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THE EFFECTS OF ACCOUNTING ETHICS ON THE QUALITY OF FINANCIAL REPORTS OF RURAL BANKS IN GHANA - A STUDY OF NWABIAGYA RURAL BANK AND ADANSI RURAL BANK LIMITED

ESTHER OSEI -WUSU

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A project report in the department of accounting studies education, Faculty of Business Studies, submitted to the school of graduate studies, in partial fulfillment of requirement for award of Master of Business Administration (Accounting) degree in the University of Education, Winneba

JUNE, 2019

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DECLARATION

STUDENT'S DECLARATION

I, ESTHER OSEI-WUSU, declare that this dissertation, with the exception of quotations and references contained in published works which have all been identified and duly acknowledged, is entirely my own original work, and it has not been submitted, either in part or whole, for another degree elsewhere.

SIGNATURE:…………………………….

DATE:…………………………………….

SUPERVISOR'S DECLARATION

I hereby declare that the preparation and presentation of this work was supervised in accordance with the guidelines for supervision of thesis as laid down by the University of Education, Winneba.

…………………………………….. (Principal Supervisor)

Signature :…………………………

Date:………………………………

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DEDICATION

I dedicate this thesis to my Husband, Michael Osei-Wusu

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ACKNOWLEDGEMENT

This work would not have come to a successful completion without the many people who encouraged, inspired and assisted me, and the sheer grace of God. During the course of this dissertation, l received excellent assistance, guidance, suggestions and correction from my supervisor, Mr. Williams Kwesi Boachie. Thank you for the many helpful discussion and encouragement. Really, you have been amazing and an inspiration.

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ABSTRACT

The main objective of the study was to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited. The researcher used descriptive research design for the study. Quantitative research approach was used. The population includes branch managers, accountants, internal auditors and external auditors at Nwabiagya Rural Bank and Adansi Rural Bank Limited. The purposive sampling technique was used to select all the fifty (50) participants for the study. Questionnaire was the main instrument used to gather primary data. The statistical package for social scientist (SPSS version 20) was used to analyze the pre-coded questions. The study results concluded that due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL. Also, to combat the criticism and prevent fraudulent accounting, the NRB and ARBL have developed regulations and remedies for improved ethics among the accounting profession. The outcome of compliance with IFRS on value relevance of accounting information ethics of the two rural banks led to disclosures of forward- looking information in annual reports, and the use of fair value as measurement basis. The high ethical standards promoted financial reporting quality and improved adherence to high ethical standards that helps boost the integrity of financial statements of the selected rural banks. The study recommends that the accounting standards setting bodies in Ghana should support the effort to ensure improved compliance with IFRS in the two selected rural banks as a matter of policy. This should be done by organising compulsory regular training and re-training programmes for management and staff of the two selected rural banks on importance as well as need to observe all the mandatory disclosure requirements of IFRS.

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CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Ethics are the moral principles that an individual uses in governing his or her behaviour. Ethics refers to a discipline in which matter of right and wrong, good and evil, virtue and vice are systematically examined (Brinkmann, 2012; Ogbonna & Appah, 2012). Ethics looks at human behavior, moral principles and the effort to separate good from bad. When trying to recognize common matters being dealt with, within the corporate environment, professional bodies' codes of ethics is the right place to look. These codes characterize what can be considered to be the image of business ethics. Codes of ethics should principally address the particularities of high risk activities and are built on the collective integrity of a profession as a resolution for the group's acknowledgment of the moral dimension.

Ethical obligation in the corporate world is not all-inclusive, but what can be done is to consider any phenomenon that within a definite situation inspires ethical behavior (Micewski & Troy, 2016). Jenfa (2010); and Ogbonna & Appah, (2012), observed that professional ethics offers accountants with these benefits: it aids the accountant to regulate the affluence of his behavior in his professional association; it provides clients and potential clients a basis of having confident that the professional frankly wishes to serve them well and places service above financial reward; this guide the kind of professional attitude the accountant must maintain if he is to thrive. It guarantee clients that standards of competence, independence and integrity shall remain the goal of the accountant; it allows member bodies and regulatory authorities to accomplish their obligation of ensuring that the professional accountants have the

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know-hows and capability expected of them by employees, clients and the public and public interest is safe and the integrity of the profession is enriched.

Financial reporting is a key ingredient required for the corporate governance system to function successfully. The accountants and auditors who are the main providers of information to capital market participants are expected to exercise high degree of due care and exhibit professional competence in the accounts audited by them. The directors of the company will expect that management prepare the financial statements are in compliance with statutory and ethical obligations, and bank on auditors' competence and creditability (Dignam & Lowry, 2006).

The primary objective of corporate financial report is to provide information about the financial strength, performance and changes in financial position of a firm that is useful to a wide range of users in making economic decisions (Benston, 2007). The report should be understandable, relevant, reliable, and comparable. When the financial statements is misleading through creative accounting or earning management it will no longer represent the true and fair view of the financial performance and position of the reporting entity, which will go a long way in making the various stakeholders to take erroneous decisions and even suffer economy damages and hardship. In this circumstances, an accounting scandal or corporate fraud deemed to have been committed and globally, when financial inappropriate or corporate failure occurred, the auditors and accountants are being accuse of either guilt of professional negligence of due care, unethical practice and compromise or collusion this have been seen in many cases for example Ernon, WorldCom, Lever Brothers Nigeria, Cadbury and a host of others (Salisu, 2007).

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Accountants and auditors have been proved to be involved in unethical practices and conflicts of interest and this have been documented by scholars of accounting in developed and developing countries (García-Benau & Humphrey, 2012; McHugh and Stamp, 2012). The collapse of a number of corporate giants, such as Global Crossing, Paramalat, Xerox, Tell one, Enron, WorldCom were all associated with unethical practices, collusion and conflict of interest among other things from the auditors and accountants. Recent empirical research has provided further evidence with regards to unethical practices and other professional misconduct accountants and auditors engage in the public service and in the corporate sector in Nigeria (Adeyemi, 2014).

Bakre (2007) documented many instances in which accountants and external auditors in alliance with the management and directors of companies fabricated and intentionally overstated company accounts. The study therefore would examine the effects of accounting ethics on the quality of financial reports of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

1.2 Statement of the Problem

The researcher realised that these ethical challenges in the rural banking sector have become a source of embarrassment to the Nwabiagya Rural Bank and Adansi Rural Bank Limited despite efforts by the appropriate law enforcement agencies to track down perpetrators. Some of these unprofessional and unethical practices include; undue access and tempering with customers' accounts, conversion of cheques, outright breach of frauds, and commercial bank frauds. Also, Ojo (2008) outlined some of the institutional factors that resulted in the unethical practices by banks staff to include; poor bookkeeping, a weak accounting and a weak internal control system,

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poor database management and information communication technology (ICT), ineffective/poor internal auditing system, and banks reluctance to report and place a disclaimer on convicted ex-staff due to destruction of the bank's brand. He also stated some of the societal/external factors that results in unethical and fraudulent practices, viz. slow and tortuous legal process, non/late reporting of frauds to the police or supervisory bodies, societal emphasis on wealth and money as a symbol of achievement, low societal values/morals, lack of specialized manpower (forensic investigator), lack of effective punishment/deterrent, fraudulent activities of prosecuting officers and connivance with judges to release some defendants accused of fraud. Most of these institutional factors are not unconnected to dismal corporate governance. The catastrophic failures and scandals of some corporate giant and the extensive corruption in the society highlight the critical need to focus on the anchors of sound professional ethics in the accounting and auditing profession both in developed and developing countries (Omoyele, 2010).

Recently, there has been growing concern about ethical and integrity issues in the accounting and auditing profession in public and private on questionable acts. As such, this era has been branded by series of corporate failures, ethical negligence, auditing and accounting scandals both in developed economies and developing economies. Damagum & Chima, (2014) posits that evidence in prior research shows that poor corporate governance also attributes to such failures, hence the need to keep vigil over corporate entities behaviors as well as need to control the behavior of managers and professional accountants through effective regulations. The collapse of DKM Financial Services, Capital Bank Limited and UTBank in Ghana and recent and current developments in Ghana's financial services industry have added more

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liveliness to the discussion of accounting ethics and financial reporting. As earlier highlighted, the failures of these corporate entities have been attributed to accountants and auditors not adhering to the codes of professional ethics. This has had an adverse and cumulative effect on financial reporting and the auditing profession. All these happening around the globe has brought the question of trustworthiness and integrity of the auditing & accounting profession (Bakre, 2007).

The research gap of this study is that, there is a lack of empirical evidence concerning an assessment of the effects of accounting ethics on the quality of financial reports of Nwabiagya Rural Bank and Adansi Rural Bank Limited. Therefore, this study would examine the effects of accounting ethics on the quality of financial reports of Nwabiagya Rural Bank and Adansi Rural Bank Limited to provide empirical evidence of this gap.

1.3 Theoretical/Conceptual Framework

The main drive of accounting ethics and ethical values is the upholding of professionalism and good practice. Perhaps, we start an exploration of the subject ethics by looking at some of the meaning. Ethical responsibility in the business world according to Micewski and Troy (2016) is not holistic, but what we can do is consider any phenomenon that within a certain context influences ethical behavior. In most corporations in the world, the largest ethical issue in the accounting process is the potential for conflict of interest (Gomez, 2012). The breach of ethical rules in the practice of corporate financial reporting is not fair to users and such action can jeopardize the main objective of the financial reports (Gowthorpe and Amat, 2015). Brinkmann (2012), defined ethics as a discipline in which matter of right and wrong,

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good and evil, virtue and vice are methodically examined. Ethics looks at human behavior, moral principles and the attempt to distinguish good from bad. When trying to identify common issues being dealt with within the business environment, professional bodies' codes of ethics is the right place to look.

These codes represent what we can consider to be the reflection of business ethics. Codes of ethics should mainly address the particularities of high risk activities and are built on the collective conscience of a profession as a proof for the group's acknowledgment of the moral dimension. According to Smith and Smith (2013), ethical values provide the foundation on which a civilized society exists. Nowadays, ethical standards act as a compass that direct and monitor the actions of people so that the best true and fair practices are achieved.

Doolan (2009), append that assuming a person derives ethical values from religious principle, history and literature, or personal observation and experience, there are some basic ethical guidelines and ethical codes to which everyone can agree. In the particular case of the accounting profession we should mention the International Federation of Accountants' (IFAC) code of ethics establishing the standards for accounting professionals behavior and displaying the fundamental principles they should respect in order to fulfill their common objectives. IFAC's code of ethics generally adopts a principles-based approach. The five fundamental principles in the IFAC code are: integrity; objectivity; professional competence and due care; confidentiality; and professional behavior (IFAC, 2016).

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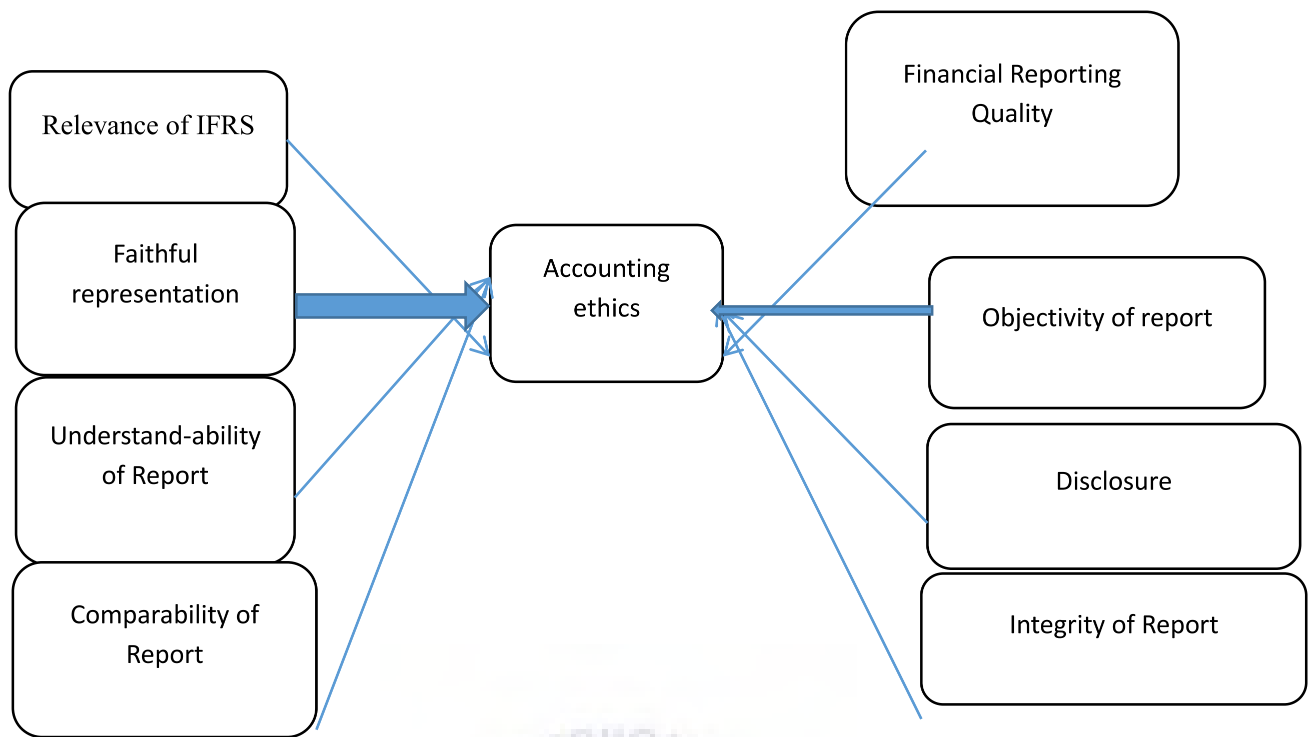

Figure 1.1: Conceptual model

Source: (IFAC, 2016).

1.4 Main Objectives of the Study

The main objective of the study was to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

1.4.1 Specific objectives of the Study

The main drive of accounting ethics and ethical values is the upholding of professionalism and good practice. Accounting ethics is primarily a field of applied ethics and is part of business ethics and human ethics, the study of moral values and judgments as they apply to accountancy. It is an example of professional ethics. Ethics are taught in accounting courses at higher education institutions as well as by companies training accountants and auditors.

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The specific objectives of the study include;

1. Identify the existence of accounting ethics in NRB and ARBL.
2. To investigate the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL.
3. To assess the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

1.5 Research Questions

1. What is the level of existence of accounting ethics in NRB and ARBL?
2. What is the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL?
3. What is the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited?

1.6 Significance of the Study

The significance of this study can be viewed along the lines of research, practice and policy making: With respect to research, it is expected that the results will be of great interest to Nwabiagya Rural Bank and Adansi Rural Bank Limited, academics involved in monitoring and researching on the the effects of accounting ethics on the quality of financial reports of rural banks in Ghana. The outcome of this study would provide additional evidence to the few literature on the impact of IFRS adoption on financial sector and more especially the rural banking industry which has been ignored by most researchers.

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1.7 Scope of the Study

The main objective of the study was to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited. Therefore, the study is geographically delimited in scope to Ashanti Region of Ghana. Furthermore, the study was conceptually delimited to accounting ethics and the financial reporting quality.

1.8 Organization of the Study

This study consists of five Chapters, Chapter one dealt with the background to the study, the statement of the problem, research questions and objectives of the study, significance and organization of the study. In Chapter two the researcher reviewed related literature whiles chapter three would deal with the research methodology used in the study. Other aspects of chapter three described the research design, the population sample and sample procedures, data gathering instruments and data collection procedures of the study, methods of data analysis. Chapter four described the research findings and the discussion of the main findings and chapter five presented the summary of the findings, conclusions and recommendations and suggestions for further research.

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CHAPTER TWO

LITERATURE REVIEW

2.0 Introduction

This chapter reviewed comprehensive literature to cover ethics in accounting, theoretical background, signaling theory, agency theory, stakeholder theory, professional ethics and qualitative characteristics of financial reporting, qualitative characteristics of financial reporting, IFRS Adoption and Value Relevance of Accounting Information: Global Perspective, Code law GAAP to IFRS, value relevance study under IFRS, IFRS adoption and value relevance of accounting information: Africa perspective, IFRS adoption and value relevance of accounting information: nigeria perspective, empirical review, financial reporting quality, measures of financial reporting quality, measures of earnings quality, earnings management, regulatory changes/ IFRS and effect on reporting quality, IFRS and reporting quality in banks.

2.1 Ethics in Accounting

“Ethics” is a term subject to numerous, sometimes conflicting, interpretations (Luoma, 2009). Ethical problems are a very relevant issue present in many aspects of real life. These situations can be examined through several branches and under several grids of analysis, modern or classic (Filipe *et al.,* 2011). A distinguishing mark of the accountancy profession is its acceptance of the responsibility to act in the public interest (IFAC, 2015). Key qualities which appear in the codes of ethics of professional bodies include independence, integrity, objectivity, competence and judgment. For example, the ICAEW’s introduction to its ‘Guide to Professional Ethics’ (ICAEW, 2017:178) includes a list of five fundamental principles which either

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expressly mentions or clearly implies all of these qualities, along with other related qualities such as honesty, fair-dealing, truthfulness, courtesy, skill and diligence (Gowthorpe, 2015).

Because of the importance of the issue, many researchers in developed countries have conducted studies on accounting ethics education. They have indicated that ethics education must be given in business schools for the development of future generations (Caliyurt, 2017). Ethics education helps students identify the link between ethical decision-making and real-life behavior (Helps, 2014). Abu Bakar *et al.,* (2008) explore the ethical attitudes of the final year accounting students. The study indicates that the majority of respondents would prefer not to indulge in unethical behavior. Professional ethics has a significant position in the organization of the Thai Federation of Accounting Professions (FAP) and In Australia, ethics are at present the responsibility of an Accounting Professional and Ethical Standards Board limited (Gaffikin, 2009).

Gammie, (2009), in a study predicated on the Kantian approach to ethical decision making which is located in the domain of deontological ethic theories, suggests that ethics is based on a set of unbreakable ethical rules and is concerned with the simple notion of right and wrong (Gammie and Gammie, 2009). Another study has investigated the influence of knowledge of ethics (KOE) on auditors' perceived ethical problems (PEP). The results indicated that statistically significant relationships exist between knowledge of ethics (KOE) on auditors' perceived ethical problems (PEP) (Zakaria *et al.,* 2010).

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Jabbarzadeh Kangarluei and Bayazidi investigated the relationship between ethical values and agency cost in accounting system. Findings showed that executing of ethical affairs from managers and other employees in Iranian companies increase agency costs, but causes the existence of weak relation between ethical criteria and agency costs, these findings should considerate cautiously (Jabbarzadeh Kangarluei and Bayazidi, 2010).

2.2 Theoretical Background

This section reviewed theories like the signaling theory, agency theory, and stakeholder theory.

2.2.1 Signaling Theory

According to Morris (2017) and Spence (2013), signalling theory emerged specifically to address information asymmetries between the preparers of financial reports and various users in the markets. The theory showcases how these asymmetries can be reduced by the 'body' with more information signalling it to others (Morris, 2017). This is one of the expected purposes of adopting IFRS (Hodgdon *et al.*, 2008; IASB, 2010). Drawing from the NSE context for example, IFRS adoption requires that listed firms provide more disclosures beyond the disclosure requirements of the erstwhile Nigerian SAS. As a case, judgement made by a reporting entity in applying any accounting policy as contained in IAS 1 must be clearly disclosed. This improved informative nature of IFRS suggests a different signal to stock markets participants because concept of rationality applies to accounting information disclosure (Okafor *et al.,* 2016; Kothari, 2011).

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Signalling theory was first put forth by Spence (2013) when he employed labour market to model the signalling function of education. It is a unique theory that is broadly used in several disciplines such as education, psychology, pure and applied sciences, medical science, and management science among others. Specifically in accounting discipline, signaling theory has been widely applied. For example, it has been employed in signaling treatment of dividend pay-out by Miller and Rock (2015) and Ross (2017); signaling and accounting information according to Myers (2009); disclosure study by Jaggi and Freedman (2012); and signaling role of conservatism in a debt market with asymmetric information.

This theory provides an opportunity to integrate an interactive theory of symbolic communication and social benefit with materialist theories of individual strategic action and adaptation (Bird & Smith, 2015). Thus, with respect to accounting research, proponents of signaling theory argue that managers manage accounting information to convey insider information about firm's prospects which thereby serves as signaling mechanism (Sun & Rath, 2008).

According to Frankfurter and Wood (2012), generalisation of Akerlof's (2010) model became the prototype for all financial models of signaling postulate. Afterward, Connelly, Certo, Ireland and Reutzel (2011) stress that general example which helps to illustrate basic signaling model was provided by Kirmani and Rao (2010). By distinguishing between high and low quality firms Kirmani and Rao (2010) observe that, even though firms know their own true quality, outsiders do not, which gives opportunity to individual firm to either signal or not signal its true quality to outsiders (i.e. information asymmetry). This forms one of the indicators of capital market

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imperfection already identified by scholars such as Afego (2012), Nwosa and Oseni (2011), and Oyerinde (2009).

Information asymmetry (as one of the key issues address by signalling theory) is a situation where insiders are in possession of certain corporate information that is not made available in the market which may be revealed to the market through insiders' action and thereby change stock prices (Tsalavoutas, 2009). That is, it is a situation in which an agent in a business relation possesses information while others involved in the same business do not. This may be due to weak regulatory framework (standards) that are expected to be followed in disclosing relevant business information to users. Considering developing markets, there is severity of information asymmetry than developed markets (Alfaraih, 2009). This may either send good or bad signals to market's participants (domestic and international). Emergence of IFRS to replace local GAAPs is expected to ameliorate this situation if the former is indeed more qualitative and informative than the later.

Arguably and although controversial, IFRS has more qualities than local GAAPs. This is envisioned to curtail (or reduce) the level of 'information trading' by insiders of corporate entities if the standard is well complied with by the reporting entities. According to Connelly *et al.* (2011), signaling theory is suitable in describing performance when two parties have access to different information. However, if there is a specific reliable platform through which differences between the two parties could be narrowed down and is well observed, variegated outcomes may be reduced or eliminated. Therefore, signaling hypothesis suggests that, where certain generally acceptable conditions are complied with, true signals would be believed and false

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ones discarded (Toms, 2012). It is therefore expected that mandatory adoption of, and reasonable high compliance with IFRS has latent to reduce information asymmetry and thereby allows some improved level of trust in the accounting information disclosed under the principle-based accounting standards (IFRS).

Despite the wide use of signalling theory in accounting and other disciplines, its inherent veracity in theorising for empirical discourse has been punctured. For instance, Wai (2008) stresses that there is intrinsic noise in accounting information which constitute 'dissonance' representation of economic reality due to the spectrum of accounting alternatives available to meet diversity of information needs. This could affect plausibility of the information leading to inability of the users to distinguish between 'bad' and 'good' news as advanced by Myers (2009). Consequently, this results in decision-makers to either overlook signals that truly require attention or mistake noise for signals (Wai, 2008). This suggests possible caveat of signalling theory.

However, going by signal detection theory perspective which expects decision-makers to determine whether there is a symptom indicating presence of a problem or not (noise), stock market participants are believed to be knowledgeable and rational 'sets' who process accounting information signal as such for efficient economic results. Furthermore, signaling theory otherwise referred to as information content hypothesis has been adopted as fundamental ground for IFRS-based value relevance studies such as Hodgdon *et al.* (2008), Tsalavoutas (2009), and Nyabundi (2013). The finding by Hodgdon *et al.* (2008) suggests that compliance with the disclosure requirements of IFRS reduces information asymmetry and enhances the ability of financial analysts to

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provide more accurate forecasts (value relevance). Also, Tsalavoutas (2009) confirms that higher compliance with mandatory disclosures reduces information asymmetry and palliates uncertainty about companies' fundamentals which are consistent with the premise of signalling theory.

Nyabundi (2013) further establishes that accounting information are signalling tools that convey value relevant information which reflect on stock prices upon public announcement. Thus, relying on signalling theory, this study proposed improved value relevance of accounting information as a result of mandatory adoption and high compliance with IFRS. Thus, signalling theory is found relevant to this study. Although, signalling theory is also related to voluntary disclosure studies as suggested in some extant literature like Shehata (2014), Birjandi, Hakemi and Sadeghi (2015), this study employs the theory in order to explain possible signal that IFRS adoption and extent of compliance with the accounting standard by Nigerian listed firms might send to capital markets' participants (or investors) with regard to value relevance of accounting information disclosed under the standards.

According to Ross (2017), issuers can signal quality of their equity to the investors by resorting to additional mechanisms when verification is costly. This could results in incremental information content when the new mechanism is embraced.

2.2.3 Agency Theory

Agency relationship is a contractual agreement under which one or more persons (principal) engage another person (the agent) to perform certain service(s) on their behalf including delegation of some decision making authority to the agent (Jensen &

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Meckling, 2016). To Scott (2009), agency theory is a branch of game theory that studies the design of contracts to motivate a rational agent to act on behalf of the principal when the agent's interests would otherwise conflict with those of the principal. Eisenhardt (2009) presents the theory as an important but controversial theory with ubiquitous relationship. Its critics like Perrow (2016) sees it as addressing no clear problems while Hirsch and Friedman (2016) call it excessively narrow theory, focusing only on stock price. In the face of more qualitative and disclosure demanding IFRS however, this study employs agency theory to understand hypothetical implication of value relevance with regards to how well issuers of accounting information (managements) have complied with the standard to the benefit of their principal (investors).

The origin of agency theory appears in literature in different forms. It has been traced to '1960s and early 1970s when economists explored risk-sharing problems that ensued when cooperating parties have different attitudes toward risk especially among individuals and groups' (Arrow & Wilson as cited in Eisenhardt, 2009). According to Bricker and Chandar (2008), Berle and Means's (2012) thesis was the foundation for subsequent capital markets agency models in accounting of which Jensen and Meckling (2016) synthesize the earlier works by Berle and Means with the property rights and contracting literature developed by Coase (2017), and Alchian and Demsetz (2012).

Although principal-agent dilemma in a corporate context had been pondered as early as the 18th century by Adam Smith, a separate theory of agency did not emerge until the early 1970s when Ross (2013) and Mitnick (2013) working independently, each

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presented a theory of agency (Delves and Patrick, 2010). However different the history of agency theory might have appeared, the point is that it emerged to address relationship and problems that exist between two or more contractual and/or implied parties. Agency theory has been widely used in literature that seek to express relationship or problem that may subsist between principal and agent, either as contractual or bondholding agreements (Scott, 2009; Watts & Zimmerman, 2013).

According to Delves and Patrick (2010), the most recognizable form of agency relationship is that of employer and employee or shareholders and Chief Executive Officer (CEO). Other forms may include creditors and corporate entities; shareholders and auditors; management and other stakeholders etc. Ross (2013) presents agency theory as a universal principle and not just a theory of the firm, which addresses the problem of incentive as well as a model for inducing the agent to produce maximum gains for the principal. Mitnick (2013) points out agency problems in three ways which are principal's problem, agent's problem, and policing mechanisms and incentives.

However, Eisenhardt (2009) stresses that agency theory addresses two problems such as; problems that arise when goals of the principal and agent are in conflict and problems that arise when the principal and agent have different attitudes towards risk. This results in different actions being taken by the duo. While principal's problem helps to motivate the agent to act in a manner that will achieve the principal's goals, that of the agent has to do with decisions to act either in the principal's interest, his own interest, or compromise between the two when they do not coincide (Delves & Patrick, 2010). Policing mechanisms are machineries and incentives intended to limit

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the agent's discretion, such as surveillance or specifically directed tasks. Incentive systems are mechanisms that offer rewards to the agent for acting in accordance with the principal's wishes, such as bonuses and increased pay (positive incentives) or fear of punishment (negative incentives). Nevertheless, the major drawback of policing and incentives is that, they create costs for the principal.

In addition to already identified monitoring of the agent's actions as a source of agency cost by Mitnik (2013), Jensen and Meckling (2016) explore agency costs and its sources further by confirming it and identify two other sources (Delves & Patrick, 2010). That is, bonding costs borne by the agent (e.g. bonding against malfeasance, contractual limitations on his power, which limits his ability to take full advantage of profitable opportunities etc), and the wealth loss borne by the principal when the agent's actions do not maximize his welfare otherwise called residual loss. Presuming that the way incentives are structured would maximise principal's welfare, Jensen and Meckling (2016) further investigate the incentives faced by each of the parties. Separation of ownership and control was also explored by Fama and Jensen (2013) while Jensen and Murphy (2010) argue that cash compensation should be structured to provide huge rewards for exceptional performance and meaningful penalties for poor performance. This accounts for managers' personal incentives that could usher in or lead to information asymmetry which can impede value relevance of accounting information and full compliance with IFRS demands upon its adoption.

According to Pastoriza and Ariño, (2008), stewardship theory developed by Donaldson and Davis (2011) forms a new perspective to understanding the existing relationships between ownership and management of the company which arises as an important counterweight to agency theory. While agency theory argues that

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shareholder interests require protection by separation of incumbency of board chair and CEO roles, stewardship theory stresses that, shareholders' interests are maximised by shared incumbency of these roles (Donaldson & Davis, 2011).

However form it takes, the thrust of these theories is to ensure adequate protection of shareholders' stakes in the business. On the contrary, despite the fact that stewardship theory addresses some of the reductionist assumptions of agency theory, it suffers from being static as it considers the relationship of principal-agent at a single point in time and assumes no learning of individuals as a result of their interactions (Bricker & Chandar, 2008). Since accounting (financial reporting) is concerned with information flows and its organization which are central to business operations, managerial decision-making, and the nature and efficiency of capital markets, the development of accounting is embedded in issues relating to the development of markets and corporations (Bricker & Chandar, 2008).

Thus, it would be expected that there is a link between firm market value and accounting information prepared and presented by the 'agent' under IFRS. As an agent and steward, interest of the 'principal' is expected to be prioritised through adequate compliance with IFRS mandatory requirements capable of ensuring improved value relevancy of accounting information issued to the stock market. This also explains bonding relationship between management and shareholders. The relevance of this theory to the study is that, it helps to explain how preparers of accounting information prepare IFRS compliant financial reports that can properly position the entity in the stock market on behalf of the shareholders. Management as

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the agent is expected to perform their ideal fiducial duty of releasing asymmetric-free financial report to the capital market.

According to Al-Shammari (2011) and Tsalavoutas (2009), it may be argued that increased mandatory adoption of IFRS and disclosures reduce agency costs deriving from information asymmetry and strengthen the reputation of the management as it has incentives to provide a high level of compliance with IFRS mandatory disclosure demands. Since IFRS is suggested as qualitative accounting standard, it should have potential to improve value relevance of accounting information due to reduced managerial discretion over accounting choices, earnings smoothing, low loss recognition etc (Ahmed *et al.*, 2013; Barth *et al.,* 2008).

This also explains shareholder incentives from the relationship. However, since it has been empirically confirmed that there is a positive and significant link between firm's level of compliance and share value in the stock market (Alfaraih, 2009; Al-Shammari (2011); Tsalavoutas, 2009), if the compliance level is low, investors may receive a reduced reliance signal from the market participants. This could pose consequential effect on firm's value, which explains agency cost. Thus, agency theory is positioned to provide theoretical basis for the general objective as well as specific objective four of this study.

2.2.4 Stakeholder Theory

The development of stakeholder theory has been widely accredited to Richard Edward Freeman's (2014) landmark book publication (Donaldson & Preston, 2015; Mitchel, Agle & Wood, 2017). According to Freeman, Wicks and Parmar (2014), stakeholder

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theory is an expansion of agency theory that stresses that managers have fiducial relationship with stakeholders, while stakeholders are those who have stakes in, or claims on the firm. Stakeholder theory was developed to solve some problems such as value creation and trade, ethics of capitalism and managerial mind-set (Freeman, Harrison, Wicks & Parmar, 2010). It seeks to address moral and ethicality in managing corporate entity. This theory is intended both to explain and guide the structure, and operation of the establishment by viewing company as an organizational entity through which numerous and diverse participants accomplish multiple, and not always entirely congruent purposes (Donaldson & Preston, 2015). Thus, the theory is general and comprehensive. However, Donaldson and Preston (2015) posit that, one of the central problems in the evolution of stakeholder theory has been confusion about its nature and purpose.

Stakeholder theory of the firm offers two purposes which are to explain how organizations operate and to help predict organizational behaviour (Brenner & Cochran, 2011). This explains the essence of this theory to IFRS compliance study and its relation to firm value. Nevertheless, Donaldson and Preston (2015) explain the distinction between a stakeholder conception of the corporation and a conventional input-output perspective noting that, the former consist of customers, suppliers, investors, employees, governments, political group, trade association and community while the latter involves investors, employees, customers and suppliers.

In a more concise form, Freeman (2014) identifies stakeholders as group of individuals who stand to benefit from or be harmed by and/or whose rights may be violated or protected by corporate actions. In an attempt to fill the gap of identifying

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who stakeholders are, Mitchell *et al.* (2017:853-854) generated a typology of stakeholders which are identified as: 'primary or secondary stakeholders; owners and non-owners of the firm; owners of capital or owners of less tangible assets; actors or those acted upon; those existing in a voluntary or an involuntary relationship with the firm; rights-holders, contractors, or moral claimants; resource providers to or dependents of the firm; risk-takers or influencers; and as legal principals to whom agent-managers bear a fiducial duty'. This framework explains bonding relationship between corporate entities and all its stakeholders whose interests are expected to be fairly captured in financial statement that is issued with due reference to qualitative accounting standards.

Based on its descriptive accuracy, instrumental power and normative validity as identified by Donaldson and Preston (2015), stakeholder theory has been advanced and justified in management literature. Donaldson and Preston (2015) examine these three aspects of the theory and critique with a conclusion that they are mutually supportive and that the normative basis of the theory is fundamental. Descriptive stakeholder theory describes how organizations manage or interact with stakeholders; normative stakeholder theory prescribes how organizations ought to treat their stakeholders; while instrumental theory include such statements as, if you want to maximize shareholders' value, you should pay attention to key stakeholders (Donaldson & Preston, 2015).

Jones (2015) also enhanced stakeholders theory by stressing that, the theory is an integrating theme that offers an instrumental theory of stakeholder management based on a synthesis of the stakeholder concept, economic theory, behavioural science, and

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ethics. In a recent study by Harrison, Freeman and Sá de Abreu (2015), stakeholder theory was found to be a particular useful perspective for addressing some of the important issues in business from an international perspective. This includes financial reporting to the global environment, especially capital markets.

As an extension to Donaldson and Preston (2015), Jones and Wicks proposed a convergent stakeholder theory (Freeman, 2009). Jones (2015) showcases a wide spectrum of agreement by those who are stakeholder theorists, laid emphasis on instrumental stakeholder theory as the most result-oriented theoretical development that links stakeholder theory to broader areas of management study. However, Freeman (2009) argues that Jones and Wicks' attempt at grand-theorizing goes awry, suggesting that Donaldson and Preston's (2015) claims are dubious and can lead theorists such as Jones and Wicks in the wrong direction. According to Freeman (2009), firms whose managers will achieve competitive advantage are those who build on values and instrumental relationships. Conversely, some of the critics of stakeholder theory are Milton Friedman, Michael Jensen, Michael Porter, Oliver Williamson (Freeman *et al.,* 2010), Blattberg (2004) and Mansell (2013).

For instance Mansell (2013) argues that stakeholder theory undermines principles on which market economy is based by applying political concept of social contract to the corporation. Blattberg (2014) on the other hand punctures the theory for assuming that the interest of various stakeholders can be conceded or unprejudiced against each other. For the purpose of this study, instrumental stakeholder theory is found relevant so as to provide support for agency theory since the latter could not capture all stakeholders at the stock market such as stockbrokers, portfolio managers, financial

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analysts, potential investors, stock market regulators, and standards setters etc., who use/receive annual financial reports for multifarious (economic) decision purposes.

It provides theoretical basis for explaining how diverse information needs of numerous individuals and institutions within and outside the entity are met through sound compliance with qualitative accounting standards. Thus, the theory is adopted to provide theoretical explanation for specific objective four in that, if managers have interest of all stakeholders at heart, they should comply fully with IFRS mandatory demands as instructed by the stock market regulatory bodies. Extant literatures that have adopted this theory in compliance, disclosure and value relevance related studies are Karampinis and Hevas (2010), Jensen (2010) and Robert (2012) among others.

2.3 Professional Ethics and Qualitative Characteristics of Financial Reporting

The quality of financial reporting indicates a limit in which the financial reports of a company, its economic status, and functions, which are measured over period of time, are presented honestly (Talebnia *et al.,* 2011). Truthfulness of and trust in the financial reporting system depend on far more than the actions and decisions of individuals or sophisticated "mechanisms" for the whole system (Enderle, 2016). Companies in the energy, accounting, and banking industries and the professional associations of the certified public accountants and the investment managers and researchers have, in varying degrees, affected the quality of and confidence in the financial reporting systems. Therefore, truthfulness of and trust in the financial reporting system cannot be a matter of either personal or institutional ethics alone (Brenkert, 2014).

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In 1980 the President of AICPA William Gregory warned members over the fact that "accountants have subordinated courtesy, mutual respect, self-restraint and fairness for a quest for firm growth and a preoccupation with the bottom line". Representatives of the big firms however denied ethical responsibility for the corporate scandals that occurred. According to them what happened between Enron and Andersen was not so much a consequence of the lack of ethics on the part of the auditors, but was due to the failure in the current financial reporting system that advocated for "backward-looking" financial statements (Catacutan, 2016). Behaving ethically in accounting is more important than auditing because accounting system prepares financial statements for auditing (Mahdavikhou, 2010).

2.4 Qualitative Characteristics of Financial Reporting

Qualitative characteristics are the attributes that make the information provided in financial reports useful to users. As figure 2.1 shows, the four principal qualitative characteristics are understandability, relevance, reliability and comparability (IASB, 2016).

Fig. 2.1: The four principal qualitative characteristics of financial reporting.

Source: (IASB, 2016)

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According to the theoretical concepts of Iran's financial reporting, the aim of financial reports is to provide brief as well as classified data about the financial status, financial functions, and flexibility of the commercial unit so that they can be useful to the users of such reports in making economic decisions (Talebnia *et al.,* 2011). The qualitative characteristics are complementary concepts in achieving decision-useful financial reporting information; their application, in contrast, should maximize the usefulness of financial reports. Each qualitative characteristic discussed in this chapter makes its own distinct contribution to the decision usefulness of financial reporting information. The objective of financial reporting is to provide information that is useful to present and potential investors and creditors and others in making investment and similar resource allocation decisions (IASB, 2016).

2.5 Global Perspectives on IFRS Adoption and Value Relevance of Accounting Information

Globally, studies have been extended to elucidate multifaceted impact of IFRS adoption on capital markets, reporting qualities, accounting practices etc. (Daske *et al.*, 2008; Liu, Yao, Hu & Liu, 2011). For instance, Armstrong *et al.* (2010), Byard, Li and Yu (2011), and Daske *et al.* (2008) observe that, mandatory adoption of IFRS adds incremental value to the quality of financial reports as well as providing support for information need of investors. Emergence and subsequent increasingly mandatory adoption of IFRS was basically to strengthen capital market through improved value relevant accounting information. Soderstrom and Sun (2007) stress further that prior studies have documented improved accounting information quality after IFRS adoption.

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European Union (EU) countries, Australia, were among the first set of countries that made the move for early convergence from local standards to IFRS. With effect from January 2005, all EU countries that were striving to have common accounting standard before 2002 were mandatorily required to converge to IFRS (Armstrong *et al.*, 2010; Chalmers *et al.,* 2011). In order to ensure international best practice and reduction in firms' cost of equity capital, Australia Accounting Standard Board was obligated to implement full convergence to IFRS in July 2002, thereby ensuring that all Australia listed firms' financial reports are in compliance with IFRS (Chalmers *et al.*, 2011). In China, issuance of financial reports that are IFRS compliant became mandatory for all listed firms starting from 2007 (Liu *et al.,* 2011).

2.5.1 Code law GAAP to IFRS

In Brazil, transition period from local code law GAAP to IFRS occurred in two stages, covering years 2008 and 2009 (Santos & Cavalcante, 2014) which actually became mandatory from 2010 accounting year-end. Canada also converged to IFRS in 2011 (Cormier, 2013). According to Paul and Burks (2010), Norwalk Agreement issued in 2002 marked the commitment of IASB and Financial Accounting Standard Board (FASB) to develop a single set of high quality standards that would provide better information for investors, reduce cost and increase capital market efficiency. 'This was majorly to support growth of global markets, desire of multinational companies for one set of financial statements, and the demand for one common global reporting language' (Paul & Burks, 2010:2).

However, up till the time of this study, U.S. Securities and Exchange Commission (SEC) only permits foreign private firms in the U.S. stock markets to prepare their

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financial reports for submission in accordance with IFRS without reconciliation to U.S. GAAP since November 2007 (Carmona & Trombetta, 2008; Paul & Burks, 2010). Although, U.S. SEC reaffirmed its continuing support for a single set of high-quality globally accepted accounting standards and noted that, IFRS is best positioned to serve in that role (US SEC, 2012), the effort to incorporate IFRS into the reporting regime for domestic issuers is in doubt as there is reported little progress in recent years by the U.S. (KPMG, 2015).

Drawing from the global perspective, extant literature have recorded diverse value relevance of accounting information before and after IFRS adoption. For instance, Chalmers *et al.* (2011) observe that combined relevance of book value of equity and earnings of Australian Security Exchange listed firms alters little with IFRS adoption as earnings becomes more value relevant while book value does not. On the contrary, Clarkson *et al.* (2011) record no difference in the impact of IFRS adoption when compared with the information under local GAAPs.

Furthermore, Cormier (2013) shows evidence that moving from Canadian GAAP to IFRS has reduced the information gap between managers and investors, enhanced value relevance of earnings and stock markets' ability to anticipate future earnings. Okafor *et al.* (2016) confirm that accounting information prepared and disclosed under IFRS in Canada exhibits higher price and returns value relevance than accounting information prepared previously under local GAAP. Cotter, Tarca and Wee (2012) note that, analyst forecast accuracy in Australia improves and no significant dispersion in IFRS adoption year. Nonetheless, according to Liu *et al.* (2011), there are incongruities between protagonists and antagonists of IFRS as to its ability to

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increase quality and value relevance of accounting information. It is hoped that this disparity has not led to self-selection that could lead to bias conclusion on value relevance study under IFRS.

2.5.2 Value relevance study under IFRS

Value relevance study under IFRS has been pragmatically related to level of compliance with the standard by corporate entities from global context. As case in point, Alfraih and Alanezi (2015), observe a significant association between extent of compliance with IFRS and the value relevance of earnings and book values in Kuwait Stock Exchange investors while Tsalavoutas and Dionysiou (2014) report incremental value relevance of IFRS compliant information. Even though empirical study on extent of compliance with IFRS and value relevance of accounting information appears not copious, studies that seek to find out level of compliance with IFRS and possible influencing factors abound.

Considering the level of compliance with IFRS globally, variation has been observed. According to Jermakowicz and Gornik-Tomaszewski (2016), majority of the sampled EU-listed companies have adopted IFRS even at the expense of costly, complex and burdensome processes. Nevertheless, Bebburigton and Song (2014) note that, general positive response of EU countries to IFRS adoption apart from unfavourable response from financial service industry, was towards attaining a common European market. Specifically in Turkey, Demir and Bahadir (2014) show compliance levels ranging from 64% to 92%, with an average of 79%. Tower, Hancock and Taplin (2009), and Glaum and Street (2013) report 94% and 81% compliance with IAS/IFRS in Australia and Germany respectively.

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In another vein, Hodgdona *et al.* (2008) stress that compliance with IFRS disclosure requirement reduces information asymmetry and enhances the ability of financial analysts to provide more accurate forecasts. Although Kasum (2011) claims 91% international benchmark of compliance level with standards, Eberlin and Richardson (2012) stress that there is no objective benchmark for full compliance with accounting standards.

2.6 African Perspective on IFRS Adoption and Value Relevance of Accounting Information

IFRS adoption in Africa has so far taken different dimensions compared with developed economies probably because there is no developed capital market in Africa (Dow Jones, FTSE, MSCI and S&P rankings, 2016 January). According to these stock markets ranking groups, only South Africa stock market belongs to advanced emerging market while Egypt belongs to secondary emerging market. Other African countries' capital markets like Nigeria, Kenya, Ghana, Morocco, Côte d'Ivoire etc. were ranked as frontier markets. These rankings appear to be associated with individual African country's attitude towards convergence to IFRS and subsequent mandatory requirements by their stock markets for listed firms to comply with the standards.

South Africa took the convergence lead in 2005, followed by Ghana in 2007 and Nigeria in 2012 among others. Kenya's bold step to adopt International Financial Reporting and Auditing Standards fully in January 1, 1999 was made by Council of the Institute of Certified Public Accountants of Kenya (ICPAK) in 1998 following stumbling Kenyan businesses due to numerous banks' failure in the 1980s and 1990s

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(United Nations Conference on Trade and Development [UNCTAD], 2016). Nevertheless, Kenya had set aside local standards for IAS before IFRS emerged even though its Companies Act that prescribes what should be included in financial reports has been found short of IFRS requirements (Bova, 2008; UNCTAD, 2016).

Nnadi's (2015) submission that most former British colonies in Africa seem to follow their colonial rulers in adopting IFRS could not be disputed in this regard. However, many African countries appear to have complied with IFRS possibly because of the perceived and expected improvement in Foreign Direct Investment, cross-border listing (Madawaki, 2011; Odia & Ogiedu, 2013) and capital market efficiency (Daske *et al.,* 2008) emanating from IFRS adoption. As to value relevance of accounting information before the emergence of IFRS in Africa, findings from numerous extant empirical studies are confounding. Association between firms' market value and earnings, book value, cash flows from operation, and dividend have been well studied (Nyabundi, 2013; Oyerinde, 2011; Ragab & Omran, 2008).

Results of these studies also differ which might be as a result of disparity in local standards adopted prior to IFRS adoption, methodology used, self-selection bias, form of the economy (i.e. bank-led or market-led) etc. For instance, Nyabundi (2013) finds positive significant association in the relationship between share price, and dividend, earning and book value of listed companies in Kenya. Also, Ragab and Omran (2008) report relevancy of earnings and book value from Egypt by employing both share price and returns model. However, findings on value relevance of accounting information under IFRS in Africa differ significantly and limited.

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Study on the association between levels of compliance with IFRS and value relevance in Africa is generally anecdotal. Notwithstanding, Yiadom and Atunso's (2014) finding on level of compliance with IFRS by Ghana listed firms revealed an overall mean compliance of 85.8% while Agyei-Mensah (2013) submits that, company size and auditor-type have statistical significant association with the quality of information disclosed by listed firms in Ghana with disclosure compliance mean of 76.80% (pre-) and 87.09% (post-) IFRS adoption.

2.7 Nigerian Perspectives on IFRS Adoption and Value Relevance of Accounting Information

According to Institute of Chartered Accountants of Nigeria (2014), purpose of regulating accounting information is to ascertain that users of financial statements receive minimum information that will enable them to make meaningful decisions and also ensure similar accounting treatments for related items among entities. Nigerian financial reporting system like any other country in the world was being guided by a set of rules and principles otherwise referred to as Statement of Accounting Standards (SASs). This was dated back to the establishment of Nigerian accounting standards regulatory body known as Nigerian Accounting Standards Board (NASB) in 1982 as a private sector idea which later became government agency in 1992 (Kasum, 2011; Umoren & Enang, 2015).

The board was responsible for developing, issuing and ensuring compliance with SASs to be observed by all corporate reporting entities, especially listed companies. The first three SASs were launched in November 21, 1984. Furthermore, section 335(1) of Nigerian Companies and Allied Matters Act (CAMA), 2004 (as amended)

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provided legal support for the then NASB functions. Thus, enactment of NASB Act 2003 ushered a new dawn in the legal responsibility of NASB which set autonomous legal basis for the body to perform its functions. In 2010, the federal government of Nigeria rolled out a road map of convergence from Nigerian SAS to IFRS. This led to conversion of the old NASB to Financial Reporting Council of Nigeria (FRCN) through enactment of FRCN Act, 2011 to repeal erstwhile NASB Act 2003. As a result, all listed firms were directed to file their financial reports in compliance with IFRS with effect from January, 2012.

Subsequently, NSE made this directive a major requirement for all listed companies in the stock market. However, section 333 (1) of the proposed Nigerian CAMA (2016) now requires form and contents of corporate entities' financial statements to comply with accounting standards issued from time to time by FRCN as a way of providing legal support to strengthen activities of the local accounting standard setting body. As at the time of convergence to IFRS in Nigeria, there were twenty-nine (29) IASs and thirteen (13) IFRSs (i.e. 42 standards altogether) in issue together with a list of Standard Interpretations Committee (SIC Interpretations – 33) and International Financial Reporting Interpretation Committee (IFRIC Interpretations – 21).

Whereas, at the same time (i.e. 2010), Nigerian SASs were 'starved' with ineffective update of thirty-one (31) standards (some of which were connected to already repealed IASs). According to Umoren and Enang (2015), there were sixteen (16) IASs/IFRSs without corresponding SASs, although in recent past IAS 17 has been superseded with IFRS 16 which becomes effective from January 2019. A few out of

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the 16 standards are IFRS 15, IFRS 14, IFRS 13, IFRS 9, IFRS 2, IFRS 1, IAS 41, IAS 29 etc .

In addition, some (disclosure) contents of erstwhile Nigerian SASs were not in tandem with related IAS/IFRS. For example, some dissimilarities in the two GAAPs are not limited to profit and loss accounts, and balance sheet (contents of financial statement) under SAS 2 which have been restructured as statement of comprehensive income (or income statement) and statement of financial position respectively under IFRS 1/IAS 1; statement of changes in equity as contained in IFRS 1 which has no place in SAS; presentation of extra-ordinary items that is now prohibited under IFRS while it was required by Nigerian SASs 6; under IFRS, dividend proposed or declared after financial year-end but before financial statements are authorised for issue is not recognised as liability whereas, it was recognised under SAS; fair value measurement crusades by IFRS which was never the case under SAS. However, global economic integration, effort to attract more foreign investors and enhance investors' protection among others precipitated the need to adopt IFRS in Nigeria. Succinctly at the moment, there are forty-four (44) IAS/IFRS already in issue.

Although existing studies such as Omokhudu and Ibadin (2015), and Oyerinde (2011) have been conducted to unearth value relevance of accounting information issued by the Nigerian listed firms prior to IFRS adoption, a few studies including Umoren and Enang (2015), Yahaya, Onyabe and Usman (2015) have empirically examined possible implications of IFRS adoption on value relevance of accounting information after it was adopted in Nigeria. For instance, Yahaya, Onyabe and Usman (2015) observe that only earning per share has higher explanatory power over other variables

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while accounting data's explanatory power increase during IFRS period. On the contrary, Umobong and Akani (2015) find out that, earning and book value are less value relevant in post-IFRS period in Nigeria.

Overview of extant studies regarding extent of compliance with accounting standard prior to the adoption of IFRS in Nigeria revealed erratic findings. For example, Kasum (2011) find out that Nigerian companies reasonably complied with accounting standards but the level of compliance was below international benchmark of 91% while Saidu and Dauda (2014) report semi-strong compliance with IFRS among Nigerian listed banking firms. However, after IFRS adoption in Nigeria, there are anecdotal of empirical study on extent or level of compliance with IFRS *vis-à-vis* its relationship with market value.

In summary, adequate compliance with IFRS requirements may be expected to influence value relevance of accounting information issued under the standards. Moreover, income statement, financial position statement and cash flows statement's accounting data issued under IFRS could be expected to have altered when compared with the one produced under local GAAP and thereby signifying different effect on stock market values. This is due to the fact that the two different accounting standards require different accounting methods, policies and fundamentals to be observed while preparing accounting information issued under each of them. Not only that, firm specific factors are also adduced to be playing certain role in the valuation model especially in exercising influence over the association between accounting information and stock market values.

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Thus, since existing literature have shown possible relationship between accounting information and market value (Chen *et al.*, 1999; Omokhudu & Ibadin, 2015) and that, mandatory adoption of IFRS has confounding relationship with value relevance of accounting data issued under it (Chalmers *et al.*, 2011; Karğin, 2013; Santos & Cavalcante, 2014; Umoren & Enang, 2015), this study is poised to extend literature by examining the way IFRS adoption has influenced value relevance of accounting information issued by the Nigerian listed companies.

The study is also goaded by the submission of Hellström (2006) and Kaaya (2015) that studies have not really measured implication of IFRS adoption and compliance on value relevance of accounting information especially in developing nations as well as Chamisa (2000) who states that, relevance of IFRS to developing countries is still an issue of interest for academic accountants.

2.8 Empirical Review

Mahdi and Mohsen (2011) carried out a study on the impact of professional ethics on financial reporting quality in Iran they employed a 24 item questionnaire and worked with a sample of 205 Iranian companies. The result of their findings showed that professional ethics have a significant impact on the quality of financial reporting. Masoud and Mahbude (2013) investigated the impact of professional ethics on financial reporting quality and found that developing professional ethics in accounting will help promote financial reporting quality. Tae and Jinhan (2011) examined the effect of business ethics on financial reporting quality using Korea firms.

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They found out that companies with a higher level of ethical commitment are engaged in less earnings management, report earnings more conservatively, and predict future cash flows more accurately than those with a lower level of ethical commitment. We also find that corporate commitment to business ethics has perpetuating effects on future financial reporting quality. Ogbonna and Appah (2011) investigated the effect of ethics on financial reporting quality in Nigeria using a sample of 123 accountants. The study found out that ethical compliance by the accountant positively and significantly affects the quality financial reports.

Flugrath, Bennie & Chen (2007) conducted a study on ethics and financial reporting quality using a sample of 112 professional accountants using primary data. The results indicate that the presence of ethics has a positive impact on the quality of the judgement made by professional accountants. Berrone, suroca, Tribo (2009) carried out a study using 515 companies using OLS regression analysis. Their study reveals that a strong corporate ethical identity was positively related to high levels of stakeholder satisfaction. In turn stakeholder satisfaction had a positive influence on the financial performance of the firm.

2.9 Financial Reporting Quality

The import of financial reporting is to provide faithful and relevant information to all users for informed economic decisions. "Quality" in relation to financial reporting is a concept that is frequently used, especially in recent years, nevertheless, it has not received much needed attention in both professional and academic discourse. The notion of "quality" in the context of financial reporting has generated a lot of debate and has often been described as ambiguous (Cheung, Evans, & Wright, 2010). The

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debate on quality has been fuelled mainly by the continuing accounting scandals around the globe**.** Several terms and descriptions have been associated with the concept over the years. For example the term **“true and fair”** was popularly used to imply observance of the provisions in the GAAP, and reliance on professional judgement until recently changed to “quality” (Cheung et al., 2010)**.**

“Quality was originally thought to mean reliable information that reflects actual transactions and is supported by documentation” (Cheung et al., 2010). Most experts in the field of Accounting are of the view that “Quality” depends on “for whom the information is prepared” and “for what purpose”. They believe that financial reporting is of “high quality” if it assist users to make sound economic decisions and if it meets the needs of the users Notwithstanding the ongoing debate on the notion of quality and the lack of an official clear cut defination by IASB, several attempts have been made to define the concept. For example Dechow et al. (2010) define quality broadly to be "decision usefulness—in any decision by any decision maker". Ball and Shivakumar (2005) define reporting quality in abstract terms as “the usefulness of financial statements to investors, creditors, managers and all other parties contracting with the firm”**.**

Conceptually, Biddle, Hilary and Verdi (2009) define Financial reporting quality as “the precision with which financial reporting conveys information about the firm’s operations, in particular its expected cash flows, in order to inform equity investors”. Biddle et al. (2009) definition of reporting quality is based on FASB objective of financial reporting which is to inform both present and potential investors in making sound investment decisions and assessing the amounts, timing, and uncertainty of

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firm prospective cash flow. Penman (2002) posits that discussion of accounting quality should always encompass shareholders' interests and the usefulness of accounting information in assisting them. Consistent with this perspective Morais and Curto (2008), assert that accounting information should not only further shareholders' interest but also uphold the interest of the general public.

Close examination of the above definitions of the concept of reporting quality reveals that all the definitions are in one way or the other consistent with one or more of the main characteristics of quality financial reporting under IFRS. According to IASB the primary qualitative characteristics of financial information are “relevance” and “faithful representation”. Thus accounting information is relevant if it has both predictive value and confirmatory (feedback) value. Again, accounting information is said to represent faithfully the underlying transactions if it is complete, free from error and neutral.

These primary characteristics are supported by four other secondary qualities, viz. comparability, timeliness, understandablility and verifiability. An empirical review of literature on financial reporting quality by Cheung et al. (2010) reveals that these elements have indeed endured the test of time, although in different forms, in the quality debate before they were cautiously agreed on.

2.10 Measures of Financial Reporting Quality

Basically, financial statements are the means through which management display accountability of management of resources entrusted to them. It reveals the results of the control of management. Management mostly report their performance to

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shareholders/investors in the form of earnings through the financial statements. In general, accounting income/earnings is an instrument for evaluating financial reporting (Ball & Shivakumar, 2015). Accounting earnings play a very crucial role especially in pricing securities (Defond & Park, 2011). Therefore the quality of the financial report would basically be based on the quality of the earnings reported to shareholders and other users. But then the quality of a firm's earnings is a product of the organization's financial performance and the accounting framework that measures it (Dechow et al., 2010).

Penman (2012) describe earnings quality as an important characteristic of financial reporting in that investors buy future earnings. In agreement with Penman (2012), Ames (2013) describes earnings quality as one of the major components of reporting quality based on the notion of accounting quality suggested by Penman (2012). Accounting literature is replete with definitions of earnings quality. The term "earnings quality" is also ambiguous and has been subjected to several interpretations.

Dechow et al. (2010) attribute the lack of single conclusion on the definition of earnings quality to "quality" because "quality" depends on the decision needs of the user. The study however emphasised that earnings quality depends on the firm's basic performance. In broad terms, "Higher quality earnings provide more information about the features of a firm's financial performance that are relevant to a specific decision made by a specific decision maker." The study added that "quality" of earnings is a feature of the organization's basic performance.

Cohen (2003) describes "earnings quality" as how well the current earnings is able to predict into the company's future earnings or the degree to which reported earnings

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faithfully reflect the economic ramifications of the underlying transactions and events. Thus, high-quality reported earnings represent earnings that are strongly correlated with future operating cash flows. In agreement with this view, Dechow and Dichev (2012) also define earnings quality in terms of the association between accruals and cash flows. Chan et al. (2014) (quoted in Morais & Curto, 2008) interpret earnings quality as the degree to which the reported earnings represent the basic operating transactions of the firm. According to Yee (2016) earnings quality refers to the speed and accuracy with which current earnings disclose fundamental earnings.

2.11 Measures of earnings quality

The instrument for measuring quality varies across literature. Mostly researchers have measured quality along the lines of primary qualitative characteristics (relevance and faithful representation) as well as the secondary characteristics (understandability, comparability, verifiability and timeliness) of accounting information. Most researchers have used various proxies such as persistence, accruals, smoothness, timeliness, loss avoidance, investor responsiveness, and other external indicators of quality for measuring "earnings quality" (Dechow et al., 2010).

Review of prior literature by (Barth et al., 2008a; Morais & Curto, 2008) reveals earnings management, timely loss recognition, and value relevance as the three primary dimensions under which earnings quality has been measured. Financial reporting quality shall be taken as earnings management in the context of this study sharing in the view of (Barth et al., 2008b) that the level of accounting quality can be influenced by managers' opportunistic decisions and actual mistakes in determining accruals.

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A method of determining the quality of reported earnings is to determine the degree to which earnings are managed, with the motive of 'either misleading some stakeholders regarding the fundamental performance of the firm or to influence contractual outcomes which is contingent on the current earnings (Healy & Wahlen, 2009).

2.12 Earnings Management

"Earnings management is the intentional, deliberate, misstatement or omission of material facts or accounting data, which is misleading and when considered with all the information made available would cause the reader to change or alter his/her judgement or decision" (National Association of Certified Fraud Examiners, 2013). Anecdotal evidence and several recent studies provide sufficient evidence to suggest that managers have a strong incentive to maintain a consistent pattern of earnings increases over a period. Existing literature documents that the motivation for managers to consistently report increases in earnings stem from the fact that firms that maintain a consistent and established pattern of earnings growth, command a higher price-to-earnings increases multiples with even a higher premium when the pattern is sustained for a longer period (Barth et al., 2015). The study again, found that these premium is completely lost or dramatically reduced when the established pattern is interrupted.

DeAngelo et al. (2016) in support of this argument postulate that firms that experience an interrupted pattern of earnings increases all things being equal, will experience an average of 14% decline in stock return in the year the pattern is broken. These and other factors serve as a strong incentive for managers to manage earnings to avoid the reporting of losses or earnings decreases. It is conjectured that the most likely area to

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find earnings management is in the area of loss-avoidance or just meeting or beating prior year's results. Burgstahler and Dichev (2017) therefore suggested that an alternative to examine the extent of earnings management is to determine the frequency of small positive earnings.

This study therefore, employs earnings management (SPOS) as a proxy to measure the reporting quality of financial institutions in Ghana. The study employ two traditional proxies of earnings management, managing earnings to avoid losses and managing earnings to just meet-or-beat the prior year's earnings or earnings management to avoid earnings decreases. These models are expected to capture the tendency of managers to exercise their discretion to manage reported earnings. Specifically, the study measure earnings management behaviour of managers through benchmark beating models.

The presence of earnings management is assumed to deplete the quality of the earnings (Dechow et al., 2010). For the purpose of this study an unmanaged earnings is considered as a proxy for high quality earnings. However, evidence of earnings management is taken as an indication of low earnings quality. Several measures have been adopted to determine the level earnings management (Barth et al., 2008a; Morais & Curto, 2008). Given that the IFRS is intended to improve quality in reporting, it is predicted that earnings management will reduce during the post-IFRS era among adopters.

2.13 Regulatory Changes/ IFRS and Effect on Reporting Quality

Existing literature on major regulatory changes in accounting indicates that such changes mostly result in significant impact on the quality of financial information

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reported to users. Notable among these accounting-related statutory amendments is the Sarbanes-Oxley Act (SOX) in the United States. By far, the Sarbanes-Oxley Act (SOX) of 2002 has been described as the most significant and most far-reaching amendment of United States business practices influencing corporate financial reporting enacted in the United States since the 1930s. The main objective is to enhance the transparency and credibility of financial information that is presented to shareholders (Li et al., 2008).

Li et al. (2008) examine the extent to which firms manage their earnings in relation to stock prices following the legislative events surrounding SOX. Their major objective is to investigate whether the impact of SOX event on stock price is a clear indication of firms' earnings management and thus earnings quality, since SOX's main objective is to enhance financial reporting quality. The outcome of the study suggests a strong positive correlation between stock returns under SOX event and the level of earnings management. This result is consistent with shareholders expectation that SOX is capable of restricting firm's earnings management practices to improve reliability of financial information.

Another biggest event aside SOX, 2002 in US in the history of accounting practice and the most successful financial accounting framework in the world has been the adoption of IAS/IFRS by the European Union and the rest of the world (Lai & Taylor, 2013; Subramanyam, 2007). There has been preponderance of research to consider the implications of this eventful reforms on the quality of financial reporting to investors. Existing literature provides evidence that the wide-spread adoption of this new standards has strong impact on the quality of financial reporting. A number of these

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prior researchers compared the quality of this new standards with that of the US and the German Generally Accepted Accounting Principles (GAAP) with conflicting results.

Liu et al. (2014) investigate whether the US rules-based GAAP and the more principles-based (IAS/IFRS) present different avenues for earnings management (EM) using data from the Frankfurt Stock Exchange of Germany for the fiscal years 1999-2004. The results of the study indicate that earnings management is significantly higher under research and development investment for firms reporting under IAS/IFRS but found no significant difference in earnings management through accruals between US GAAP and IAS/IFRS firms.

Similarly, Van Tendeloo & Vanstraelen (2015) examine whether German companies that are IFRS compliant engage less significantly in earnings management relative to German GAAP. The study show that the level of reporting quality (earnings management) for both IFRS compliant firms and firms reporting under German GAAP are virtually the same. Consistent with this results, Bartov (2002) found no significant difference in reporting quality (measured through value relevance) between U.S. GAAP and IAS after controlling for self-selection. The study further found that reporting quality (value relevance) of both US. GAAP- and IAS-based earnings is better than that of German GAAP- based earnings.

Still focusing on German GAAP, Hung and Subramanyam (2007) consistent with (Bartov, 2002; Van Tendeloo & Vanstraelen, 2005) obtain no convincing proof indicating that IAS enhances the reporting quality (value relevance). On the

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contrarily, variability of book value and net income, were found to be significantly higher under IAS than German GAAP. This is interpreted by the authors as an indication of low quality of the IAS relative to the German GAAP. Then away from the German and US GAAPs, Müller (2014) determines the overall and relative impact of the IFRS adoption on the quality of financial reporting using value relevance as a proxy. The study found that the overall quality of financial records under IFRS regime is significantly higher. The results also point to the fact that there is better compliance with OECD Corporate Governance Principles as a result of IFRS adoption.

Paglietti (2009) used 160 Italian listed firms to examine the effect of the IFRS mandatory adoption in Italy. The study examine how and whether the quality of accounting information changes after IFRS adoption. Using value relevance as a barometer for accounting quality with a sample of 960 firm-year observations from 2002 to 2007, Paglietti reported similar absolute improvement in the value relevance under IFRS. The study also reports variation in Italy's country-specific factors during the IFRS adoption era which is expected to enhance the quality of financial reporting. Contrarily to this opposing view that IFRS adoption improves accounting quality, Cameran, Campa and Pettinicchio (2014) demonstrate that the switch from the Italian GAAP to the IFRS did not enhance the quality of financial reporting but rather reduced it. The research was based on sample of Italian private firms that adopted the IFRS within the period of 2005 and 2008. With the aid of propensity-score matching methodology, the study match financial reporting quality between IFRS adopters and a sample of companies still using local Italian GAAP. According to Cameran et al. (2014) the reduction in reporting quality is by reason of firms/preparers capitalizing on the level of flexibility that come with IFRS to their own reporting advantage.

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In Australia, Lai and Taylor (2013) determine the effect of IFRS on reporting quality (measured as accrual reliability) among Australian firms that switch from Australian Generally Accepted Accounting Principles (AGAAP) to IFRS. Specifically, the study seek to empirically examine one potential metric of reliability in order to determine potential cost of IFRS adoption. The results of the study suggest a sharp decline in accrual reliability in the post-IFRS period which suggest a decline in reporting quality. The sharp decline in accrual reliability were on account of working capital, non-current operating, and financing accruals. Again the study reveal that the substantial decrease in the accrual reliability is made less severe in the presence of the Big 4 accounting firms which imply that the investment in technology and implementation expertise in itself create an impression of audit quality.

In agreement with Lai and Taylor (2013), Goodwin, Ahmed and Heaney (2008) also in Australia obtain virtually no evidence suggesting that the value relevance of earnings and equity reported under IFRS are better than the value relevance of earnings and equity reported under AGAAP using 1,065 listed firms in Australia. The variations in the reported outcomes could be attributed to the use of different measures taking into consideration the trade-off between reliability and relevance. George (2008) considered the impact of the IFRS adoption in United Kingdom. The result of the study suggests that IFRS adoption leads to decline in earnings management and enhances the value relevance of accounting information which is interpreted as an indication of higher reporting quality.

Callao and Jarne (2010) report that the application of IFRS could not improve the quality of financial reporting in that the difference between book and market values

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(value relevance) is higher when IFRS are used. In contrast with the findings of Callao and Jarne (2010), Iatridis and Rouvolis (2010) document that the implementation of IFRS result in more value relevant accounting measures indicating a higher quality reporting. In support of this view (Gjerde, Knivsflå, & Sættem, 2008) examine the impact of the IFRS adoption among 145 Norwegian listed firms and found little proof of improved value-relevance during the post-adoption regime.

In summary, it is evident from the foregoing that studies that compared home country accounting standards with IAS/IFRS among the EU and US GAAP provides mixed results. Aside sample selection biases, methodological issues could as well account for the differences in the results in that this factors are capable of reducing the test power in this type of studies. Away from advanced countries, some earlier studies have also concentrated on the effect of the new standards adoption on emerging markets. The adoption of the IFRS among developing countries where law enforcement is said to be weak have equally sparked conflicting viewpoints.

Prather-kinsey (2016) claims that developing-country GAAP converging with IAS/IFRS can result in relevant and reliable information in developing countries. Prather-kinsey (2016) assesses the usefulness of financial information measured as value relevance and timeliness of two emerging markets: South Africa and Mexico after converging with IFRS. Using a weighted least-squares regression to investigate the relation between book values of earnings and equity with firm market values, the research established that in both Mexico and South Africa, earnings and/or book values are value relevant in explaining stock prices. This is interpreted by the author as an improvement in reporting quality.

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Ames (2013) examines the effect of IFRS application on the overall quality of accounting in South Africa using earnings quality and value relevance as proxies. The study found no evidence indicating that IFRS application does not significantly enhance earnings quality among organizations during the post IFRS adoption. The study also found that specific component of the statement of financial position changed in value relevance when IFRS is applied. This findings support the view that IFRS enhances the quality of some aspect, but not the entire financial reporting components.

In Abu Dhabi, Alali and Foote (2012) determine the effect of IFRS adoption on reporting quality (value relevance) using monthly market data from 2000 to 2006. The study obtained evidence which upholds the notion that accounting information reported during post IFRS are more value relevant. Elbannan (2010) agrees with Ames (2013) that earnings management does not decrease post- adoption using a sample of Egyptian companies adopting IFRS. Elbannan (2010) argues that the lack of improvement in reporting quality is largely due to the weak enforcement of these standards by regulators and inadequate training of practitioners.

In other emerging market like Malaysia, Adibah Wan Ismail et al. (2013) use a large sample of 4,010 observations over a six-year period to examine the earnings quality of Malaysian firms. Specifically, the study tests the differences in earnings quality by comparing the level of earnings management and value relevant three-year pre-adoption period and a three-year post-adoption era to ascertain whether is significantly lower during the post adoption period. The study found that earnings reported under the IFRS regime exhibit less earnings management and more value

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relevant. This finding provide further evidence in support of the view that IFRS adoption leads to higher reporting quality.

In Kenya, a developing country with relatively open capital markets but limited enforcement resources, similitude to other African countries, Bova and Pereira (2012) empirically evaluate the arguments on IFRS adoption that uniform IFRS adoption enhances comparability but does not necessary leads to higher reporting quality. The study focus on both private and public-traded firm observations from Kenya for the years 2005 through 2006. They find that firms that demonstrate higher compliance is positively correlated with share turnover. They highlight that mandatory IFRS adoption can still provide benefits to organizations in low enforcement nations, provided organizations have the economic inducements to achieve higher levels of compliance. Almost all the above studies focus on single country as a subject of research by comparing the results of domestic GAAP with the results from applying IAS/IFRS, with a goal of determining whether applying IAS/IFRS leads to higher accounting quality.

It therefore becomes pretty difficult to generalise the findings from the above studies using a sample of single country with one set of regulation due to differences across empirical specifications, and small sample size. Callao and Jarne (2010) believe that local comparability is negatively affected if both IFRS and domestic accounting standards are applied in the same country at the same time. Several other researchers have made cross-country comparisons (Ahmed et al., 2013; Atwood, Drake, Myers, & Myers, 2011).

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Ahmed et al. (2013) examine the impact of compulsory IFRS adoption on accounting quality for 3,262 unique firms drawn from 20 countries using three reporting quality measures namely: income smoothing, reporting aggressiveness, and earnings management to meet or beat a target. The study compared accounting quality of IFRS compliant firms from countries that complied with IFRS in 2005 to a standard set of organizations from jurisdictions that did not adopt IFRS taking into cognizance the level of legal enforcement, industry, size, book-to-market, and financial performance. The results of the study provide evidence that IFRS compliant firms demonstrate significant increase in income smoothing, aggressive reporting of accruals and significant decline in timely loss recognition compared to benchmark organizations.

The study however found no evidence of benchmark beating behaviour after controlling for such management at benchmark firms. In summary, the results indicate that accounting quality significantly reduced during the post-IFRS period. Atwood et al. (2011) also used 58,832 firm-year observations across 33 countries from 2002 through 2008 to compare the reporting quality (measured as earning persistence and value relevance) for organizations applying IFRS, US GAAP and non- US domestic accounting standards (DAS). The study established that earnings presented when US GAAP is applied are higher in terms of value relevant relative to earnings obtained when IFRS is applied. But the study found no significance difference in the persistence of positive earnings reported using IFRS and US GAAP.

However, negative earnings reported under IFRS were found to be less persistent relative to earnings reported under US GAAP which means that IFRS firms indulge more in earnings management compared to US GAAP. Thus, taken together, both US

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GAAP and IFRS are found to be of higher quality standards, however, the superiority of US GAAP relative to IFRS is evident in terms of its future cash flow predictability. Similarly, using 5 accounting quality metrics, Chen, Tang, Jiang, and Lin (2010) investigate the quality of accounting information of organizations publicly listed across 15 member states of the European Union. The paper observed an overall general improvement in the majority of accounting quality proxies after IFRS adoption after 2005 in EU. Specifically, the study find that post-IFRS period are associated with less benchmark beating, a lower magnitude of absolute discretionary accruals, and higher accruals quality. However, further evidence reveals that organizations indulge in more earnings smoothing and recognize huge losses in a less timely manner after the transition to IFRS. The uniqueness of the study is that it establish that the improvement in accounting reporting quality is solely attributable to IFRS adoption by controlling for other institutional factors that affect accounting quality.

Barth et al. (2008b) tested the validity of the conjecture that IAS/IFRS adoption leads to an enhanced reporting quality. The study compared four earnings management metrics, timely loss recognition and value relevance for IAS/IFRS compliant organizations with firms applying non-U.S. national standards for 327 organizations across 21 countries between 1994 and 2003. They document additional confirmation that IAS adoption generally leads to higher accounting quality. Specifically, the study find that IAS compliant firms exhibit lower earnings management, more timely loss recognition, and more value relevance of accounting amounts than their counterpart sample organizations using non-U.S. national standards.

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They emphasize that the application of the new standard mirrors the overall impact of characteristics of the financial reporting system, which include the standards, how they are interpreted, level of enforcement and litigation. Similarly, Houqe et al. (2012) used 104,348 observations to investigate the earnings quality and investor protection across 46 countries based on the methodology adapted from (Defond & Park, 2011) discretionary accrual model. Their results show that earnings quality (measured through discretionary accruals) improved for mandatory IFRS firms in countries where investor protection were found to be strong. The study further emphasized the importance of protecting investors for better reporting and the essence of regulators putting in place appropriate mechanisms to constrain earnings management practices of managers.

Using non-financial data from 31 countries Leuz, Nanda, and Wysocki (2013) analyze the link between investor protection and earnings management. Consistent with (Houqe et al., 2012), they established that earnings management practices declines significantly leading to higher accounting quality when investors are strongly protected at the domestic front. Jeanjean Stolowy (2008) focusing on France, Australia, and UK found no evidence of reduction in the perverseness of earnings management in both Australia and UK but rather increased in the code law country: France. The study further postulate that harmonization of national accounting standards alone is not enough to deal with management incentives and institutional factors which equally affect reporting quality. They recommended that proponents and regulators such as IASB, SEC, and European Commission shift their attention towards creating common goals rather than developing a universal accounting language.

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These researchers believe that the efficacy of protecting investors at the country level explain variations in reporting quality across countries. Thus, countries with strong investor protection have higher chances of reducing earnings management activities of managers' leading to higher quality of reporting.

2.14 IFRS and reporting quality in banks

Extant research has been conducted with regards to the effect of the adoption and implementation of IFRS in almost all sectors. However, there is still dearth of literature with regards to the impact of IFRS on financial institutions. Most often researchers tend to ignore financial institutions when studying IFRS and reporting quality due to the special accounting procedures peculiar to the sector and their strict regulatory treatment. (e. g. Callao & Jarne, 2010; Leuz et al., 2013. Few studies have considered financial institutions and IFRS adoption (e. g. Bischof, 2009; Gautam, 2011; Günther Gebhardt & Novotny-farkas, 2010).

Shen and Chih (2015) employ three measures of earnings management (EM) to examine the reporting quality of 47,154 banks across 48 countries including US. Specifically, the study test whether banks manage their earnings to achieve their targets. The study used a sample consisting of 70,955 observations for the period 1993 to 1999, drawn from the Bankscope database. They obtained evidence suggesting that earnings management in banks is not uncommon and the practice actually exist in almost all sample countries irrespective of the measures. The study further reveal that US banks however do not exhibit any evidence of earnings management when conventional measured are used.

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In the same vein, Ǧunther¨Gebhardt and Novotny-Farkas (2011) analyse the effect of IFRS adoption on financial accounting quality across twelve EU banks. They focused on the impact of the change in the recognition and measurement of loan loss provision on income smoothing practices and timely loss recognition. The results of the study show that the strict provisions of the new standard (IAS 39) has resulted in the significant reduction in the earnings management behaviour in banks in the form of less income smoothing. On the contrary, the application of the new provision led to the delay in the recognition of loan loss which is interpreted as an indication of decline in the quality of reporting.

Further, the study reveal empirical evidence in support of the argument by (Ball, 2006; Houqe et al., 2012; Jeanjean & Stolowy, 2008; Leuz et al., 2013) that other confounding factors aside the standard such as level of supervision determine in no small way the quality of accounting reporting outcome. They explained that the separation of ownership from control actually account for the opportunistic actions of bank managers in making provision for huge losses due to higher demand for conservatism.

Using a sample of 178 listed banks drawn from the same European countries banking sector Manganaris et al. (2015) also explore the implications of the mandatory IFRS application on the reporting quality of banks across 15 countries. The study match the value relevance of accounting information and its association with conditional conservatism pre and post IFRS adoption from 1998 to 2011. They report an improvement in the informative level of earnings and a significant decline in book value relevance after mandatory IFRS adoption. In addition, earnings relevance was

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found to be higher after IFRS application suggesting that IFRS adoption leads to higher reporting quality.

Manganaris et al. (2015) also examine the role of institutional settings in reporting quality of banks and found that institutional parameters play a pivotal role in the level of value relevance and its association with conservatism especially in post IFRS period. Based on their findings they suggest that banks need be motivated to assimilate conservative practices in order to enhance value relevance and conditional conservatism so as to improve accounting quality.

Umoren and Enang (2015) also consented with the notion that IFRS adoption enhances the credibility of accounting information reported to shareholders. Descriptive statistics and least square regression results from the study show that both the equity value and earnings of Nigerian banks are more value relevant to share prices under IFRS regime relative to the previous Nigerian SAS regime. Thus, earnings reported by Nigerian Commercial banks have become more informative to equity investors in ascertaining the value of banks following IFRS adoption. Umoren and Enang (2015) opined that the quality of financial reporting can be enhanced if standards setters and regulators put in place mechanisms to improve the value relevance of financial statements.

Gautam (2011) also found a slight increase in the quality level of financial reporting (measured through value relevance and earnings management) following mandatory IFRS adoption among Swedish banks. The study document a significant decline in the cost of equity capital because banks have easy access to wider investor communities

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across different nations through IFRS. Bischof (2009) suggests that the application of IFRS 7 has had a positive effect on disclosure quality both in financial statements and in risk reports. He observed that the attention of disclosures has shifted from market risk exposures to credit risk exposures. The conclusions are based on descriptive evidence from samples of 171 major banks from 28 European countries. (Bischof, 2009) attributed the variations in the impact of the first-time adoption to differences in the level enforcement and interpretation of IFRS 7 by national banking supervision.

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CHAPTER THREE

RESEARCH METHODOLOGY

3.0 Introduction

The main objective of the study is to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited. Research methodology refers to a process where a problem or question is identified to which some aspect of an answer is either unknown or incomplete; a plan is devised to search for the answer; the plan is executed by systematically collecting information relevant to the question; the information is analysed and its meaning determined so as to assess whether or not it answers reasonably the original question (Nachmias & Nachmias, 2007). This chapter presents the procedure followed in achieving the research objectives. It outlines the choice of study approach and design that have been used in undertaking the study. This chapter also defines the population of the study, the sources of data, sampling and sampling procedures, as well as the statistical techniques used to analyse the data.

3.1 Research Design

Research design is the plan of research that essentially guides the conduct of the whole research (Burns and Bush 2012). The researcher needs to develop a proper research design before conducting data collection and analysis, because research design will guide the logical flow of the research project. It is important to have a clear and systematic research design at the outset of the project for being rigorous throughout the investigation process and for being confident in the outcome of the study. This process may involve a number of stages and each stage has its own outcomes. Hair et al. (2013) concluded that a vigorous and systematic research design

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will lead to the type of data, technique of data collection, sampling methodology to be used, that the schedule and compliance with budget. Indeed, it will help to align the planned methodology to the research problems.

Research design essentially addresses two fundamental research inquiries – “what” and “why”. "What" normally refers to the descriptive research and a clear description will lead to the "why" questions or exploratory research. Answering the "why" questions (exploratory research) will involve developing a causal explanation. These research processes were identified by Burns and Bush (2012) and Hair et al. (2013), who classified research designs into three parts: exploratory, descriptive and causal.

A choice of research design reflects decisions about the priority given to set of dimensions of the research process. The researcher used descriptive research design for the study. This refers to a research which specifies the nature of a given phenomena. It determines and reports the way things are done. Descriptive research thus involves collecting data in order to test hypotheses or answer research questions concerning the current status of the subject of the study (Bryman, 2004).

Descriptive research portrays an accurate profile of persons, events, or situations (Kothari, 2010). Therefore, the descriptive survey is deemed the best strategy to fulfil the objectives of this study. According to Kombo and Tromp (2006) the basic purpose for descriptive research usually is to describe characteristics of the population of interest, make specific predictions and test associational relationships.

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Quantitative versus qualitative research

Ulin et al. (2014) defined qualitative research as scientific research that involves an investigation to find a solution, has a proper way to answer the question, gathers evidence and lastly provides an outcome applicable to the study. Furthermore, the finding can be generalized to the population where it is involved. They also added that a qualitative study is one of the methods that can be used to obtain information about culture.

Golafshani (2013) stated that qualitative research allows the researcher to bring to light the problem to be studied by developing hypotheses to be tested. This was supported by Patton (2012) who stated that a qualitative attempt to understand certain phenomena is based on context-specific settings without ignoring the natural surroundings. Denzin and Lincoln (2010) broadly defined qualitative research as a multi-method focus which involves an interpretive naturalistic approach to its subject matter. This means that such research attempts to investigate things based on a natural setting which brings meaning to them. Qualitative research also involves the studied use and collection of a variety of methods to capture the story, such as interview, observational, historical, interactional and visual texts. All these methods can describe people's routines and problematic moments which can bring full meaning to them.

Strauss and Corbin (2010) stated that qualitative research is different from quantitative research: the finding of the former method naturally explains without using statistical procedures or other means of quantification. Indeed, the qualitative researcher describes explanation, understanding and prediction to similar situations. In contrast, quantitative researchers seek causal determination, prediction, and

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generalization of findings (Hoepfl 2017). In simplified terms, qualitative research does not involve any statistical analysis to interpret the data to make the findings. For instance, if we were asked to explain in qualitative terms a thermal image displayed in multiple colours, we would explain the colour differences rather than the heat's numerical value. In quantitative inquiry, the collection of data is normally measured and expressed numerically and used for statistical data analysis. Quantitative methods allow researchers to test theories and hypothesized relationships. This study adopts a quantitative inquiry.

Advantages and disadvantages of qualitative and quantitative research

This section will briefly explain the advantages and disadvantages performing qualitative and quantitative research method. For qualitative research, the advantage of this method lies in its strength in uncovering multiple realities based on varying experiences of people. In other words, a researcher who conducts qualitative research can produce more in-depth and comprehensive information about their subjects. In addition, qualitative research could be conducted on a small group to understand multiple realities. However, the disadvantage of this method is its focus on a selected group only, where participants feel or think or how they behave. The researcher cannot make any assumption beyond this specific group of participants.

Quantitative research is a systematic approach to investigation. It involves measuring or counting attributes and answers to the 'what' and 'how many' questions. According to Demand Media Inc (2012), the research data is based on numbers which allow statistical tool to analyze it. This research method investigates the relationship between an independent variable and dependant variables to be studied. Researchers

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derive the hypotheses and test them with statistical tools like SPSS and SEM. However, advantages always come with disadvantages. Two disadvantages of doing quantitative research are: it ignores the natural setting like the qualitative research method. Besides that, it requires a large sample size so that it can be run through analysis statistical tool.

Justification of the quantitative approach

Researchers should bear in mind that methods used to conduct the research need to align with the research questions (Punch 2008). In other words, data which need to be collected should be enough in answering the research question. Amaratunga et al. (2012) maintained that quantitative research can help a researcher to gather strong evidence through statistical analysis on the relationship between dependent and independent variables. Undoubtedly, results obtained from statistical analysis can provide directions of relationships when mixed with theory and literature. Neuman (2007) defined the quantitative approach as "an organized method for combining deductive logic with precise empirical observations of individual behavior in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity."

Thus, this study aimed to measure underlying variables based on Cavana et al. (2011 p.106) who stated, "measurement of the variables in the theoretical framework is an integral part of research and an important aspect of quantitative research design". Furthermore, the advantages of using a quantitative approach can provide a researcher with in-depth explanations of quantitative enquiry. Cavana et al. (2011) and Amaratunga et al. (2012) emphasized this method can provide strength in reliability

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and validity for the constructs. Because the objective of this study was to empirically evaluate the effects of accounting ethics on the quality of financial reports of rural banks a causal relationship between the underlying constructs, this methodology was deemed to be appropriate (Churcill and Suprenant 2012).

3.2 Population

According to Bryman et al. (2003), a population is the whole group that the research focuses on the population of the current study comprises the entire Board of directors of Nwabiagya Rural Bank and Adansi Rural Bank Limited, population for our purpose, refers to any person, organization, or group that has a direct or indirect stake in our case organisation. The population include branch managers, accountants, internal auditors and external auditors at Nwabiagya Rural Bank and Adansi Rural Bank Limited. The study population was 50 participants.

3.3 Sample and Sampling Techniques

3.3.1 Census Sampling technique

The purposive sampling technique was used to select all the fifty (50) participants for the study. Purposive sampling method refers to the complete enumeration of a universe. A universe may be a place, a group of people or a specific locality through which we collect the data. Purposive sampling method is necessary in some cases like population census, for gaining vast knowledge. But in contrary this method is not applicable as well as needed to some social problems because it is costly and time consuming. It is difficult to study the whole universe because financially aid requires for it to complete the study. For this purpose we use sampling method to pick up a

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simple from the whole universe. Purposive sampling method is perplex and take more time in data collection.

Data collection through purposive sampling method gives opportunity to the investigator to have an intensive study about a problem study. The investigator gathers a lot of knowledge through this method. In this method there would be higher degree of accuracy in data. No other method is accurate like purposive sampling method when the universe is small. This method is also applicable for units having heterogeneity or difference. In certain cases this method is very important and suitable to be used for data collection. Without this method the study of a universe remains uncompleted.

3.4 Methods of Data Collection

The researcher used the main primary data collection method that is structured questionnaire in soliciting data from the selected rural banks.

3.4.1 Questionnaire

The questionnaire had four main sections, which were designed in line with the research questions. The first section contained socio-demographic characteristics of the respondents and included their age, gender, working experience and level of education. This was primarily to enable the researcher to have background information of respondents. A questionnaire would be developed by the researcher to obtain relevant information on the topic. The questions were divided into sections that covered the research objectives and research questions. Section two identified the existence of accounting ethics in NRB and ARBL. Section three investigated the

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outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL and section four assessed the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited. The analysis of the study is based on these research objectives of the study.

3.5 Data Collection Procedure

The researcher personally administered the questionnaire which would require the respondent to choose based on the Likert scale from questions designed by the researcher for easy purposes. The researcher visited the banking halls of the selected rural banks and distribute the questionnaires to the respondents. All the respondents were informed of the objectives and design of the study. Emphasis was placed on the fact that the findings are primarily for academic purposes. Respondents were familiar with answering of questionnaires. All the respondents had some experience in completing questionnaires and were generally not apprehensive. There were uniform question presentation and no middle-man bias. The researcher's own opinions did not influence the respondent to answer questions in a certain manner. There were no verbal or visual clues to influence the respondent.

The researcher sent a total of 50 questionnaires to gather information from the participants. Out of 50 questionnaires sent out for primary data, 48 questionnaires were received while 2 questionnaires were not received. Therefore, the analysis of the study was based on 96% response rate (see Figure 3.1).

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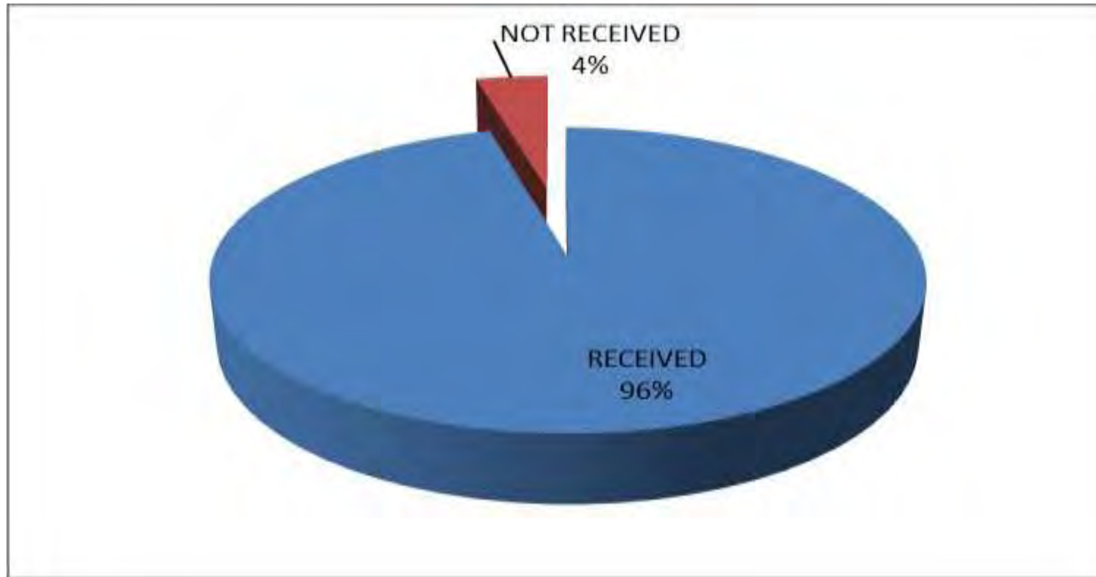

Figure 3.1 Response rate of questionnaires

3.6 Validity and Reliability of Research Design

The quality of research depends on the design of research instruments as well as application of these instruments in data collection in the field. There are several criteria or tests for judging the quality of any empirical research. These include validity and reliability (Easwaran and Singh 2010) and how each was achieved is discussed.

(i) Validity

Validity is the extent to which the instruments used during the studies to measure the issues they are intended to measure (Amin, 2015). To ensure validity of instruments, the instruments would be developed under close guidance of the supervisor. After the questions are designed, they would be pre-tested to 8 respondents (2 branch managers and 6 accountants) in Nwabiagya Rural Bank and Adansi Rural Bank Limited. This

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would help to identify ambiguous questions in the instruments and be able to re-align them to the objectives.

(ii) Reliability

Reliability is the degree to which a survey instrument is considered reliable if its repeated application results in consistent scores (Joseph et al. 2010). That is, this reliability refers to whether "the measurement obtained from variables of interest is constant". In this research, reliability would be achieved by first pre-testing structured questionnaires with seven respondents from the target population and experts in the field to obtain consistency and accuracy. Their comments and corrections would be incorporated in data collection instruments and re-tested prior the use in the field.

3.7 Data Analysis

The data was organized into tables and figures based on the questionnaire given to respondents. The result would then be analyzed and converted into percentages. Quantitative and qualitative methods would be employed in the analysis of the data. The result would be subsequently computed into percentages. Percentage (%) values, which were not round figures, were approximated to the nearest whole numbers. Diagrammatic representations of the statistical summaries of the result were presented in the form of frequency tables.

Computer data analysis such as SPSS and other relevant software such as Microsoft excel were the main tools that would be employed to analyse the data in order to help interpret results. The statistical package for social scientist (SPSS version 20) would also be used to analyze the pre-coded questions. This packaged would be used to

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compute the percentages because it is easier to use. It can also be used to make tables needed for discussions of the results. The other questions that were open-ended were analyzed by listing all the vital responses given by the respondents. They were considered based on their relevance to the research.

3.8 Ethical Considerations

Ethical considerations in the study such as confidentiality, anonymity, access, betrayal, informed content was critically addressed. During the study, high ethical standards would be maintained to ensure that no harm is caused to any of the participants. Steps would be taken to keep information provided confidential and anonymous, seeking the participants consent would be addressed.

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CHAPTER FOUR

RESULT OF THE STUDY

4.0 Introduction

The main objective of the study was to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited. The specific objectives of the study includes; a) identifying the existence of accounting ethics in NRB and ARBL, b) investigating the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL and c) assessing the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

4.1 The existence of accounting ethics in NRB and ARBL

The first objective was to identify the existence of accounting ethics in NRB and ARBL. Table 4.1 assessed the existence of accounting ethics in NRB and ARBL.

Table 4.1: The existence of accounting ethics in NRB and ARBL

Statements	*1 N(%)*	*2 N(%)*	*3 N(%)*	*4 N(%)*	*5 N(%)*	*Mean X*
Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL	0	0	2 (4.2)	19 (39.6)	27 (56.2)	4.52
To combat the criticism and prevent fraudulent accounting, the NRB and ARBL have	0	0	4 (8.3)	30 (62.5)	14 (29.2)	4.21

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developed regulations and remedies for improved ethics among the accounting profession.						
The nature of the work carried out by accountants and auditors requires a high level of ethics.	0	0	0	39 (81.2)	9 (18.8)	4.19
Shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of NRB and ARBL as they can use this information to make an informed decision about investment.	0	0	0	35 (72.9)	13 (27.1)	4.28
Shareholders, potential shareholders, and other users of the financial statements rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the rural banks.	0	0	2 (4.2)	34 (70.8)	12 (25)	4.21
Knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the rural banks, will benefit the public who relies on the accountant/auditor's reporting.	0	0	4 (8.3)	32 (66.7)	12 (25)	4.17

1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. N= 48

Source: Field survey, 2019

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Table 4.1 shows that 27 respondents representing 56.2% strongly agreed that due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL, 19 respondents representing 39.6% agreed, while 2 respondents representing 4.2% were neutral. Moreover, 30 respondents representing 62.5% agreed that to combat the criticism and prevent fraudulent accounting, the NRB and ARBL have developed regulations and remedies for improved ethics among the accounting profession, 14 respondents representing 29.2% strongly agreed, while 4 respondents representing 8.3% were neutral. Also, 39 respondents representing 81.2% agreed that the nature of the work carried out by accountants and auditors requires a high level of ethics while 9 respondents representing 18.8% strongly agreed. Furthermore, 35 respondents representing 72.9% agreed that shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of NRB and ARBL as they can use this information to make an informed decision about investment, while 13 respondents representing 27.1% strongly agreed.

The study results indicate that 34 respondents representing 70.8% agreed that shareholders, potential shareholders, and other users of the financial statements rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the rural banks, 12 respondents representing 25% strongly agreed, while 2 respondents representing 4.2% were neutral. Moreover, 32 respondents representing 66.7% agreed that knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the rural banks, will benefit the

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public who relies on the accountant/auditor's reporting, 12 respondents representing 25% strongly agreed, while 4 respondents representing 8.3% were neutral.

These results are in agreement with Brinkmann (2002), he defined ethics as a discipline in which matter of right and wrong, good and evil, virtue and vice are methodically examined. Ethics looks at human behavior, moral principles and the attempt to distinguish good from bad. When trying to identify common issues being dealt with within the business environment, professional bodies' codes of ethics is the right place to look. These codes represent what we can consider to be the reflection of business ethics. Codes of ethics should mainly address the particularities of high risk activities and are built on the collective conscience of a profession as a proof for the group's acknowledgment of the moral dimension. According to Smith and Smith (2013), ethical values provide the foundation on which a civilized society exists. Nowadays, ethical standards act as a compass that direct and monitor the actions of people so that the best true and fair practices are achieved.

4.2 The outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL

The second objective of the study was to investigate the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL. Table 4.2 evaluated the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL.

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Table 4.2: The outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL

Statements	*1* *N(%)*	*2* *N(%)*	*3* *N(%)*	*4* *N(%)*	*5* *N(%)*
Relevance The annual reports discloses forward-looking information	0	7 (14.6)	12 (25)	18 (37.5)	11 (22.9)
The annual reports discloses information in terms of business opportunities and risks	9 (18.8)	13 (27.1)	4 (8.3)	20 (41.7)	2 (4.2)
The rural bank uses fair value as measurement basis	4 (8.3)	10 (20.8)	4 (8.3)	24 (50)	6 (12.5)
The annual report provides feedback information on how various market events and significant transactions affected the rural bank?	7 (14.6)	10 (20.8)	6 (12.5)	25 (52.1)	0
Faithful representation The annual report explains the assumptions and estimates made clearly	7 (14.6)	12 (25)	6 (12.5)	23 (47.9)	0
The annual report explains the choice of accounting principles clearly	0	13 (27.1)	4 (8.3)	23 (47.9)	8 (16.7)
The annual report highlights the positive and negative events in a balanced way when discussing the annual results	0	17 (35.4)	9 (18.8)	22 (45.8)	0
The annual report includes an unqualified auditor's report	22 (45.8)	15 (31.2)	4 (8.3)	7 (14.6)	0
The annual report extensively discloses information on corporate governance issues	0	15 (31.2)	21 (43.8)	12 (25)	0
Understandability The annual report is a well organized	0	0	6 (12.5)	33 (68.8)	9 (18.8)
The notes to the balance sheet and the income statement are clear	0	0	7 (14.6)	38 (79.2)	3 (6.2)

Graphs and tables clarify the information presented	0	0	6 (12.5)	36 (75)	6 (12.5)
The use of language and technical jargon is easy to follow in the annual report	11 (22.9)	19 (39.6)	5 (10.4)	13 (27.1)	0
The annual report included a comprehensive glossary	0	0	7 (14.6)	34 (70.8)	7 (14.6)
Comparability					
The notes to changes in accounting policies explain the implications of the change	8 (16.7)	5 (10.4)	5 (10.4)	27 (56.2)	3 (6.2)
The rural bank's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates.	0	0	6 (12.5)	31 (64.6)	11 (22.9)
The results of current accounting period are compared with results in previous accounting periods	6 (12.5)	5 (10.4)	6 (12.5)	23 (47.9)	8 (16.7)
Information in the annual report is comparable to information provided by other banks	0	0	10 (20.8)	23 (47.9)	15 (31.2)
The annual report presents financial index numbers and ratios	0	0	5 (10.4)	37 (77.1)	6 (12.5)

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. N=48

Source: Field survey, 2019

Relevance of IFRS

Table 4.2 shows that 18 respondents representing 37.8% agreed that the annual reports discloses forward-looking information, 12 respondents representing 25% were neutral, 11 respondents representing 22.9% strongly agreed, while 7 respondents representing 14.6% disagreed. Moreover, 20 respondents representing 41.7% agreed that the annual reports discloses information in terms of business opportunities and

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risks, 13 respondents representing 27.1% disagreed, 9 respondents representing 18.8% strongly disagreed, while 4 respondents representing 8.3% were neutral. Also, 24 respondents representing 50% agreed that the rural bank uses fair value as measurement basis, 10 respondents representing 20.8% disagreed, 6 respondents representing 12.5% strongly agreed, while 4 respondents representing 8.3% strongly disagreed and were neutral. The study results reveals that 25 respondents representing 52.1% agreed that the annual report provides feedback information on how various market events and significant transactions affected the rural bank, 10 respondents representing 20.8% disagreed, 7 respondents representing 14.6% strongly disagreed, while 6 respondents representing 12.5% were neutral.

Faithful representation of accounting information

Furthermore, 23 respondents representing 47.9% agreed that the annual report explains the assumptions and estimates made clearly, 12 respondents representing 25% disagreed, 7 respondents representing 14.6% strongly disagreed, while 6 respondents representing 12.5% were neutral. The study results held that 23 respondents representing 47.9% agreed that the annual report explains the choice of accounting principles clearly, 13 respondents representing 27.1% disagreed, 8 respondents representing 16.7% strongly agreed while 4 respondents representing 8.3% were neutral.

Moreover, 22 respondents representing 45.8% agreed that the annual report highlights the positive and negative events in a balanced way when discussing the annual results, 17 respondents representing 35.4% disagreed, while 9 respondents representing 18.8% were neutral. Also, 22 respondents representing 45.8% strongly disagreed that

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the annual report includes an unqualified auditor's report, 15 respondents representing 31.2% disagreed, 7 respondents representing 14.6% agreed, while 4 respondents representing 8.3% were neutral. The study results reveal that 21 respondents representing 43.8% were not sure to the statement that the annual report extensively discloses information on corporate governance issues, 15 respondents representing 31.2% disagreed, while 12 respondents representing 25% agreed.

Understandability of Accounting Report

Furthermore, 33 respondents representing 68.8% agreed that the annual report is a well-organized, 9 respondents representing 18.8% strongly agreed, while 6 respondents representing 12.5% were neutral. The study finding indicates that 38 respondents representing 79.2% agreed that the notes to the balance sheet and the income statement are clear, 7 respondents representing 14.6% were neutral, while 3 respondents representing 6.2% strongly agreed. Moreover, 36 respondents representing 75% agreed that graphs and tables were used to clarify the information presented in reports, while 6 respondents representing 12.5% strongly agreed and were neutral respectively. With regards to the use of language and technical jargon, 19 respondents representing 39.6% disagreed that the use of language and technical jargon is easy to follow in the annual report, 13 respondents representing 27.1% agreed, 11 respondents representing 22.9% strongly disagreed, while 5 respondents representing 10.4% were neutral. Also, 34 respondents representing 70.8% agreed that the annual report included a comprehensive glossary, while 7 respondents representing 14.6% strongly agreed and were neutral respectively.

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Comparability of Financial Report

The study results show that 27 respondents representing 56.2% agreed that the notes to changes in accounting policies explain the implications of the change, 8 respondents representing 16.7% strongly disagreed, 5 respondents representing 10.4% disagreed and were neutral respectively. With regards to the implementation of a change in accounting policy, 31 respondents representing 64.6% agreed that the rural bank's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates, 11 respondents representing 22.9% strongly agreed, while 6 respondents representing 12.5% were neutral.

Moreover, 23 respondents representing 47.9% agreed that information in the annual report is comparable to information provided by other banks, 15 respondents representing 31.2% strongly agreed, while 10 respondents representing 20.8% were neutral. Furthermore, 37 respondents representing 77.1% agreed that the annual report presents financial index numbers and ratios, 6 respondents representing 12.5% strongly agreed, while 5 respondents representing 10.4% were neutral.

These study results disagrees with Callao and Jarne (2010), they reported that the application of IFRS could not improve the quality of financial reporting in that the difference between book and market values (value relevance) is higher when IFRS are used. In contrast with the findings of Callao and Jarne (2010), Iatridis and Rouvolis (2010) document that the implementation of IFRS result in more value relevant accounting measures indicating a higher quality reporting.

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4.3 The significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited

The third objective of the study was to assess the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited. Table 4.3 assessed the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

Table 4.3: The significant relationship between professional accounting ethics and the quality financial information content

Statements	*1* *N(%)*	*2* *N(%)*	*3* *N(%)*	*4* *N(%)*	*5* *N(%)*
Financial reporting quality High ethical standards promotes financial reporting quality	0	0	7 (14.6)	28 (58.3)	13 (27.1)
The quality of financial report is affected by situational factors surrounding the accountant	0	0	6 (12.5)	34 (70.8)	8 (16.7)
There is lack of awareness on the effect of ethics on financial reporting quality			11 (22.9)	24 (50)	13 (27.1)
Ethics has not been sufficiently taught in our institutions of learning			6 (12.5)	38 (79.2)	4 (8.3)
Ethics has no influence on financial reporting	22	16	2	8	0

quality.	(45.8)	(33.3)	(4.2)	(16.7)	
Objectivity The objective presentation of financial statement is not affected by ethical values prevalent in an organisation.	14 (29.2)	22 (45.8)	5 (10.4)	7 (14.6)	0
Financial statements should be prepared and presented in accordance with ethical guidelines within the organisation.			6 (12.5)	32 (66.7)	10 (20.8)
Professional accountants are always objective in the preparation of financial statements.			5 (10.4)	35 (72.9)	8 (16.7)
The value system of professional accountants affects the objective presentation of financial statement.			7 (14.6)	32 (66.7)	9 (18.8)
Ethical standards are duly observed in the presentation of financial statement of the rural banks.			8 (16.7)	35 (72.9)	5 (10.4)
Disclosure Ethics has a significant effect on the faithful disclosure of financial reports.			4 (8.3)	36 (75)	8 (16.7)
Disclosure of items in the financial statement is affected by personal interest of the professional accountant.			4 (8.3)	38 (79.2)	6 (12.5)

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Financial statement disclosure is affected by the professional competence of accountants.			7 (14.6)	34 (70.8)	7 (14.6)
Quality disclosure of items in the financial statement is a reflection of compliance with ethical standards.			6 (12.5)	31 (64.6)	11 (22.9)
Integrity Adherence to high ethical standards helps boost the integrity of financial statements.	0	0	7 (14.6)	28 (58.3)	13 (27.1)
Accountants engaging in insider dealings tend to compromise the integrity of financial reports.	0	0	6 (12.5)	34 (70.8)	8 (16.7)
Acceptance of gift items by professional accountants affects the integrity of financial report.			11 (22.9)	24 (50)	13 (27.1)
The existence of ethical committee in an organisation positively influences financial report integrity.			6 (12.5)	38 (79.2)	4 (8.3)
Violation of ethical core values undermines the integrity of financial reports.			6 (12.5)	32 (66.7)	10 (20.8)

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree. N=48

Source: Field survey, 2019,

Table 4.3 indicates that 28 respondents representing 58.3% agreed that high ethical standards promotes financial reporting quality, 13 respondents representing 27.1% strongly agreed, while 7 respondents representing 14.6% were neutral. Moreover, 34

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respondents representing 70.8% agreed that the quality of financial report is affected by situational factors surrounding the accountant, 8 respondents representing 16.7% strongly agreed, while 6 respondents representing 12.5% were neutral. Also, 24 respondents representing 50% agreed that there is lack of awareness on the effect of ethics on financial reporting quality, 13 respondents representing 27.1% strongly agreed, while 11 respondents representing 22.9% were neutral.

Furthermore, 38 respondents representing 79.2% agreed that ethics has not been sufficiently taught in our institutions of learning, 6 respondents representing 12.5% were neutral, while 4 respondents representing 8.3% strongly agreed. Moreover, 22 respondents representing 45.8% strongly disagreed that ethics has no influence on financial reporting quality, 16 respondents representing 33.3% disagreed, 8 respondents representing 16.7% agreed, while 2 respondents representing 4.2% were neutral. The study results indicate that 22 respondents representing 45.8% disagreed that the objective presentation of financial statement is not affected by ethical values prevalent in an organisation, 14 respondents representing 29.2% strongly disagreed, while 7 respondents representing 14.6% agreed.

To add more, 32 respondents representing 66.7% agreed that financial statements should be prepared and presented in accordance with ethical guidelines within the organisation, 10 respondents representing 20.8% strongly agreed, while 6 respondents representing 12.5% were neutral. Also, 35 respondents representing 72.9% agreed that professional accountants are always objective in the preparation of financial statements, 8 respondents representing 16.7% strongly agreed, while 5 respondents representing 10.4% were neutral. The study indicates that 32 respondents representing

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66.7% agreed that the value system of professional accountants affects the objective presentation of financial statement, 9 respondents representing 18.8% strongly agreed, while 7 respondents representing 14.6% were neutral.

Furthermore, 35 respondents representing 72.9% agreed that ethical standards are duly observed in the presentation of financial statement of the rural banks, 8 respondents representing 16.7% were neutral, while 5 respondents representing 10.4% strongly agreed. Moreover, 36 respondents representing 75% agreed that ethics has a significant effect on the faithful disclosure of financial reports, 8 respondents representing 16.7% strongly agreed, while 4 respondents representing 8.3% were neutral. To add more, 38 respondents representing 79.2% agreed that disclosure of items in the financial statement is affected by personal interest of the professional accountant, 6 respondents representing 12.5% strongly agreed, while 4 respondents representing 8.3% were neutral.

Furthermore, 34 respondents representing 70.8% agreed that financial statement disclosure is affected by the professional competence of accountants, while 7 respondents representing 14.6% strongly agreed and were neutral respectively. The study results reveal that 31 respondents representing 64.6% agreed that quality disclosure of items in the financial statement is a reflection of compliance with ethical standards, 11 respondents representing 22.9% strongly agreed, while 6 respondents representing 12.5% were neutral. With regards to integrity of financial reports, 28 respondents representing 58.3% agreed that adherence to high ethical standards helps boost the integrity of financial statements, 13 respondents representing 27.1% strongly agreed, while 7 respondents representing 14.6% were neutral.

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To add more, 34 respondents representing 70.8% agreed that accountants engaging in insider dealings tend to compromise the integrity of financial reports, 8 respondents representing 16.7% strongly agreed, while 6 respondents representing 12.5% were neutral. Moreover, 24 respondents representing 50% agreed that acceptance of gift items by professional accountants affects the integrity of financial report, 13 respondents representing 27.1% strongly agreed, while 11 respondents representing 22.9% were neutral. The study results show that 38 respondents representing 79.2% agreed that the existence of ethical committee in an organisation positively influences financial report integrity, 6 respondents representing 12.5% were neutral, while 4 respondents representing 8.3% strongly agreed. Finally, 32 respondents representing 66.7% agreed that violation of ethical core values undermines the integrity of financial reports, 10 respondents representing 20.8% strongly agreed, while 6 respondents representing 12.5% were neutral.

These results are in agreement with Omokhudu & Ibadin, (2015), they asserted that adequate compliance with IFRS requirements may be expected to influence value relevance of accounting information issued under the standards. Moreover, income statement, financial position statement and cash flows statement's accounting data issued under IFRS could be expected to have altered when compared with the one produced under local GAAP and thereby signifying different effect on stock market values. This is due to the fact that the two different accounting standards require different accounting methods, policies and fundamentals to be observed while preparing accounting information issued under each of them. Not only that, firm specific factors are also adduced to be playing certain role in the valuation model

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especially in exercising influence over the association between accounting information and stock market values. Thus, since existing literature have shown possible relationship between accounting information and market value and that, mandatory adoption of IFRS has confounding relationship with value relevance of accounting data issued under it.

Table 4.4: The Correlations Between professional accounting ethics and quality financial information content

Professional accounting ethics	Quality financial information content	High ethical standards promotes financial reporting quality	Financial statements should be prepared and presented in accordance with ethical guidelines within the organisation.	Adherence to high ethical standards helps boost the integrity of financial statements
Financial reporting quality	Pearson Correlation	1	.953**	.218
	Sig. (2-tailed)		.000	.187
	N	48	48	48
Objectivity	Pearson Correlation	.853**	1	.187
	Sig. (2-tailed)	.000		.261
	N	48	48	48
Integrity	Pearson Correlation	.218	.186	1
	Sig. (2-tailed)	.188	.261	
	N	48	48	48

**. Correlation is significant at the 0.01 level (1-tailed). N=48

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Source: Field survey (2019)

It is evident from Table 4.4 that, there is a positive significant relationship between the professional accounting ethics and quality financial information content. This imply that financial reporting quality positively influenced high ethical standards and promoted financial reporting quality in income statements. Objectivity ethics correlate well (Pearson Correlation coefficient value of 1) with financial statements preparation and presentation in accordance with ethical guidelines within the organisation. Furthermore, Integrity ethics correlates well (Pearson Correlation coefficient value of 1) with adherence to high ethical standards and helps boosted the integrity of financial statements.

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CHAPTER FIVE

SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 Summary of Findings

The main objective of the study was to evaluate the effects of accounting ethics on the quality of financial reports of rural banks in Ghana - a case study of Nwabiagya Rural Bank and Adansi Rural Bank Limited. The researcher used descriptive research design for the study. Quantitative research approach was used. The population include branch managers, accountants, internal auditors and external auditors at Nwabiagya Rural Bank and Adansi Rural Bank Limited. The study population was 50 participants. The purposive sampling technique would be used to select all the fifty (50) participants for the study. Questionnaire was the main instrument used to gather primary data. The statistical package for social scientist (SPSS version 20) was used to analyze the pre-coded questions.

5.2 Key Findings of the study

The first objective was to identify the existence of accounting ethics in NRB and ARBL. The study results indicate that 56.2% of the respondents strongly agreed that due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL. Moreover, 62.5% agreed that to combat the criticism and prevent fraudulent accounting, the NRB and ARBL have developed regulations and remedies for improved ethics among the accounting profession.

Also, 81.2% agreed that the nature of the work carried out by accountants and auditors requires a high level of ethics. Furthermore, 72.9% agreed that shareholders,

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potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of NRB and ARBL as they can use this information to make an informed decision about investment.

The study results indicate that 70.8% agreed that shareholders, potential shareholders, and other users of the financial statements rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the rural banks. Moreover, 66.7% agreed that knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the rural banks, will benefit the public who relies on the accountant/auditor's reporting.

The second objective of the study was to investigate the outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL. The study shows that 37.8% of the respondents agreed that the annual reports discloses forward-looking information. Moreover, 41.7% agreed that the annual reports discloses information in terms of business opportunities and risks. Also, 50% agreed that the rural bank uses fair value as measurement basis. The study results reveals that 52.1% agreed that the annual report provides feedback information on how various market events and significant transactions affected the rural bank.

Furthermore, 47.9% agreed that the annual report explains the assumptions and estimates made clearly. The study results held that 47.9% agreed that the annual report explains the choice of accounting principles clearly. Moreover, 45.8% agreed that the annual report highlights the positive and negative events in a balanced way when

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discussing the annual results. Also, 45.8% strongly disagreed that the annual report includes an unqualified auditor's report. The study results reveal that 43.8% were not sure to the statement that the annual report extensively discloses information on corporate governance issues.

Furthermore, 68.8% agreed that the annual report is a well organized. The study finding indicates that 79.2% agreed that the notes to the balance sheet and the income statement are clear. Moreover, 75% agreed that graphs and tables were used to clarify the information presented in reports. With regards to the use of language and technical jargon, 39.6% of the respondents disagreed that the use of language and technical jargon is easy to follow in the annual report. Also, 70.8% agreed that the annual report included a comprehensive glossary.

The study results show that 56.2% agreed that the notes to changes in accounting policies explain the implications of the change. With regards to the implementation of a change in accounting policy, 64.6% of the respondents agreed that the rural bank's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates. Moreover, 47.9% agreed that information in the annual report is comparable to information provided by other banks. Furthermore, 77.1% agreed that the annual report presents financial index numbers and ratios.

The third objective of the study was to assess the significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited. The study results 58.3% of

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the participants agreed that high ethical standards promotes financial reporting quality. Moreover, 70.8% agreed that the quality of financial report is affected by situational factors surrounding the accountant. Also, 50% agreed that there is lack of awareness on the effect of ethics on financial reporting quality.

Furthermore, 79.2% agreed that ethics has not been sufficiently taught in our institutions of learning. Moreover, 45.8% strongly disagreed that ethics has no influence on financial reporting quality. The study results indicate that 45.8% disagreed that the objective presentation of financial statement is not affected by ethical values prevalent in an organisation.

To add more, 66.7% agreed that financial statements should be prepared and presented in accordance with ethical guidelines within the organisation. Also, 72.9% agreed that professional accountants are always objective in the preparation of financial statements. The study indicates that 66.7% agreed that the value system of professional accountants affects the objective presentation of financial statement. Furthermore, 72.9% agreed that ethical standards are duly observed in the presentation of financial statement of the rural banks. Moreover, 75% agreed that ethics has a significant effect on the faithful disclosure of financial reports. To add more, 79.2% agreed that disclosure of items in the financial statement is affected by personal interest of the professional accountant.

Furthermore, 70.8% agreed that financial statement disclosure is affected by the professional competence of accountants. The study results reveal that 64.6% agreed that quality disclosure of items in the financial statement is a reflection of compliance

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with ethical standards. With regards to integrity of financial reports, 58.3% agreed that adherence to high ethical standards helps boost the integrity of financial statements.

To add more, 70.8% agreed that accountants engaging in insider dealings tend to compromise the integrity of financial reports. Moreover, 50% agreed that acceptance of gift items by professional accountants affects the integrity of financial report. The study results show that 79.2% agreed that the existence of ethical committee in an organisation positively influences financial report integrity. Finally, 66.7% agreed that violation of ethical core values undermines the integrity of financial reports.

5.3 Conclusions

The study results concluded that due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL. Also, to combat the criticism and prevent fraudulent accounting, the NRB and ARBL have developed regulations and remedies for improved ethics among the accounting profession. Furthermore, shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of NRB and ARBL as they can use this information to make an informed decision about investment. Moreover, knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the rural banks, will benefit the public who relies on the accountant/auditor's reporting.

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The outcome of compliance with IFRS on value relevance of accounting information ethics of the two rural banks led to disclosures of forward- looking information in annual reports, and the use of fair value as measurement basis. Also, the annual report provided feedback information on how various market events and significant transactions affected the rural bank. Moreover, the annual report highlighted the positive and negative events in a balanced way when discussing the annual results and furthermore, the annual report was well organized. The high ethical standards promoted financial reporting quality and improved adherence to high ethical standards that helps boost the integrity of financial statements of the selected rural banks.

5.4 Recommendations

1. Based on the findings of this study, the study recommends that the accounting standards setting bodies in Ghana should support the effort to ensure improved compliance with IFRS in the two selected rural banks as a matter of policy. This should be done by organising compulsory regular training and re-training programmes for management and staff of the two selected rural banks on importance as well as need to observe all the mandatory disclosure requirements of IFRS. The step is foreseen to enhance confidence of rural banks investors on accounting information 'consumed' to drive their investment decision in the stock market.
2. NRB and ARBL reporting structure should adhere strictly to the financial reporting framework issued by the International Financial Reporting Standards for better and more acceptable financial reports.
3. Accountants as custodians of good financial reports should follow the codes of professional practice issued by the Institute of Chartered Accountants of Ghana (ICAG) for their day-to-day responsibilities.

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4. All the relevant professional accounting bodies in Ghana should monitor the activities of their members to ensure that codes of ethics are followed in the preparation of quality financial reports in the country.

5.5 Suggestions for Further Research

According to the recommendations of the study, the researcher recommended that a similar study should be conducted to assess the influence of strategic corporate planning on organizational sustainability, using the selected rural banks in the Kumasi metropolis as case study.

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APPENDIX A

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COLLEGE OF TECHNOLOGY EDUCATION

QUESTIONNAIRES FOR THE PARTICIPANTS

The researcher is a Post graduate student studying MBA Accounting at the UEW, Kumasi Campus. She is conducting a piece of research to investigate **THE EFFECTS OF ACCOUNTING ETHICS ON THE QUALITY OF FINANCIAL REPORTS OF RURAL BANKS IN GHANA - A STUDY OF NWABIAGYA RURAL BANK AND ADANSI RURAL BANK LIMITED.** I respectively request that you form part of this research by completing the attached questionnaire. It is my fervent hope that you will be exonerated to participate in the study. May I thank you for your valuable cooperation.

Section A: Demographic information of the respondents

1. What is your Gender?

Female [ ] Male [ ]

2. What is your age category?

Below 35 years [ ] 35-45 years [ ] 45-55 years [ ] 55-65 years [ ] Above 65 years [ ]

3. Highest educational qualifications of the respondents

Diploma [ ] Bachelor’s degree [ ] Master’s degree [ ] Doctorate [ ]

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Section B: The existence of accounting ethics in NRB and ARBL

Please rank the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
Due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepted within the NRB and ARBL					
To combat the criticism and prevent fraudulent accounting, the NRB and ARBL have developed regulations and remedies for improved ethics among the accounting profession.					
The nature of the work carried out by accountants and auditors requires a high level of ethics.					
Shareholders, potential shareholders, and other users of the financial statements rely heavily on the yearly financial statements of NRB and ARBL as they can use this information to make an informed decision about investment.					
Shareholders, potential shareholders, and other users of the financial statements rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the rural banks.					
Knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the rural banks, will benefit the public who relies on the accountant/auditor's reporting.					

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Section C: The outcome of extent of compliance with IFRS on value relevance of accounting information ethics of the NRB and ARBL.

Please rank the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
Relevance The annual reports discloses forward-looking information					
The annual reports discloses information in terms of business opportunities and risks					
The rural bank uses fair value as measurement basis					
The annual report provides feedback information on how various market events and significant transactions affected the rural bank?					
Faithful representation The annual report explains the assumptions and estimates made clearly					
The annual report explains the choice of accounting principles clearly					
The annual report highlights the positive and negative events in a balanced way when discussing the annual results					

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The annual report includes an unqualified auditor's report					
The annual report extensively discloses information on corporate governance issues					
Understandability The annual report is a well organized					
The notes to the balance sheet and the income statement are clear					
Graphs and tables clarify the information presented					
The use of language and technical jargon is easy to follow in the annual report					
The annual report included a comprehensive glossary					
Comparability					
The notes to changes in accounting policies explain the implications of the change					
The rural bank's previous accounting period's figures are adjusted for the effect of the implementation of a change in accounting policy or revisions in accounting estimates.					
The results of current accounting period are compared with results in previous accounting periods					
Information in the annual report is comparable to information provided by other banks					
The annual report presents financial index numbers and ratios					

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Section D: The significant relationship between professional accounting ethics and the quality financial information content of Nwabiagya Rural Bank and Adansi Rural Bank Limited.

Please rank the following statement on the Likert scale ranging from strongly disagree to strongly agree.

Where; 1= strongly disagree, 2= disagree, 3= not sure, 4= agree, 5= strongly agree

Statements	1	2	3	4	5
Financial reporting quality High ethical standards promotes financial reporting quality					
The quality of financial report is affected by situational factors surrounding the accountant					
There is lack of awareness on the effect of ethics on financial reporting quality					
Ethics has not been sufficiently taught in our institutions of learning					
Ethics has no influence on financial reporting quality.					
Objectivity The objective presentation of financial statement is not affected by ethical values prevalent in an organisation.					
Financial statements should be prepared and presented in accordance with ethical guidelines within the organisation.					
Professional accountants are always objective in the preparation of financial statements.					

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The value system of professional accountants affects the objective presentation of financial statement.					
Ethical standards are duly observed in the presentation of financial statement of the rural banks					
Disclosure Ethics has a significant effect on the faithful disclosure of financial reports.					
Disclosure of items in the financial statement is affected by personal interest of the professional accountant.					
Financial statement disclosure is affected by the professional competence of accountants.					
Quality disclosure of items in the financial statement is a reflection of compliance with ethical standards.					
Integrity Adherence to high ethical standards helps boost the integrity of financial statements.					
Accountants engaging in insider dealings tend to compromise the integrity of financial reports.					
Acceptance of gift items by professional accountants affects the integrity of financial report.					
The existence of ethical committee in an organisation positively influences financial report integrity.					
Violation of ethical core values undermines the integrity of financial reports.					

Thanks for your cooperation!!!