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## ACCOUNTING THEORY AND ETHICAL DIMENSIONS ON ACCOUNTING PRACTICE IN NIGERIA

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Johnson Kolawole OLOWOOKERE, Jimoh IBRAHIM\* Adebisi GBADEBO,

Department of Accounting, Osun State University, Osogbo, Nigeria

Corresponding author: jimohibrahim889@gmail.com

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### Abstract

*Even though there are professional ethics put in place by various accounting regulatory bodies, accountants play a role in recent corporate fraud scandals and company failures as well as manipulation of financial statements has attracted the attention of scholars overtime to question the role of ethics in accounting practices in Nigeria. In light of this, the study conceptually reviewed the accounting theory and the ethical dimensions of accounting practice in Nigeria. The study employed an explanatory research design to review literature by previous researchers on the discourse. This study highlights a key link between accounting theory, its ethical dimensions, and practical applications, emphasizing that accounting theory serves as a recognized framework for describing accounting processes. The study concluded that members must abide by both the "letter of the code" and its "spirit," though. Therefore, accountants must have a thorough understanding of the topic that goes much beyond the Code's statement. It is thus determined that accounting theory and the ethical dimensions have a connection to accounting practice according to the analysis of the examined research by earlier academics*

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**Keywords:** Accounting theory, accounting practices, Professionals Ethics

### INTRODUCTION

Hendrikson (1992, cited in Ram and Tapria, 2019) describe 'theory' and 'accounting' as a cohesive set of principles that establish a reference framework for inquiry and logical reasoning, guiding the evaluation and advancement of accounting practices. Theory can be described simply as the logical reasoning underlying the statement of a belief. Whether the theory is accepted depends on: how well it explains and predicts reality how well it is constructed both theoretically and empirically, and how acceptable are the implications of the theory to a body of scientists, professionals and society as a whole. It is important to understand that accounting theory is not simply an abstract process (Ram & Tapria, 2019). It is not divorced from reality. In fact, its main objectives are to explain why and how current accounting practice evolved, to suggest improvements, and to provide the basis for developments in such practice. Accounting theory is a modern concept when compared with, say, theories emanating from mathematics or physics. Thus, there is little question that accounting methods have changed as a result of public awareness over ethical issues. Miner (2002) defines ethics as moral behavior influenced by societal expectations and values. Furthermore, Mintz and Morris (2007) characterize ethics as acceptable norms of conduct that prescribe how individuals should behave, rather than reflecting actual behavior. Thus, a code of ethics serves as a framework of core values and can establish both relevant standards (actions that must be taken) and operational sanctions (actions that must be avoided). This code is rooted in fundamental beliefs, requiring those bound by it to understand, internalize, and apply its principles in situations not explicitly addressed. Ethics and ethical challenges in accounting practice affect both developed and developing economies (Enofe et al., 2019)

Most professional organizations have some kind of ethical statement regarding how their organizations are run. Often, professional accounting organizations have codes of ethics that their members are expected to abide by. Over time, these have evolved from being rules guiding how members interacted with one another to ones paying more attention to making sure that members' behavior more closely aligns with perceived public expectations (Gaffikin, 2017). Large corporate failures and fraud scandals involving members cast a negative light on the profession because the great majority of members avoid getting involved in such situations.

Professionalism and the idea of professional body standards of ethics are intrinsically interwoven. Parker (1987) has demonstrated that as professional accounting bodies in Nigeria grew, so did the ethical standards for accountants; these standards were part of the demands placed on members by the professional groups. Both professional bodies shared this set of ethical standards. Nonetheless, the International Federation of Accountants intends for them to become a necessity as a result of the expanding internationalization of accounting regulation (IFAC). Similar to accounting standards, Members (national professional bodies) are not allowed to impose ethical standards that are less strict than those proposed by IFAC (IFRS). The main focus here is on theoretical considerations, even though the specifics of this and other codes are fascinating. To do this, some components of these declarations are crucial, such as the definition of the terms "profession" and "public interest," as well as how the imposition of codes of conduct relates to the issue of regulation. The Code further states that it has established a "conceptual framework" (for determining ethical behaviour). It's interesting to notice that the Code compels members to abide not only by its letter but also by its spirit.

Professional accountants' ethical conduct is comparable to a mirror's ability to reflect whatever is in front of it. Thus, ethical standards must be established and followed by all members of the accounting profession in order to advance the field. Many individuals believe that being morally upright will result in poverty. This is a false assumption based on the maxim "become rich quick or die trying." In truth, this mindset has severely damaged the reputations of numerous people and institutions. By maintaining the status quo, this issue may be easily averted. Another misconception regarding accounting ethics is that many prospective accountants believe it is very unattainable to adhere to the standards set out by the majority of professional accounting groups (Emenike-Wali, & Chukwu, 2021). But initially, the role of professional accounting organisations was largely restricted to offering impromptu solutions to current accounting issues, or at best, they tried to "theorize" accounting by accumulating real-world best accounting practices. In general, they did not prepare to construct a methodical theory of accounting, despite the fact that ad hoc solutions to current issues enabled some advancement, particularly in terms of specific problem areas. The lack of an acceptable basic theory rendered the position of accounting untenable (Adebayo et al, 2022). As a framework for the topic or as a logical set of concepts explaining and guiding the actions of accounting practitioners by recognizing, measuring, and presenting economic information, the need for a fundamental theory was becoming more and more apparent (Scott, 2006). Hence, It therefore to say that accounting theory is a body of commonly recognized ideas that serves as a description of accounting methods (Ram & Tapria, 2019). Based on the above issues, the researcher examined the following: (i) concept of ethics (ii) examines various theories of ethics (iii) threats to ethics. This work is among of first of its kind, providing valuable insights into accounting theory and the ethical dimensions of accounting practice in Nigeria. Again, the theory adopted has scarcely been used in literature for article within and outside the Nigerian space but this work is using it in the accounting ethical dimensions.

## LIRERATURE REVIEW

### Conceptual Review

#### Concept of Ethics

Hanekom (1984) asserts that there is a connection between the ethical question and human history. Human character, behavior, and morals are the subject of ethics. It deals with good or poor, right or wrong behavior; it assesses behavior using some strict standards and assigns it either a negative or positive value. On the other hand, Miner (2002) defined ethics as moral behavior that derives from societal expectations and values. Moreover, Mintz and Morris (2007) state that ethics are acceptable norms of conduct that specify how individuals should behave (i.e., are prescriptive), not how they actually behave (i.e. descriptive). As a result, a code of ethics describes a collection of core values. Both relevant standards (things one must perform) and operationally sanctions can be based on these ideas (things one must not do). It is based on a set of fundamental ideas or beliefs. It is required of those who are subject to the code to comprehend, internalize, and apply the examples in circumstances where the code does not expressly address them. Both developed and developing economies are affected by ethics and ethical difficulties in the practice of accounting (Enofe et al., 2019).

The declaration that "A defining trait of the accountancy profession is the assumption of the responsibility to act in the public good" is one of the Code's first pronouncements. The definition of a profession, however, is tricky and has produced a lot of discussion over the years. The phrase "professions do not have a right to exist" originates from Longstaff (1995).

They are not a result of a natural rule. Instead, occupations are a social artifact. Law, medicine, and theology were the only three recognized professions in former times. The title was occasionally given to army or navy officials. A common dictionary definition of a profession is likely to say that it is a category of occupations distinguished by claims of high technical ability or knowledge, independence in hiring and enforcing rules, and dedication to public service (Francis, 1990). There are numerous lists of traits that make up a profession that have been provided by various authors, and Gaffikin and Lindawati (2005) identified six of these traits that are most usually discussed in these lists: the possession of a skill based on theoretical knowledge, the provision of training and education, the assessment of members' competence, organization, adherence to a code of conduct, and altruistic service. It is intriguing to observe that a dedication to public service and ethics is a resounding quality in all of these discussions about professions (Habermas, 1991). The Code makes it very clear above that serving the public interest in accounting is regarded as a defining professional trait. This unambiguously declares adherence to the guiding principle of public service, which is a necessity set forth by Longstaff (1995) in order for accountants to remain members of a real profession. Does this hold true in real life ? What part did Nigerian accountants play in recent corporate fraud scandals and company failures?

#### Code of Ethics in Accounting

An independent organization, the International Ethical Standards Board for Accountants, has produced a code that outlines the ethical accounting principles in use. These guidelines address a wide range of ethical considerations for accountants, albeit certain circumstances can necessitate making decisions that aren't clearly reflected in these guidelines.

**Integrity:** Integrity is a state of mind focused on honesty, forthrightness, and a dedication to acting according to principle as opposed to for one's own benefit. It is neither a set of laws or a path of action.

**Objectivity:** To the extent that it is humanly possible, accountants should not be swayed by the goals or viewpoints of the people or organizations who employ them. Also, an accountant should avoid letting personal preferences or interests affect the data inputted into an accounting system or the outcomes obtained from it. Figures and outcomes ought to be regarded at face value and ought to inform judgments.

**Professional Competence and Due Care:** Instead of being a static body of knowledge, the field of accounting is an ongoing frame of reference that alters as regulations and best practices are consistently reinterpreted. An ethical accountant owes it to their clients to stay up to date on these advancements and offer the best possible service and information.

**Confidentiality:** Accountants deal with sensitive information, and it is their ethical duty to withhold any disclosure of that information to any parties who might stand to profit from it. Similar to this, an accountant should never utilize knowledge acquired while rendering professional assistance to gain private advantage, such as selling stock in a company whose accounts seem suspect.

**Professional Behavior:** Like with any career, accounting demands that tasks and responsibilities be carried out with the utmost integrity and professionalism. They consist of performing work completely and on schedule, keeping your word, and only accepting payment for services that you have actually provided.

## Theoretical Review

### Moral relativism Theory

Moral relativism, as a philosophical concept, has been notably associated with thinkers such as David Hume and later developed by contemporary philosophers like Gilbert Harman and Richard Rorty. This theory posits that moral judgments and ethical standards are not absolute but vary based on cultural, social, or individual contexts. This theory is relevant to accounting theory and the ethical dimensions of accounting practice in several ways:

**Cultural Sensitivity:** Accounting and ethical standards differ across cultures, highlighting the need to understand these differences in developing guidelines.

**Ethical Decision-Making:** Accountants face ethical dilemmas where culturally contextual decisions are crucial, as there may be no universally correct answer.

**Flexibility in Standards:** Moral relativism supports adaptable accounting standards that reflect the values of diverse societies, promoting acceptance of ethical practices.

**Debate on Ethical Norms:** It encourages discussions about varying moral frameworks, leading to better understandings of ethical dilemmas in accounting

Therefore, one's morality is influenced by the culture or subculture (country, tribe, class, era, or whatever) in which they live. On the grounds that it is a "accepted business practice" in that nation, this defense has been used to support the payment of bribes to obtain business favors in several jurisdictions. There are universal "standards or laws" of ethical corporate behavior that forbid the payment of bribes, thus ethical absolutists—also known as universalists or realists—would dispute that assertion. Both situations are clearly extremely insecure. The problems are exceedingly complicated because there are many more serious problems than bribery, such as torture, genocide, and poverty. Absolutists struggle with defining and always proving their positions, whereas relativists want us to ignore certain behaviors that may be highly repugnant to the majority of people.

In summary, moral relativism emphasizes the importance of awareness regarding cultural differences in ethical decision-making within accounting practice

### **Normative Theory of Ethics**

In every discussion of ethics, Bentham and Kant play a significant role. Utilitarianism, of which Bentham is the inventor, and both have had a major impact on economic theory (Blackburn, 2001). According to utilitarianism, a course of action is morally correct if and only if it complies with the principle of utility, meaning that it will produce more pleasure or happiness than an alternative or better prevent pain or sadness. His viewpoint is also known as consequentialism since it holds that an action's morality is only dependent on its results (or actutilitarianism). The importance of the repercussions of a certain act is crucial when deciding whether or not it is right to do it. As one of the primary criticisms of act-utilitarianism is that the actual act is not taken into account, just the results, the stance was reconstructed as ruleutilitarianism. Yet, this still sounds alarmingly like the ends justifies the means. A kind of cost-benefit analysis is used to determine the worth of implications. Rule-utilitarianism, on the other hand, is concerned with assessing the worth of the consequences by adhering to the best ethical standards rather than focusing on the value of a specific act.

Of course, one drawback of this is that since rules are generalizations, it only applies to broad situations rather than particular ones. As a result, it might not be useful in some particular situations. Finding the best rule will probably not be an easy procedure either.

Yet, rule-utilitarianism has long been accepted as a reliable method of judging moral behavior. It's important to consider who the repercussions will affect while talking about values and their effects. A Hobbesian viewpoint would focus on the psychological egoism of the person, whereas a consequentialist would be concerned with determining the effects of a certain action on all parties involved. Remember how the pursuit of self-interest, or psychological egoism, inspired economic thought? So, it seems counterintuitive that it serves as the foundation for an ethical egoist viewpoint. The degree to which each utilitarian variety evaluates the pursuit of self-interest, pleasure, or happiness, as well as the morality of activities, varies.

What these duties are is the subject of ethics. Kant has what is known as a deontological position; as a deontologist, he believes in obligations and proper behavior. Deontology places a strong emphasis on personal responsibility, such as being truthful, just, and faithful (Gaffikin, 2007). Always being truthful might not always be desirable, for instance when it comes to other people's safety or well-being. In other words, lying could occasionally be required to keep others safe. The normative category often includes the teleological and deontological theories of ethics. Both categorize activities as right or bad and attempt to set criteria of rightness or wrongness, despite the fact that they are fundamentally different from one another. As a result, they are interested in behavioral standards.

### **Metaethics**

Metaethics, a branch of moral philosophy, was developed by David Hume 1976. This was an investigation of the significance and validity of moral language. It follows strict deductive logic norms as it investigates the nature of ethical ideas and claims. The following types of questions are addressed by metaethics: ontological questions such as the creation of moral facts; ontological questions such as the possibility of moral knowledge and, if so, the extent of such knowledge; and epistemological questions such as the meaning of morality such as good, right, and ought. Murder is wrong is an often cited illustration of Hume's concept of metaethics. Hume argues that since it



is a moral conviction rather than an empirical observation, it is impossible to "prove" such a claim. Hume was a radical empiricist who distinguished between factual and moral claims, just like the positivists. Positive accounting theorists make a same assertion on the difference between "is" and "ought" statements. Consequently, when someone states that murder is wrong, they are simply expressing their disapproval of the crime. Contrary to the subsequent positivists, Hume claimed that moral ideas are far from insignificant or worthless and are psychological rather than logical or scientific.

The Theory of Rights and Justice, developed by philosopher John Rawls in his 1971 work "A Theory of Justice," presents vital principles of fairness and equality within society. At its core is the idea of a "veil of ignorance," suggesting that individuals, when creating a just society, should do so without awareness of their future social position. This theory holds significant implications for accounting practice.

### **Theory of Rights and Justice**

The Theory of Rights and Justice, developed by philosopher John Rawls (1971), presents important principles of fairness and equality. Central to this theory is the "veil of ignorance," which suggests that individuals should create a just society without knowing their future social standing. This theory has significant implications for accounting practices:

**Fairness and Equity:** Justice should underpin all accounting interactions. Accountants must prepare accurate financial statements that serve the interests of all stakeholders—investors, employees, creditors, and the community.

**Transparency:** Justice promotes the need for transparency in financial reporting, where accountants have an ethical obligation to disclose essential information, enabling stakeholders to make informed decisions based on reliable data.

**Ethical Decision-Making:** The developer encourages accountants to consider the wider societal impacts of their choices. When faced with dilemmas, they should prioritize the interests of all stakeholders rather than focusing solely on shareholder profits.

**Corporate Social Responsibility:** The theory emphasizes organizations' moral responsibilities to society. Accountants play a vital role in ensuring compliance with socially responsible practices and accurately reporting these commitments. In summary, the Theory of Rights and Justice provides a crucial framework for ethical standards in accounting, emphasizing fairness, transparency, and accountability toward all stakeholders.

### **Theory of Virtue**

MacIntyre (1984) propounded this theory and thought that contemporary ethics was seriously flawed. He maintained that the disagreements between utilitarianism and deontology were essentially unwinnable and fruitless. Too much emphasis was placed on individuals and their personal moral choices. He claimed that the community, moral health, and welfare needed to be prioritized. Returning to Aristotle's perspective, he said that rather than focusing on the things we accomplish, we should consider the kind of people we ought to be. The name for this is Virtue Theory. The "good person" was typically viewed by theorists as a "good citizen" who contributed to the state. Hence, the way they conceptualized morality has political overtones. Everyone agrees that happiness is the key to living a happy life, but it can be difficult to define. He believes that the key to finding the solution is to define what humans are—their purpose. When people are happy, they are functioning well.

It must act morally toward one another because we live in societies. This is the virtuous life, and governments should promote it by promoting justice, fairness, temperance, courage, and other virtues. People need to be educated to draw out the latent kindness in people. The communitarian concept of virtue theory places a strong emphasis on an individual's moral inclination, character, and way of life. In conclusion, the good person is aware of what is morally correct; it is important to recognize virtues; societal virtues come from a person's profession, society, or tradition; it is important to discern between exterior and interior rewards, such as riches, position, power, and pleasure.

Few of empirical reviewed examined in this study include Enofe et al. (2019) used a survey research approach to evaluate how ethics affected accounting practice in Nigeria. The authors used a questionnaire to collect data from 147 respondents, including accountants, auditors, and management of certain organizations in Nigeria. The authors found that corporate governance enhances ethical compliance of accounting professionals as well as accounting regulatory bodies increases the amount of conformity with ethical norms, and that ethics have an important function in accounting practice. The effect of accounting ethics on the professional practice of accountants in Nigeria was studied by Emenike-Wali and Chukwu in 2021. Data was collected by the authors through questionnaires, as well as the basic regression model was used to analyze it. According to authors, there is a connection between Nigerian accountants' professional conduct and accounting ethics.

The study also discovered a beneficial relationship between Accounting Professional Ethics and corporate firms' honest reporting of financial statements. Once more, accounting professional ethics have a good impact on the corporate organizations' financial statements' relevance. Maduka, et al. (2022) examined Nigerian accounting methods and global ethical considerations. The research used a review of earlier studies' writings on the issue. The study's conclusion was that Nigeria's accounting culture allows innovative accounting techniques, income smoothing, and window dressing.

### **Threats to Ethics**

Threats to ethics, according to Blackburn (2001), include egoism and selfishness as well as a lack of belief in any overarching ethical standards. Of course, neo-liberal ideology and neo-classical economic theory institutionalize this. Another describes it as "evolutionary theory" and is similarly related to the first. This can be understood to suggest that they believe in social Darwinism, which is the false idea that there is a basic scientific justification for behaving in one's own best interests because only the fittest must live. List determinism is an additional one. This is the idea that since "life" has already been predetermined, there is little value in acting philanthropically. Threat is making unrealistic demands; we put too much pressure on ourselves.

He then cites false consciousness, implying that we frequently act for the wrong reasons and that we should carefully consider why we take certain acts. Blackburn believes that these are the most obvious threats, though there may be others as well. Everyone beginning a professional career should be mindful of how their actions may affect other people and society at large and keep in mind that a professional is someone who works to serve the public interest.

### **Methodology**

Explanatory research design was employed in the study to review previous related studies, some authors have empirical findings while others focused on conceptualization.

### **Conclusion and Recommendations**

Whatever method is used to try to comprehend ethics, it continues to be a major issue in modern cultures and the cornerstone of their "correct" functioning. It has an impact on every element of society and is typically seen as the mark of a vocation. Accountants have acknowledged this, and the profession has created a code of conduct for its members. Members are required to abide by both the "letter of the code" and its "spirit," though. Therefore, it is crucial that accountants have a thorough understanding of the topic that goes much beyond the Code's statement. It is therefore determined that accounting theory and the ethical dimensions have a connection to accounting practice according to the analysis of the examined research by earlier academics. The study can also infer that accounting theory is a body of concepts that is generally acknowledged as a description of accounting processes. Hence, if accountants are to continue to be considered members of a legitimate profession, they must clearly declare their devotion to the guiding ideal of public service in their communications with the public. The paper adds to the body of knowledge by looking at how accounting theory and ethical considerations relate to accounting practice and how ethics influence accounting methods. The study's lack of reliance on potentially subjective due to the study not empirically implied. To further study using empirical studies as a foundation, more research needs to be done.

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