2012

ETHICAL CONCEPT, PROFESSIONAL JUDGEMENT AND FINANCIAL REPORTING IN NIGERIA

Chukwumah Lawyer Obara, Dr

ETHICAL CONCEPT, PROFESSIONAL JUDGEMENT AND FINANCIAL REPORTING IN NIGERIA

OBARA, L.C., PHD,
Senior Lecturer
Department of Accountancy,
Rivers State University of Science and Technology
Port Harcourt,
Nigeria.

And

UWAOMA IRONKWE
Lecturer
Department of Accounting,
University of Port Harcourt,
Port Harcourt,
Nigeria.

ABSTRACT

This study investigates the effects of ethical concept on professional judgment in financial reporting in Nigeria. This becomes necessary because ethics seems to be the reference point for professional judgment since they provide professional accountants with guidelines for conducting themselves in a manner consistent with the responsibility of their profession. To achieve this objective, research questions were raised, hypotheses were formulated, and relevant literature was reviewed. The research instrument was a carefully constructed questionnaire which was personally administered by the researchers to a sample of hundred and thirty-six (136) professional accountants in Port Harcourt. The data collected were analyzed using the Chi-square (X^2) test. From this study, it was gathered that ethical concept influences professional judgments to a very high extent. We then recommend among others that professional accountants should exercise their professional judgments based on ethical concepts.

Keywords: Ethical Concepts, Professional Judgment, Financial Reporting, and Financial Guidelines.
JEL. Code M 27.

I. Introduction

Sound Judgment plays a major role in financial reporting of those situations not specially covered by an official audit pronouncement. Accountants must exercise professional judgment in determining the treatment that is most consistent with generally accepted accounting principles. Judgment also is exercised in selecting appropriate accounting methods (as for example, deciding whether to use the FIFO or LIFO method of inventory valuation) in estimating the useful lives of depreciable assets and in deciding what events is "material" to a given business. According to **Meigs et al (1998),** judgment is a personal matter; competent accountants often will make different judgments. This explains why the financial statements of different companies are not likely to be directly comparable in all respects. **Ayodele (2005**) asserts that professional judgment is expected to be built on ethics and ethics are the moral principles that an individual uses to govern his or her behavior.

Recognized professions have developed codes of professional ethics. The basic purpose of those codes is to provide members of the profession with guidelines for conducting themselves in a manner consistent with the responsibilities of the profession. Codes of ethics relating to the practices of accounting and finance have been developed by several professional associations, financial analysts and accountants. In addition to these codes, there are many laws, income tax regulations, and professional pronouncements that govern the conduct of practicing accountants and financial managers. Codes of ethics developed by professional associations generally hold the practicing professional to higher standards of conduct than the laws regulating that profession. In part, this tendency evolves from the fact that professional associations have vested interest in enhancing the public image of the profession. Also, these organizations have a better understanding than the law makers as regard the special problems confronting the profession. For these reasons, all professions are to some extent self-regulating. The term self-regulating means that the society expects the profession to establish its rules of "professional conduct" for individuals practicing the profession, and also to develop methods of enforcing these rules, **(Obara, 2003, Fajana, 1998; Smith 1999, and Toffer 1991).**

Financial managers and accountants face a number of ethical dilemmas in the discharge of their duties. These dilemmas involve decisions that require seasoned judgment and careful consideration of the short-term and long-term implications. Where there are no particular criteria for reporting an event, the conservatism principle is applied by professional accountants so as not to abuse the use of professional judgment in financial reporting because the judgments are not based on ethical concepts. For instance, a professional accountant was preparing the income tax returns of a client who has had a particular good-year higher income than expected. On January 2nd of the following year, the client pays to the Nigerian Television Authority (NTA) for a television advertisement and asks the accountant to back-date the cost so as to reduce the income of the preceding year and consequently tax liability.

This client is very important to the accountant; hence he backdated the advertising expenses to be included in the income statement of the year just ended. Is this ethical? The answer is no. That is why **Anamakiri (2007),** posits that

ethics do not favor selfish interest but should be geared towards creating confidence, accountability and probity in the profession to show the reality of organizations financial standing. Therefore, ethics is the reference point for professional judgment because it provides members of the profession with guidelines for conducting themselves in a manner consistent with the responsibilities of the profession.

Statement of the Problem

According to **Mamud (2001),** parents in the central district of Kano were asked to choose a career from medicine, engineering, law, accounting, and surveying for their wards; over 57.32% of the participants preferred the accounting profession. In their words, "my child becoming an accountant means enough money in my family." This implies that an accountant must be a wealthy individual. Having this impression in their minds, professional accountants in Nigeria believe that they must be rich and wealthy. To achieve this aim, they collide with their clients and engage in 'gaming up' financial statements and other nefarious activities, particularly when they exercise professional judgment. With this scenario, it becomes obscure to note that professional accountants have unique ethical responsibilities. An accountant preparing an income tax return has an ethical obligation to respect the confidentiality of information gained on the job,**(Anamakiri, 2007).**

In theory, a professional code of ethics which is the premises upon which professionalism is based is good. The society generally benefits when professional conduct is exercised in an honorable and ethical manner. Surely, no one would argue against a professional striving towards such goals as increased competence and integrity. A professional code of ethics provides professionals with some general guidelines in conducting themselves in an ethical manner. We would like to think that professionals will do the "right" (ethical) thing, regardless of the amount of personal sacrifice involved. But this is an easier course of action to advocate than to implement. Even honest persons - Christians and Muslims faithful - may find it difficult to act in an ethical manner in some situations where they are to exercise professional judgment. This paper examines the effects of ethical concepts on professional judgment in financial reporting in Nigeria and it will attempt to answer the following questions, viz:

i. What are the ethical principles applicable to the practice of financial reporting and accounting in Nigeria?

ii. To what extent has ethical concept influenced professional judgment in financial reporting?

iii. Which factor is the major challenge influencing the adoption of ethical conducts in professional judgment by Nigerian professional accountants?

Research Hypothesis

For the purpose of this study, the following null hypotheses are formulated for testing, viz:

i. Ethical concept of confidentiality is not the most relevant principle in the practice of accounting in Nigeria,
ii. Ethical concept has no significant effect on professional judgment in financial reporting in Nigeria, and
iii. The accountants' greediness and self-interest are not the major challenge influencing the adoption of ethical conducts in financing and accounting practice in Nigeria.

II. Literature Review

Ethical Conduct in the Accounting Profession

Generally speaking, ethics as a concept is difficult to define but easy to describe. It has been described severally by different writers, each claiming conceptual superiority over others. This conceptual argument is based on the fact that ethics border on what is right or wrong, good or bad, which are highly subjective, shaped by multiplicity of factors and dependent on personal conviction. For example, while artificial birth control measures are embraced in China and Russia, it is considered a taboo by the catholic faithful. In addition, while premarital sex is a taboo in places like India and other countries in the Eastern Block, it is a welcome development in Nigeria and some Western countries. While it is prohibited for accountants to advertise and solicit for clients publicly in Nigeria, in America, advertisement serves to sell the accountants to potential clients.

Ethics are therefore, the moral principle that an individual uses in governing his or her behavior, **(Llboya and Uwubanwen 2005).** Every society has strong interest in ethical standards of its citizens. If people have no ethics, for example, they would see nothing "wrong" in cheating, stealing, or even committing murder as a means of achieving their goals. Obviously, a society without ethics would be a chaotic and dangerous place to live. For this reason, governments, organized labor unions, religious bodies and educational authorities create or promote certain ethical standards among members of the society. Governments enact laws requiring or prohibiting certain types of behavior while religious bodies attempt to define right and wrong through sermons and religious teaching.

Throughout the Nigerian educational process, educators attempt to teach students to distinguish between right and wrong using criteria acceptable to the greater society. According to **Meigs et al (1996),** some ethical concepts such as a belief that it is wrong to steal, apply to almost all situations. Other ethical concepts, however, apply specially to some particular types of activities. There are ethical decisions relating specifically to the field of business and there are many ethical decisions that relate specifically to the practice of other professions such as medicine, law and accounting,**(Titus and Keeton, 1966, and Solomon, 1992)**. A medical doctor has an ethical obligation to stop and render emergency medical

care. The obligation to render immediate service is an ethical concept applicable to the medical profession.

Codes of Ethics and the Accountants Professional Judgment

All recognized professions in Nigeria suchas law, accounting, medicine, journalism etc, have codes of professional ethics. The basic purpose of these codes is to provide professionals with guidelines for conducting themselves in a manner consistent with the responsibilities of their professions. **Saul (1989),** posits that codes of ethics developed by professional associations hold the practicing professional more responsible to higher standards than the laws regulating the profession. According to Masan and **Safritzi (1990),** a professional accountant owes certain ethical duties to his clients, his profession, and the society at large even if at various times such duties may conflict with his personal interest. In exercising professional judgment, the accountant must not allow his greed, selfish interest, or management pressure to over-rule his professional and societal requirements. The professional codes of ethics in accounting practice are summarized as competence, confidentially, independence, integrity and objectivity, **(Meigs et al 1996, Solomon 1992, Frenchman, 1988 and Anamakiri, 2007).**

Competence

Competence is that code of ethics that is particularly for the management accountants. It specifies that management accountants have a responsibility to maintain an appropriate level of professional competence by ensuring the development of their knowledge and skills. This can be achieved by attending seminars, workshops and conferences, or performing their professional duties in accordance with relevant laws, regulations, technical standards, and preparing complete and clear reports and recommendations after appropriate analysis of relevant and reliable information.

Confidentiality

Confidentiality is a guiding principle in the Accountants ethics code. It demands that professionals should not misuse the information provided for them. Thus, professionals have ethical requirements that information provided for them must be held in strict confidence. Medical officers, attorneys and clergy men are ethically and legally prohibited from disclosing personal information obtained from persons who have sought their professional services. As noted by **Meigs et el (1996)**, if accountants are to earn the trust and respect of their clients, they must respect the confidential nature of the information provided for them.

Thus, Accountants should not disclose sensitive information about a client company to the company's competitors or to other outsiders, or use such information for his personal gain. The idea that information obtained during a professional management is to be held in confidence differs somewhat between an independent accountant, and a management accountant in all aspects of their works. Independent accountants have an ethical obligation not to misrepresent facts. They may face conflicts between their professional obligation to correctly

and fully disclose facts, and a client's desire that certain information be held in confidence. **Frenchman (1988)**, suggests that where such conflict exists, accountants should always insist that the client should make disclosures which are consistent with the reporting standards. If the client refuses to make such disclosures, the accountant should resign from the engagement.

Integrity

When financial statements of a company are audited, the auditors (professional independent accountants) are expected to express their professional opinions as to whether the financial statements represent a true and fair view of the company's financial position. All stakeholders rely on these audited financial statements in deciding their financial commitment to the company. **Masan et el (1990),** asserts that if the auditor's report is to lend credibility to audited financial statements, users of such statements must view the auditor as being fair and impartial. For auditors to be viewed as impartial, they must be independent of the company issuing the financial statements. Auditors must not be perceived as being under the company's influence or control, or as having any vested interest in the result reported in the financial statements.

Objectivity

According to **Anamakiri (2007)**, integrity and objectivity are very crucial in reporting financial statements of a company. They are among the most important concepts in finance and accounting professional ethics. He added that in the performance of any professional engagement, financial managers or accountants should not knowingly misrepresent the facts. This concept goes to the very heart of the accountant's responsibility to the public. **Williams (1985)** states that facts could be misrepresented even when such facts are correctly reported. This occurs when the accounting document does not contain adequate details necessary for proper interpretation of those facts. An accountant must not be associated with misleading financial statements, income tax returns, or other accounting reports. If a client insists on having accounting documents in a misleading manner, the accountant must resign from the engagement, **(Obara, 2003; Obara and Braide, 2004, and Anamakiri, 2007).**

The integrity and objectivity of professional accountants are centered on the following vital facts:

i. He must communicate information fairly and objectively.
ii. He must disclose all relevant information that could reasonably be expected to influence an intended user's understanding of the reports, comments and recommendations presented.
iii. He must avoid actual or apparent conflict of interest, and advise all appropriate parties on any potential conflict.
iv. He must refrain from any activity that would prejudice their ability to carry out their duties ethically.
v. He must reject any gift, favor, or hospitality that would influence or

would appear to influence his actions,
vi. He must recognize and communicate professional limitations or other constraints that would prelude responsible judgment or successful performance of an activity,
vii. He must communicate favorable and unfavorable information and professional judgments and opinions and
viii. He must refrain from any activities that would discredit the profession.

Although these codes of ethics guide the professional judgment of the accountants, the applicability of these codes is questionable in financial reporting in Nigeria**. Elebute (1998),** asserts that accountant's greed and selfish interest as well as management pressure to succeed has made many professional accountants to go against their professional ethics in exercising their professional judgment. If the financial statements must represent true and fair view, professional accountants that exhibit unethical behaviors should be penalized by prosecution through the Economic and Financial Crimes Commission (EFCC).

Philosophical Principles in Ethics

There are three (3) Philosophical principles in ethics that should be examined and addressed in this article. They are:

i. Principles of imperative,
ii. Principles of the utilitarian, and
iii. Principles of generalization.

Principles of Imperative

The imperative principle directs decision makers to act according to the requirements of an ethical rule. Strict versions of imperative ethics posit that a decision should be made without trying to predict whether an action will probably create the greatest balance of good over evil. The principle of imperative is a function of moral rules and principles, and do not involve a specific calculation of the consequences. Most professional codes of ethics have characteristics of the imperative theory. As a general rule, professionals are expected to act in conformity with the rules. However, society frequently questions, not only unethical conduct but also the rules to which such conduct is based. Thus, a dogmatic imperative approach to ethical decisions may not be completely sufficient for the maintenance of professional standards. Society may question the rules, and conflicts among them are always possible. A means of estimating the consequence of alternative actions may be useful, **(Obara, 2003, Saul, 1989, Robin, 1989, and Jones, 1991).**

Principles of the Utilitarian

The ultimate criterion for an ethical decision is the balance of good over evil consequence produced by an action **(Millis, 1957).** The emphasis in utilitarianism is on the consequences of the action rather than the enabling rules. The criterion for producing the greater good is made an explicit part of the decision process. While the principle is very useful, it does not specify the values that enable one to figure the good or evil of an action. Rule-utilitarianism on the other hand, emphasizes the

centrality of rules for ethical behavior while still maintaining the criterion of the greatest universal good. This kind of utilitarianism means that decision makers must first determine the rules that will promote the greatest general good for the largest number. The principle of utility becomes operative only in determining a particular action to take in a specific situation which rules out conflict but also in establishing the rule in the first place, **(Ilboya and Nwubamwen, 2004; Harrison and Horngren, 1995; and Neigs et al, 1996).**

The Generalization Principle

For all practical purposes, the generalization principle may be considered a judicious combination of the imperative and utilitarian principles. The principle posits that if all relevantly similar persons acting under relevantly similar circumstances were to act in a certain way; and the consequences would be undesirable, then no one ought to act in that way without a reason. **Singer (1971),** stated that a more everyday expression of the principle is the question; what would happen if anyone acted in that certain way? If the answer to the question is that the consequences would be undesirable, then the conclusion according to the generalization test is that the action is unethical and ought not to be done. The key ideas in the generalization test are similar persons and similar circumstances.

These features provide the needed flexibility to consider the many variations that arise in real problem situations. They also demand considerable judgment in determining whether persons and circumstances are genuinely different or not just arbitrarily rationalized as different so that a preconceived preference can be explained as right**(Obara, and Braide, 2004)**. Finally, the overall review of the principles in ethics provides some guidelines to the ways many professionals including accountants should approach difficult decision problems. The greatest task is to take the general notion of ethics (imperative, utilitarianism, and generalization), and apply them to a real decision. Their application by accountants through codes of professional conduct is a challenge.

III. Methodology

The statistical tool used in testing the hypothesis is the Chi-square (X^2) test. This statistical tool was chosen because it is the most relevant tool for the characteristics of the variables understudy. The survey method was adopted by the researchers to generate the necessary information. The data was collected by questionnaire and personal interview. Data generated were analyzed using Chi-square (X^2) statistical method.

Data Presentation and Analysis

Table 1: Questionnaire Administration and Retrieval

Responses	Frequencies	Percentages
Returnable	136	76.84
Non-returnable	41	23.16
Total	177	100

Source: Researchers Survey Data, 2010

Table 1 revealed the response rate of the participants. A total number of one hundred and seventy-seven (177) copies of the questionnaire were administered, and 136 copies representing 76.84% were returned duly completed, while 41 copies resenting 23.16% were not returnable.

Table 2: Professional Judgment in Financial Reporting

Responses	Frequencies	Percentages
Strongly	26	19.12%
Agreed	37	27.21%
Strongly disagreed	30	22.06%
Disagreed	34	25.00%
Undecided	9	6.62
Total	136	100

Resource: researcher's Survey Data, 2010

From the questionnaire analysis in table 2, it was revealed that 26 (19.12%) of the respondents strongly agreed that they have had the opportunity to exercise professional judgment in financial reporting, 37 (22.21%) agreed; 30 (22.06%) of the respondents were undecided. A cross-section of the respondents revealed the following ethical principle was applicable to the practice of accounting in Nigeria. They are principles of Confidential ly, Consultancy Fees, Conflicts of interest, Integrity, Professional appointments, Association with non-members, obtaining professional work, Members in business, second and others, opinions, enforcement of ethical standards.

Table 3: Abuse of Ethical Concepts in Professional Judgment

Responses	Frequencies	Percentages
Strongly Agreed	71	52.21%
Agreed	33	24.26%
Strongly Disagreed	10	7.35%`

Disagreed	15	11.03%
Undecided	7	5.15%
Total	**136**	**100**

Source: Researcher's Survey Data 2010

From the data presented in table 3 above, we observed that 71 (52.21%) of the respondents strongly agreed that it is possible to abuse ethical concept in professional judgment, 33(24.26%) agreed, 10 (7.35%) strongly disagreed; 15 (11.03%) disagreed; while 7 (5.15%) were undecided. A cross section analysis of the respondents revealed the following causes of unethical behavior in professional judgment by Nigerian accountants to include pressures from managements/clients, greediness and selfish-interest of the accountants, incomplete knowledge of the situation, societal values, conflicts of ethics, lack of available job opportunities, and fear of resignation.

Table 4: Implication of Unethical Professional Judgment

Respondent	Frequencies	Percentage
Strongly Agreed	52	38.24%
Agreed	33	24.26%
Strongly Disagreed	14	10.12%
Disagreed	26	19.12%
Undecided	11	8.09%
Total	136	100

Sources: Researcher's Survey Data 2010

The questionnaire analysis in table 4 shows that 52(38.24%) of the respondents strongly agreed that professional judgment was not based on ethics, and it has a significant effect on financial statements; 33(24.26%) agreed; 14 (10.29) strongly disagreed; 26 (19.12%) disagreed; while 11 (8.09%) were undecided.

Table 5: Kinds of Penalty for the Unethical Behaviour of Professional Accountant

Reponses	Frequencies	Percentage
License Withdrawal/Dismissal	58	42.65%
Suspension	24	17.65%
Prosecution by the court	13	30.15%
Prosecution by EFCC	41	30.15
Total	136	100

Source: Author's Survey Data, 2010.

From the questionnaire analysis in table 5, we observed that 58(42.65%) of the respondents suggested that the penalty for the unethical behavior of accountants in professional judgment is dismissal or withdrawal of their practicing license; 24(17.65%) indicated suspension from membership of the professional; body; 13(9.56%) asserted prosecution by the court, while 41(30.15%) indicated prosecution by EFCC.

Table 6: Most Preferable Philosophical Principle to Be Examined In Ethical Dilemma

Responses	Frequencies	Percentages
Imperative Principle	26	19.12%
Utilitarian Principle	48	35.29%
Generalization principle	62	45.59%
Total	136	100

Source: Author's Survey, 2010

From the data presented above, we observe that 26 (19.12%) of the respondents indicated that the most preferable philosophical principle to be examined in ethical dilemma is the imperative principle; 48(35.29%) identified the utilitarian principle, while 62(45.59%) stated the generalization principle.

Table 7: Dysfunctional Outcome of Unethical Behavaiour Financial Reporting

Responses	Frequencies	Percentages
Loss of profit	28	20.59%
Loss of goodwill	19	13.97%
Legal suits	10	7.35%
All of the above	79	58.09%
Total	136	100

Source: Researcher's Survey Data, 2010.

Analysis of the questionnaire in table 7 shows that 28(20.59%) of the respondents identified loss of profits as the dysfunctional outcome of unethical behavior in financial reporting; 19(13.97%) revealed loss of goodwill; 10(7.35%) stated legal suits, while 79(58.09%) indicated all of the above factors.

IV. Hypotheses Testing

i. Hypotheses I

H_0:Ethical concept of confidentiality is not the most relevant principle in the practice of accounting in Nigeria.

Table 8: The Most Relevant Ethical Concept In The Practice Of Accounting In Nigeria.

Responses	Observation	Exception
Independence	15	11.33
Confidentiality	20	11.33
Competence	11	11.33
Integrity/objective	14	11.33
Conflicts of interest	4	11.33
Fees	5	11.33
Association with non-members	17	11.33
Obtaining professional work	17	11.33
Seconded other opinion	10	11.33

Professional appointment	6	11.33
`consultancy	9	11.33
Enforcement of ethical standards	12	11.33
Total	136	136

Source: Researcher's Survey Data, 2010

At 0.05 level of significance and degree of freedom 11, chi-square critical = 19.68. Since chi-square computed 22.55>chi-square critical 19.68, then the null hypothesis should be rejected. See Appendix, 1A & B.

ii. Hypothesis II

H_0: Ethical concept has no significant effect on professional judgment in financial reporting.

At 0.05 level of significance and degree of freedom = 4; chi-square critical = 9.48. Since chi-square computed 12.18> chi-square critical value is 9.48, hence the null hypothesis should be rejected. See Appendix 2A & B.

iii. Hypothesis III

Accountant's greediness and self-interest is not the major challenge influencing the adoption of ethical conducts in accounting practice in Nigeria.

At 0.05 level of significance and degree of freedom = 6; chi-square critical value 12.59. Since all chi-square critical 12.59, hence the null hypothesis should be rejected. See appendix 3A & 3B.

Discussion of Findings

Appropriate financial reporting that reflects the true picture of the financial statements of companies is worthwhile. Therefore, any study conducted to examine the effect of ethical concept on professional judgment in financial reporting, is a useful venture. From the result of our analysis, it was revealed that our respondents have had the opportunity to exercise ethical concept, professional judgments and financial reporting in Nigeria. Various revelations in exercising their professional judgments were confidentiality, consultancy fees, conflicts of interest, integrity, objectivity, independence, and professional appointment, association with non-members, obtaining professional work, members in business, second and other opinions, and enforcement of ethical standards.

These standards are in line with **ICAN 1998** guidelines. We also observed from the analysis that though the aforementioned are ethical standards recommended in accounting practice in Nigeria, they are often abused by accountants in exercising their professional judgments. This is in line with the view expressed by **Ayodele (2005)**. The analysis equally revealed some reasons why professional accountants in Nigeria abuse ethical concepts. These reasons includes pressure from management/clients, accountants greediness and selfish interest, incomplete knowledge of the situation, societal values, conflict of ethics, lack of available job opportunities and fear of resignation. These reasons are in agreement with the views expressed by **Robin (1989) and Fajana (1998)**.

However, the major challenge influencing the adoption of ethical concepts in professional judgment is the accountants greediness and selfish interest, although, this counters the views of Donaldson (1986) who identified pressures from management/clients as the reason for the abuse of ethical concepts. It is however, in line with the view of **Obara (2003)**. From this study, we gathered that a professional judgment if not based on the professional code of ethics, has a significant effect on financial statement thereby misleading users of the information.

This is in support of **Donaldson (1986).** From this research work, it was discovered that professional accountants who exhibit unethical behavior in professional judgment should be penalized by dismissal from membership, and withdrawal of their practicing license. This view is however, different from **Ayodele (2005)** who suggested that a professional accountant who exhibits unethical behavior should be arraigned before the Economic and financial crimes commission (EFCC) in Nigeria for prosecution.

Moreso, from this study, we observe that the most preferable philosophical principle to be examined in ethical dilemma is the generalization principle. This view was equally put forward by **Singer (1971).** Our data analysis also revealed that the dysfunctional outcomes of unethical behavior in financial reporting are loss of profit, loss of goodwill, and legal suits. Finally, it was equally observed from this analysis that the confidentiality principle is the most relevant ethical concept applicable to the practice of accounting in Nigeria. This supports the views expressed by **Frenchman (1988), Meigs et al (1996); Solomon (1992), and Anamakiri, (2007).**

V. Conclusions

On the basis of the above analysis and findings, the study concludes that a number of ethical principles that must be applicable in professional judgment of financial reporting exist, yet professional accountants are not deterred as they indulge in unethical behavior in professional judgment. There are so many reasons why professional accountants fail to base their judgment on ethics. The major reasons are greed and self-interest. Unethical professional judgment has a negative significant effect on the financial reporting of companies as such judgments misrepresent the informational contents of the financial statements.

The most preferable philosophical principle to be examined in ethical dilemma is the generalization principle which involves a judicious combination of the imperative and the utilitarian principles. The dysfunctional outcomes of unethical behavior in financial reporting are loss of profit, loss of goodwill and legal suits. The confidentiality principle is the most relevant ethical concept applicable to the practice of accounting in Nigeria.

Recommendation

Based on the above, we therefore advance the following recommendations:

i. All professional judgments by the accountants should be based on the ethical concepts of the accounting profession,

ii. Any professional accountant indulging in unethical behavior in professional judgment should be dismissed from membership of the profession or his license be withdrawn,

iii. The accounting professional institutes should initiate a drastic reform of their profession in Nigeria to be in line with the western world. Hence, an independent board to oversee the profession is necessary In Nigeria

iv. The government should establish a public board charged with the responsibility of regulating the activities of professional bodies in Nigeria,
v. Personal competences of practitioners should be subjected to adequate scrutiny.
vi. The attitudes and behaviors of inductees into the profession should be well scrutinized henceforth as this will not only enhance development of interpersonal professional reporting through training and personal relationship but will also enhance the quality of improvements,
vii. Professional accountants should be made to behave in a manner consistent with the characters and standard of the accounting discipline as well as the value of the environment where they operate,
viii. Ethical concepts should be crafted into the mission statements of the practicing firms and other organizations, so as to shape the actions and behavior of the accountant,
ix. As a result of the constant changes that takes place in the environment of business, the ethical concepts of the accounting profession should be designed to allow flexibility,
x. Ethical audits should be adopted within the accounting profession, to measure specific compliance with ethical concepts, when professional judgments are exercised, and
xi. The accounting professional body in Nigeria should be seen to be acting on ethical values. They should implement recruitment, engagement policies and incentive systems, which explicitly recognize the need to adhere strictly to ethical values

References

Anamakiri, O.D. (2007). Ethics and Bank Governor in Nigeria

Ayodele, B.O (2005). Ethical and External Auditing; Ibadan, Bobbmass

Donaldson, T. (1986). Issues in Moral Philosophy; New York: McGraw Hills

Elebute, K. (19998). "Codes of Ethics and Regulation" Presenter at Annual Accountant Conference ICAN; September 10, Abuja: 3

Fajana, S. (1998). "Ethics as a Cultural Factor in Contemporary Human Resources Management" Business and Management Journal; Vol. (2): 43-52

Frenchman, E. R. (1988). Corporate Strategy and the search for ethics; Englewood Cliffs; N.J. Prentice-Hall.

Harrsion, W.T. and Horngren C.T. (1995). Financial According; Englewood Cliffs: Prentice Hall.

Homes, R.L. (1991). Ethics before Profits in Raziels, Abelson's and Friquegnon, Marie – Louise (e) Ethics for Modern Life; 4th Edition, New York St. Martins Press.

Ilaboya, O.J. and Uwubamwen, A.E. (2005). Ethics, Integrity and the accounting Profession; Empirical Evidence from Nigeria.

Jones, T. (1991). "Ethical Decision Making by individuals in the Organisation", Academy of Management review; Vol. 6, (2) 89.

Mamud, P. and Safritzi, J.M. (1990). Essentials of Business Ethics; New York: Pengium Books, USA, Inc; 316 and 369.

Meigs R.F. Meigs, M.A.; Bethner, N. and Whittington, R. (1996). Accounting the Basis for Business Decisions: New York; McGraw-Hill Copy. Inc.

Mills, J.S. (1975). Utilitarianism, (ed) Oskar priest, Indianapolis; Ind. BOBBS- Merril: 186.

Obara, L.C (2003). Management Accounting for Managers (a strategic perspective). Port Harcourt-Nigeria: The Blueprint Limited.

Obara, L.C. and Braide, J.J.M (2004). Management Accounting Practice: Trends and Issues a Nigeria empirical reflection. International Journal of Social and Social Issues Vol. No.

Robertson, J.C (1989). Auditing; Chicago, Richard D. Irwin.

Robin, D.P. (1989). Business Ethic: Where Profits Meet Value Systems Englewood Cliffs, New Jersey; Prentice Hall

Saul, G.W. (1989). Why Good Manager makes Bad Ethical Choices, in Kenneth, A.R. (ed) Ethics in Practice, managing the moral corporation Boston: Harvard Business School Press.

Singer, M.G. (1971). Generalization in Ethics; New York: Altheneum Publishers.

Smith, F.A. (1999). Advanced Financial Reporting For Professionals; New York; Irwin Publisher.

Solomon, R.C. (1992). Ethics and Excellence; New York, Oxford University Press.

Titus, H. and Keeton, M. (1966). Ethics for Today. New York: American Book- Stratford Press.

Toffer, B.L. (1991). Managers Talk Ethics: Making Through Choices in a Competitive Business World; New York, Wiley and Sons, Inc.

Williams, B (1985). Ethics and the Limit of Philosophy. Boston: Harvard University Press.

Appendix 1A

Table 8: The Most Relevant Ethical Concept to the Practice of Accounting in Nigeria.

Responses	Observation	Exception
Independence	15	11.33
Confidentiality	20	11.33

Competence	11	11.33
Integrity/objective	14	11.33
Conflicts of Interest	4	11.33
Fees	5	11.33
Association with non-members	13	11.33
Obtaining professional work	17	11.33
Seconded other opinion	10	11.33
Professional appointment	6	11.33
Consultancy	9	11.33
Enforcement of ethical standards	12	11.33
Total	136	136

Source: Researcher's Survey Data, 2010

Appendix 1B

Table 11: Chi-square Contingency Table for Hypothesis I

Of	**ef**	**(of-ef)**	**$(of-ef)^2$**	**$(of-ef)^2/_{ef}$**
15	11.33	3.67	13.4689	1.189
20	11.33	8.67	75.1689	6.635
11	11.33	-0.33	0.1089	0.001
14	11.33	2.67	2.6700	0.236
4	11.33	-7.33	53.7289	4.742
5	11.33	-6.33	40.0689	3.591
13	11.33	1.67	2.7889	0.246
17	11.33	5.67	32.1489	2.838
10	11.33	-1.33	1.7689	0.156
6	11.33	-5.33	28.4089	2.507
9	11.33	-2.33	5.4289	0.479
12	11.33	0.67	0.4489	22.660

Source: Author's computations from table 8, 2010

Appendix 2A

Table 9: Effect Concept on Professional Judgment in Financial Reporting in Nigeria.

Responses	**Observation**	**Expectation**
Very high	**47**	**27.20**
High	**30**	**27.20**

Low	**39**	**27.20**
Very low	**11**	**27.20**
Indifferent	**9**	**27.20**
Total	**136**	**136**

Source: Researcher's Survey Data, 2010.

Appendix 2 B

Of	**ef**	**(of-ef)**	**$(of\text{-}ef)^2$**	**$(of\text{-}ef)^2/_{ef}$**
47	27.20	19.8	39.20	1.44
30	27.20	2.8	7.84	0.29
39	27.20	11.8	139.24	5.12
11	27.20	-16.2	262.44	9.65
9	27.20	-18.2	331.24	12.18

Source: Author's computations from table 9, 2010.

Appendix 3 A

Table 10: Major Challenge influencing the Adoption of Ethical Conducts in Professional Judgment.

Responses	**Observation**	**Expectation**
Greediness and self interest	40	19.43
Pressure from management/client	33	19.43
Lack of complete knowledge of the situation	29	19.43
Societal values	20	19.43
Conflicts of ethics	3	19.43
Lack of available job opportunity	5	19.43
Fear of resignation	6	19.43
Total	136	136

Source: Researcher's Survey Data, 2010

Appendix 3 B

Table 13: Chi-square Contingency table for Hypothesis III

Of	**ef**	**(of-ef)**	**(of-ef)^2**	**(of-ef)^2/$_{ef}$**
40	19:43	20:57	423:12	21:78
33	19:43	13:57	184	9:48
29	19:43	9:57	91:58	4:71
20	19:43	0:57	0:32	0:02
3	19:43	16:43	269:94	13:89
5	19:43	14:43	208:22	10:72
6	19:43	3:43	11:76	0:61
				61:21

Source: Author's computations from table 10, 2010