375, 0.000, 0.731, 0.882, and 0.000for INJ, OBJ, CMP, CNF, and PBH. The values for OBJ and PBH are less than the accepted probability value of 0.05 while that of INJ, CMP, and CNF are greater than the accepted probability value of 0.05. The null hypothesis is rejected and the alternative accepted in respect to OBJ and PBH while the null hypothesis is accepted and the alternative rejected in respect to INJ, CMP, and CNF.

HO$_2$*: There is no significant relationship between accounting ethical standards and return on assets in Nigeria.*

The calculated probability values review a figure of 0.000, 0.217, 0.000, 0.062, and 0.000for INJ, OBJ, CMP, CNF, and PBH. The values for INJ, CMP and PBH are less than the accepted probability value of 0.05 while that of OBJ and CNF are greater than the accepted probability value of 0.05. The null hypothesis is rejected and the alternative accepted in respect to INJ, CMP and PBH while the null hypothesis is accepted and the alternative rejected in respect to OBJ and CNF.

HO_3: There is no significant relationship between accounting ethical standards and profit after tax in Nigeria.

The calculated probability values review a figure of 0.000, 0.278, 0.953, 0.000, and 0.937for INJ, OBJ, CMP, CNF, and PBH. The values for INJand CNF are less than the accepted probability value of 0.05 while that of OBJ, CMP and PBH are greater than the accepted probability value of 0.05. The null hypothesis is rejected and the alternative accepted in respect to INJ and CNF while the null hypothesis is accepted and the alternative rejected in respect to OBJ, CMP and PBH.

Conclusion

The study concludes that;

i. Objectivity and professional behavior have significant relationships with the return on equity of companies in Nigeria while integrity, competence, and confidentiality have no significant relationship with the return on equity of companies in Nigeria.
ii. Integrity, competence and professional behavior have significant relationships with the return on assets of companies in Nigeria while objectivity and confidentiality have no significant relationship with the return on assets of companies in Nigeria.
iii. Finally, integrity and confidentiality have significant relationships with the profit after tax of companies in Nigeria while objectivity, competence, and professional behavior have no significant relationship with the profit after tax of companies in Nigeria.

Recommendation

As a result of the study conclusion, the following recommendations are made.

i. Managers should enhance adherence to the existing ethical standards and policies, ensuring they are well-communicated to all employees. Emphasize the importance of ethical behavior in accounting and financial reporting could strengthen the companies' policy that will likely improve their financial performance in terms of return on equity.
ii. The corporate governance structures should promote a culture of accountability where employees are encouraged to report any unethical behavior or accounting irregularities they come across. This may close leakages and increase the return on assets as financial performance index for the companies.
iii. The managers should tie employee performance evaluations and incentives to ethical behavior in accounting and financial reporting. They should further recognize and reward employees who consistently demonstrate ethical conduct towards whistle blowing issues of fraud in the company that may affect the profitability of the company negatively.

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