

Ethical Challenges in Accounting Practice in the Era of Performance-Based Reporting

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Abstract

Accountants' ethical behavior is crucial to financial reporting's credibility, transparency, and stakeholder confidence, particularly in performance-based reporting systems. Even though accounting ethics have been extensively discussed in the literature, there are surprisingly few empirical studies that statistically investigate the connection between ethical aspects and the quality of fiscal reporting. This research aims to investigate the impact of significant ethical principles on ethical decision-making in accounting practice. Quality in fiscal reporting, sincerity, objectivity, competence, secrecy, and professional conduct are among these guiding principles. The study employs a descriptive and analytical research approach to collect primary data from 143 accounting professionals by utilizing a structured questionnaire. After making sure the data was suitable using reliability and normality tests, we used Spearman's rho correlation analysis to look for correlations between the variables. At the 1% significance level, the results show a positive and statistically significant correlation between fiscal reporting quality and all measured ethical dimensions, suggesting that adhering to ethical standards significantly improves reporting quality. Strong ethical frameworks, regulatory compliance, and professional integrity greatly reduce the likelihood of ethical dilemmas intensifying due to performance constraints, according to the study's findings. It is suggested that businesses incorporate ethical indicators into performance reviews, enhance ethics education, and promote ethical leadership in order to foster an atmosphere in the accounting industry where honesty and professionalism are valued.

Keywords: Ethical issues, accounting, regulatory framework, professional standards, technology, ethical leadership, organizational culture.

I. Introduction

Accounting ethics is a fundamental component of reliable financial reporting that fosters openness and confidence in business dealings. According to the American Accounting Association (AAA), accountants and auditors are expected to uphold a code of ethics that includes responsibility, impartiality, honesty, and integrity. In order to keep the public interest and the integrity of the accounting profession intact, it is vital for accountants to behave ethically (Velasquez, 2019).

When it came to documenting monetary transactions, the ancient scribes of Mesopotamia and Egypt were held to a high standard of honesty and precision. This practice has strong historical roots in accounting principles. Accounting as we know it today may have its roots in the work of Luca Pacioli, who in the 15th century popularized double-entry bookkeeping and the concept of keeping financial records that are accurate and balanced [2]. Ethical issues in accounting have become more challenging in recent times as a result of globalization, technological advancements, and the increasing complexity of commercial operations. As an example, the 2001

Enron affair brought attention to the disastrous results of immoral accounting procedures; it caused the downfall of one of the world's biggest energy firms and prompted several demands for changes to regulations [3].

The significance of violations of accounting ethics is demonstrated by numerical statistics. According to the Association of Certified Fraud Examiners (ACFE), financial statement fraud is one of the most prevalent forms of wrongdoing and costs businesses more than 5% of their annual profits. According to the findings of Deloitte, 47 percent of executives believe that their companies are not prepared to deal with ethical issues, so accounting ethics must receive more attention [4]. Finally, the introduction provides a fundamental overview of accounting ethics by outlining its historical development and highlighting current issues. The provided numerical data emphasizes the significance of addressing accounting ethics to safeguard organizations' integrity and stakeholders' interests. Through in-depth research and analysis, the article will continue to clarify key ethical issues and the implications for accounting practice.

A. Objectives of the Study

- Look into the particular ethical issues accountants face when they use performance-based reporting systems.
- To investigate the relationship between performance incentives and accounting ethics.
- To ascertain how ethical pressure affects the professional judgment of accountants.
- Examine the ways in which regulatory compliance makes it easier to reduce unethical accounting practices.
- Create a statistical model to investigate how ethical decisions are affected by performance-based incentives.

II. Historical Background Of Accounting Ethics

The development of accounting ethics has been influenced by a variety of cultural, legal, and philosophical shifts over time. The foundation for ethical accounting methods was created by ancient civilizations like the Egyptians and Mesopotamians, who kept detailed records and held themselves accountable [5]. The Code of Hammurabi, which was written in 1754 BCE and was a reflection of the early recognition of ethical values in accounting, emphasized honesty and justice in business dealings. The work of mediaeval academics like Luca Pacioli had a major impact on the evolution of accounting ethics. The concept of double-entry bookkeeping was developed in Pacioli's groundbreaking "Summa de Arithmetica, Geometria, Proportioni et Proportionalita," which emphasized the need for accurate and open financial records. When Pacioli's principles were broadly accepted across Europe and beyond, it was a watershed event in accounting ethics' history [6].

Throughout the Industrial Revolution, new ethical issues with accounting emerged as a result of the increased demand for intricate financial reporting systems brought about by industrialization and rapid economic expansion. With the rise of corporations, the demand for reliable financial data skyrocketed, which led to the establishment of regulatory agencies and professional accounting standards. The American Institute of Certified Public Accountants (AICPA), for instance, was established in 1887 with the intention of encouraging professional ethics among American accountants [7]. Numerical data demonstrate the relevance of previous advancements in accounting ethics. For instance, Hirst and Ye (2019) discovered a positive correlation between financial success and adhering to ethical accounting standards. This suggests that firms may gain in the long run by acting ethically. Further supporting the need to understand historical context, Trotman and Trotman (2018) found that historical precedents had a significant impact on the development of modern accounting ethical frameworks [8].

In conclusion, the development of accounting ethics may be better understood by looking at its historical context. By looking back at significant events and what they meant for the field, experts in accounting can learn more about the current ethical dilemmas.

III. Regulatory Framework And Professional Standards

The regulatory environment and professional standards have a significant impact on ethical behavior in the accounting profession. Here, we examine the regulatory bodies and professional standards that influence accounting ethics in the workplace [9].

A. Regulatory Bodies

Accounting ethics in India are overseen by regulatory agencies including the Securities and Exchange Board of India (SEBI) and the Institute of Chartered Accountants of India (ICAI).

The chartered accountants profession in India is overseen by the ICAI, which was created under the Chartered Accountants Act, 1949. Integrity, impartiality, and professional conduct are some of the concepts outlined in the Code of Ethics, which establishes ethical standards for members [10].

SEBI, India's securities market regulator, plays a crucial role in ensuring openness and honesty when it comes to the financial reporting of listed companies. Listed firms are required to follow corporate governance norms that seek to improve accountability and investor trust, and SEBI also makes sure that companies follow accounting standards set by the Accounting Standards Board (ASB)[11].

B. Professional Standards

Standards for the profession are set by professional organizations like the International Federation of Accountants (IFAC) and the Institute of Certified Public Accountants (ICAI) to guarantee that accountants act professionally and ethically. Financial reporting and auditing processes are made consistent and transparent by the ICAI's Accounting Standards (AS) and Auditing Standards (SA). These requirements must be adhered to by all institution members [12]. The International Federation of Accounting Conventions (IFAC), a global organization that represents accountants, is responsible for the creation of International Financial Reporting Standards (IFRS) and International Standards on Auditing (ISA). Statistics demonstrate how regulations and professional standards have evolved in accounting. According to a survey conducted by Grant Thornton, 72% of Indian businesses believe that investors are more likely to trust their financial reports if they comply with regulations. Investor safety and financial market growth are both enhanced in nations with robust regulatory frameworks, according to a World Bank research [13].

The promotion of ethical behavior and the dependability of financial information in India are greatly influenced by the legislative framework and professional standards. By adhering to these guidelines, accounting professionals assist in ensuring open and honest financial reporting [14].

IV. Literature Review

The International Federation of Accountants (IFAC) released a twelve-point agenda shortly after its formation to direct its members' work. The code of ethics is one of the agenda items that her members are expected to follow [15]. This code of ethics for accountants was intended for both the public and private sectors of the economy, as well as the quasi- or hybrid sectors (Dankwanmbo & Izedonmi, 2018). Honesty, impartiality, competence, secrecy, and professional conduct are among the principles outlined in the codes of ethics[16].

According to Nwagboso (2008), professional accountants have a responsibility to follow all relevant regulations and refrain from doing anything that might bring shame on the profession. Insider trading, creative accounting, and stock market manipulation are all examples of such actions.

According to D'Asquilla (2001), accountants ought to have an optimistic outlook on producing high-quality financial reports. Although these actions undoubtedly assist upper management, they compromise the high-quality financial reporting that investors and other stakeholders rely on. It's possible that they won't behave professionally and provide fair and accurate financial numbers because of the pressure management places on them [17]. According to the idea of objectivity, a fundamental requirement for all professional accountants is to ensure that

their judgments in business or professional matters are free of bias, conflicts of interest, or undue influence from others. A certified public accountant's impartiality may be jeopardized by unforeseen circumstances [18]. It would be impossible to accurately predict and define all of these scenarios. Relationships that may sway professional accountants' opinions or prejudice them should be avoided.

According to Oraka and Okegbe (2015), this idea requires trust, professionalism, credibility, and high-quality service. According to Ogbonna & Ebimobowei (2011), those who practice accounting are more likely to produce reliable financial reports than those who are less objective. To ensure that their clients receive high-quality reports, accountants must adhere to the principles of objectivity in financial reporting (Enofe et al., 2015; Eginwin & Dike, 2014)[19]. The function of Nigerian regulatory agencies as it relates to ethical compliance and financial reporting was investigated by Babayanjuet al. (2017). They calculated the impact of accounting ethics on the quality of financial reporting. The intended respondents for this survey study were 142 senior executives from the four largest Nigerian accounting firms, in addition to representatives from the Financial Reporting Council of Nigeria (FRCN) and the Institute of Chartered Accountants of Nigeria (ICAN). The findings demonstrated that accounting ethics had a substantial effect on the reliability of Nigeria's financial reports. The study suggested that accounting students and professional accountants in Nigeria should receive training and education on ethical issues in order to improve the quality of financial reporting [20]. Offering a different perspective, Salaudenet et al. (2015) investigated unethical accounting practices and the accuracy of financial reports in Nigeria. The majority of respondents to the data gathered through the explanatory case study method were auditors and accountants. The findings of the study suggested that long audit tenure may compromise auditors' capacity for professional skepticism and that members of the audit committee and board of directors should have demonstrated integrity and business expertise [21].

Enofe et al. (2015) examined the impact of ethics on the quality of financial reporting in Nigerian businesses. The primary data used in the study came from questionnaires. The data analysis revealed a strong correlation between accounting ethics and the quality of financial reporting. The study's findings suggested that businesses should modify their hiring procedures in order to attract and retain morally upright individuals. Businesses ought to establish departments devoted to compliance and ethics in order to oversee and regularly evaluate the execution of ethics. Further, while performing their duties, accountants should follow the rules of professional conduct set down by the Institute of Chartered Accountants of Nigeria (ICAN)[22]. Their customers will receive accurate financial reports as a result of this.

In a similar vein, Ogbonna and Ebimobowei (2012) investigated how the reliability of Nigerian banks' financial reporting was affected by ethical accounting standards. Questions were sent out to 24 different banks in Nigeria as part of a systematic data collection effort. The survey data were examined using a variety of econometric models, such as diagnostic tests, Augmented Dickey-Fuller, Ordinary Least Square, and Granger Causality. The results indicate that ethical accounting standards and the quality of financial reports produced by Nigerian banks are strongly correlated. According to the findings of the study, accountants must uphold ethical standards in order to provide trustworthy financial reports that do not contain any significant misstatements [23]. The authors emphasized, among other things, the importance of professional accountants adhering to the rules of conduct established by their respective organizations because they keep and create accounting records. They also suggested that Nigerian banks establish ethics departments to keep an eye on financial reporting, the adherence of accountants and officers to codes of ethics, and any other actions that could harm the industry [24].

Eginwin and Dike (2014) investigated the effect of accounting ethics on the quality of financial reporting by conducting a survey of numerous oil exploration and production companies in Nigeria. Return on Investment (ROI), Earnings per Share (EPS), and Dividend per Share (DPS) were added to the company's financial reporting. The researchers also noted that honesty, autonomy, impartiality, skill, and responsibility were important to the success of the study. From 133 questionnaires that were sent to 20 oil exploration and production companies in the sample, 118 questionnaires were evaluated for the study's data. The findings demonstrated a positive correlation between accounting ethics and the quality of financial reporting in terms of ROI, EPS, and DPS. Because of this constant change, the study concluded that governments and professional accounting organizations

around the world should establish or improve ethical standards of conduct, and that accountants should always act in a highly ethical manner when performing their official duties. They will be able to provide reliable financial statements because of this [25]. When comparing the results and papers from these investigations, it is clear that they did not all adhere to the normalcy assumptions that are fundamental to parametric tools. Because the questionnaires used in this study were considered primary data. The impact of ethical accounting standards on the reliability of financial reports issued by Nigerian educational institutions has also not been investigated [26].

A. *Research Gap*

Despite the abundance of literature on these subjects, there are still significant knowledge gaps in accounting ethics, corporate governance, and fraudulent financial reporting. In the literature, ethical decision-making in the context of performance-based reporting requirements has received little empirical attention. Most of the theoretical or case-based research has focused on past crises like Enron and Satyam. Also, in the Indian accounting setting in particular, there has been a lack of research on behavioral aspects including ethical pressure, incentive-driven performance assessment, and management impact, whereas most studies have focused on regulatory compliance. Quantitative models that combine ethical pressure, performance incentives, and compliance with regulations are also clearly lacking when it comes to explaining the outcomes of ethical decisions. By applying statistical techniques to an empirical analysis of the ethical issues raised by performance-based reporting, the purpose of this study is to fill that knowledge gap.

V. Case Studies And Examples

Accounting professionals encounter real-world ethical difficulties and the consequences of their judgments. Examples and case studies help shed light on these problems. Ethical considerations in accounting are shown using examples and situations in this section.

A. *Enron Scandal*

The Enron crisis, one of the most well-known instances of corporate fraud ever, brought to light the disastrous consequences of immoral accounting practices. Discoveries of extensive financial fraud and deceit led to the collapse of Enron, one of the largest energy companies in the world, in 2001. Evidence from numbers shows how big the Enron affair was. Investors and workers alike suffered devastating losses as the company's market value crashed from \$70 billion to under \$1 billion in only one year. Arthur Andersen was yet another significant accounting firm that failed in the wake of Enron's bankruptcy[27].

B. *Satyam Computer Services Fraud*

The deception at Satyam Computer Services, which was dubbed the "Indian Enron," shocked the global business community and sparked a lot of discussion about India's transparency and corporate ethics. The chairman and creator of Satyam, Ramalinga Raju, admitted in 2009 to having inflated the company's earnings by \$1.5 billion by creating false financial statements.

A qualitative analysis of the Satyam case reveals the widespread flaws in internal control and corporate governance that allowed the theft to occur. Ramanna and Srinivasan (2013) conducted interviews with stakeholders and discovered that regulatory supervision and ethical leadership were essential [28].

C. *Lehman Brothers Collapse*

The financial crisis of 2008 and Lehman Brothers' subsequent demise should serve as a caution against overly aggressive accounting and poor risk management. Lehman Brothers filed for bankruptcy as a result of claims of accounting fraud and false financial statements against the global financial services company. According to empirical research, unethical behavior and a lack of supervision were largely to blame for Lehman Brothers' failure. Antoniou et al. (2011) uncovered proof of misleading accounting practices and earnings manipulation at Lehman Brothers, which played a role in the firm's downfall.

In conclusion, case studies like the Enron scandal, Satyam Computer Services' fraud, and Lehman Brothers' demise can teach us a lot about the consequences of unethical accounting practices. Examining these incidents allows accounting professionals to see warning signs, enhance internal controls, and maintain ethical practices in their work [29].

VI. Methodology

A. Theoretical Framework

Based on the utilitarian idea, this research was conducted. This psychological hypothesis states that high-quality financial reporting and ethical accounting practices are intertwined. By taking into account not only one's own interests but also the interests of others, it maximizes pleasure. According to utilitarianism, right actions should not cause damage to other people but should boost their pleasure or usefulness. Also, it says that an activity is good if it makes people happy in general and bad if it only makes the person doing it happy or makes everyone unhappy. Using the utilitarian theory, which has received a lot of attention in the behavioral literature, this study set out to investigate ethical accounting practices and their effect on the quality of financial reporting. The possibility of applying this theory to this issue was one of the secondary goals. The IFAC's ethical code of conducts aims to promote global harmonization of accounting procedures and standards and enhance the quality of financial reporting [30]. The literature suggests that these regulations will raise the standard of financial reporting while also advancing the accounting profession. In particular, the quality of financial reporting is believed to be affected by integrity. thus a result, we can depict the connection between honesty and the quality of financial reports thus;

$$FRQ = f(INT).....(1)$$

To uphold the objectivity principle, a certified public accountant must also provide evidence that transactions took place. The prevalent assumption is that existing research also indicates that it will enhance the quality of financial reporting. The result is that this connection would be expressed as;

$$FRQ = f(OBJ).....(2)$$

In order to continue providing their clients and employers with efficient professional service, a certified public accountant must continually keep up with advancements in the field, including new work practices and rules. If this is followed carefully, financial reporting will be of higher quality. As a result, we established the connection as

$$FRQ = f(PCD).....(3)$$

It is against the rules for a professional accountant or anyone else to benefit themselves financially or otherwise from knowledge that has been obtained via a commercial or professional connection, according to IFAC (2005). Academics assert that the reliability of financial reports is unaffected by this ethical principle. To illustrate the connection, we used the following examples:

$$FRQ = f(COF).....(4)$$

Lastly, the actions of accountants are crucial to improving the quality of financial reports. As part of this conduct, one must follow all applicable rules and regulations and refrain from doing anything that can bring shame on the profession. Professional behavior is necessary for accountants to regain public trust and confidence. As a result, we show the connection as follows:

$$FRQ = f(PRB).....(5)$$

B. Model Specification Explanatory variables

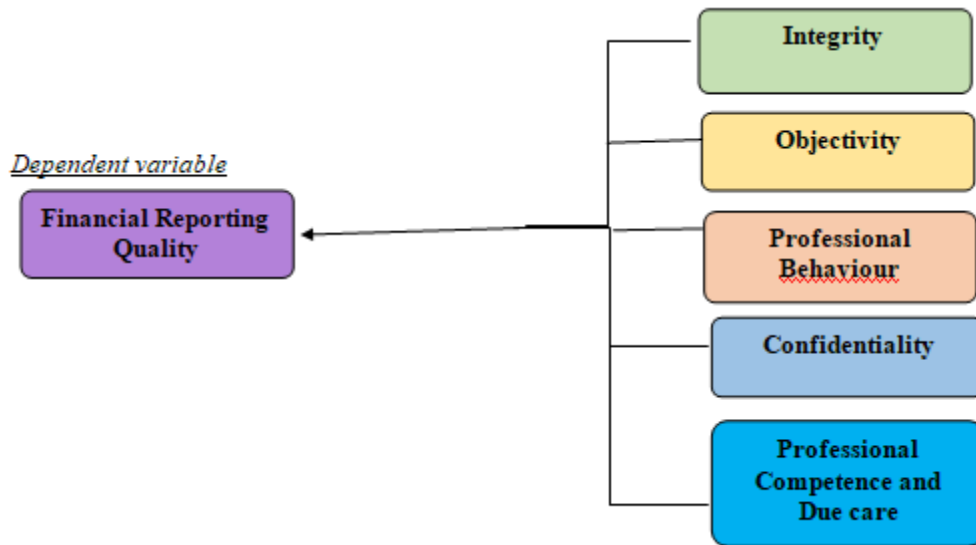


Figure 1: Schematic Representation of variables in the study

In order to construct the study's model, the theoretical framework and previously published literature were used to gather the first five equations in a functional connection. Here is the model:

$$\text{Ethical Accounting Practices} = f(\text{Quality of Financial Reporting}) \dots \dots \dots (6)$$

FRQ stands for "Professional Competence, Due Care, Integrity, and Objectivity."

$$\text{Principles of Professional Conduct and Confidentiality} \dots \dots \dots (7)$$

The FRQ may be expressed as the sum of the following variables: $\beta_0, \beta_1\text{ING}, \beta_2\text{OBJ}, \beta_3\text{PCD}, \beta_4\text{COF}, \beta_5\text{PRB}$, and ϵ .

What aspects of financial reporting quality (FRQ) OBJ stands for impartiality, and ING stands for honesty. Putting your skills to the test and exercising due care (PCD), Code of Ethics - Secrecy,

PRB stands for "Professional Conduct,"

The slope is denoted by 0; the coefficients are denoted by 1, 2, 3, 4, and 5, respectively; and the error term is denoted by 5. The a priori expectation is that $\beta_1, \beta_2, \beta_3, \beta_5, > 0$, and $\beta_4, \leq 0$.

C. Research Design

Based on positivist research philosophy and the deductive research methodology, the present study employed a survey-based mono-method quantitative research strategy. In order to gather information about the subject under investigation, the researchers in this study decided to use a survey research method. Everyone attending a university in Edo state, whether they were accountants by trade or not (including tax specialists), made up the study's population. We wanted to survey both working and retired accountants at the University of Benin and Ambrose Alli Universities in Ekpoma and Benin City, respectively. To objectively determine the sample size, the size formula developed by Taro Yamane in 1967 yielded 143. We selected them for the research using a random selection procedure to ensure that each respondent had an equal chance of being chosen [31].

D. Research Instruments

Primary data for this research came from a standardized questionnaire that we adapted from previous studies by Enofe et al. (2015) and Beeset al. (2009). To ensure consistency in replies and facilitate simple replying, the questionnaire was meticulously constructed and developed with simplicity in mind. The survey was split into two halves: Section I and Section II. The first section had five questions about the demographics and socioeconomic

status of the respondents. The second section was a statement with a 5-point Likert scale that explained the important aspects of the study.

E. Techniques for Data Analysis

The study used both descriptive and inferential statistics. Cronbach's alpha statistics, which measure a questionnaire item's internal consistency, were used to determine the reliability of our scales for collecting responses. To determine whether the variables were normally distributed, the Kolmogorov-Smirnov and Shapiro-Wilk tests were utilized. After that, we were able to proceed with our selection of a parametric or non-parametric test for the hypotheses with assurance. Because the data we have are discrete rather than continuous, their distribution is not normal. To find a relationship between categorical variables, we turned to Spearman's rank correlation, an inferential statistic. This allowed us to test our hypotheses. Version 21 of the Statistical Package for the Social Sciences (SPSS) was used for the analysis [32].

VII. Data Analysis, Interpretation And Discussion Of Findings

Tabular analyses and interpretations of the results of the obtained data constitute this section's preliminary analysis. The theories presented in the first section are also examined in this section. We were able to obtain all of the questionnaires that were provided.

Table 1: Reliability Statistics

Reliability Measure	Value
Cronbach's Alpha	0.885
Number of Items	39

Source: Author's Computation, 2018

Our study used Cronbach's Alpha statistics to check the scale of the questionnaire for internal consistency. All things considered, the Cronbach's Alpha was.885. According to the guidelines published by George and Mallery (2003), the following values may be used to grade the results: " $>.9$ - Excellent, $>.8$ - Good, $>.7$ - Acceptable, $>.6$ - Questionable, $>.5$ - Poor, and $<.5$ - Unacceptable." This indicates that our scale possesses excellent internal consistency.

Table 2: Tests of Normality

Variable	Kolmogorov–Smirnov Statistic	df	Sig.	Shapiro–Wilk Statistic	df	Sig.	Additional Test Value
Fiscal Reporting Quality (FRQ)	0.186	143	0.000	0.947	143	0.000	—
Honesty / Integrity (INT)	0.174	143	0.000	0.947	143	0.000	—
Neutrality / Objectivity (OBJ)	0.177	143	0.000	0.937	143	0.000	—
Competence and Due Care (PDC)	—	—	—	—	—	—	0.224
Secrecy / Confidentiality (COF)	—	—	—	0.942	143	0.002	0.161
Professional Behaviour (PB)	—	—	—	—	—	—	0.129

Source: Author's Computation, 2018

As can be seen in Table 2 above, our samples do not come from a population with a regular distribution. According to the Kolmogorov-Smirnov and Shapiro-Wilk assumptions, the p-value must be greater than 0.05 for the data to be considered normal. We chose Spearman's rank correlations instead of parametric statistics like Pearson's product moment correlation because all of our variables had non-normal distributions. The majority of the data presented by Likert's scale never conforms to the normalcy assumption because they are discrete rather than continuous.

A. Hypothesis Testing

Table 3: Spearman's Rank Correlations

Variables	N	Spearman's rho (ρ)	Sig. (2-tailed)
Fiscal Reporting Quality (FRQ)	143	1.000	0.000**
Professional Behaviour / Business Conduct (PB)	143	0.589	0.000**
Honesty / Integrity (INT)	143	0.574	0.000**
Neutrality / Objectivity (OBJ)	143	0.431	0.000**
Competence and Due Care (PDC)	143	0.498	0.000**
Secrecy / Confidentiality (COF)	143	0.525	0.000**

Source: Author's Computation, 2018

Table 3, which can be found above, displays a number of correlations between our dependent variable and independent factors. All variables were found to be statistically significant at the 1% level, with the exception of confidentiality (COF), which had a correlation value of 1.000 ($p = .881$). Professional Behaviour, Integrity, Objectivity, Professional Due Care, and Competence had correlation coefficients of 0.589 ($p = 0.001$), 0.574 ($p = 0.001$), 0.431 ($p = 0.001$), and 0.498 ($p = 0.001$), respectively, indicating a positive association between these factors and ethical accounting practices. As a result, the null hypotheses for professional behavior, integrity, objectivity, professional due care, and competence were rejected [33] while the secrecy null hypothesis was happily accepted.

B. Discussion of Findings

The goal of the study was to determine how financial reports' reliability is affected by ethical accounting standards. Both Ambrose Alli University in Ekpoma and the University of Benin in Benin City's accounting departments were surveyed. The IASB's qualitative characteristics were used as a proxy for the quality of financial reporting, and ethical accounting practices were modeled after the IFAC code of conduct for accountants. Our findings provided evidence to support the model's assumptions (a priori expectations) and utilitarianism on the subject. Our results were supported by D'Asquilla (2001), who concluded that accountants have good attitudes toward excellent financial reports, and by Professional Behaviour, which substantially and favorably affects financial reporting quality. This can be partially explained by the fact that management puts pressure on them to report in an ethical manner and produce high-quality work. Secondly, it was shown that financial reporting quality is much improved by being objective. Accounting professionals who place a high value on objectivity in their work are more likely to produce high-quality financial reports, according to Ogbonna and Ebimobowei (2011). Financial reports are significantly more accurate when people are honest. This result is in agreement with previous research that found a favorable correlation between integrity and the quality of financial reporting (Eginiwin & Dike, 2014; Enofeet al., 2015).

Confidentiality has a positive and slight impact on the quality of financial reporting. Similar to our findings, Ogbonna and Ebimobowei (2011) and Enofeet al. (2015) found that secrecy had no significant effect on the quality of financial reporting. This could be because their study used a statistical estimating technique and a small population [34]. Finally, the quality of financial reporting is impacted by professional competence and due care.

In order for accountants to continue providing clients and employers with efficient professional service, it is their ongoing duty to keep up with advancements in their field, including new work practices and laws.

VIII. Ethical Leadership And Culture

The ethical stance of the leadership as well as the culture of the company have a significant impact on the ethical climate of accounting firms and other organizations. This section discusses the significance of ethical leadership and offers suggestions for fostering an atmosphere of openness and honesty.

A. Ethical Leadership

By acting honestly, openly, and responsibly, a leader who leads ethically sets an example for their followers. When making decisions, moral leaders prioritize the needs of their team members and earn their trust and confidence. An ethical leader emphasizes the importance of honesty and openness in the workplace and always acts ethically. Subordinates will be able to learn from this and follow suit. Their deeds mirror their words, enhancing their credibility and enhancing their reputation[35]. Workers feel safe enough to bring up ethical issues and share their ideas without fear of punishment when ethical leaders create an atmosphere that values and welcomes feedback. The company's culture is one of openness and accountability as a result of this.

B. Fostering an Ethical Culture

The culture of an organization has a significant impact on employees' ethical behavior. A company with a strong ethical culture fosters honesty, integrity, and accountability at every level [36]. Companies that place a high value on ethics provide guidance on how to handle difficult moral decisions and communicate their standards for employee behavior. With this clarity, employees are better able to act in accordance with the organization's guiding principles. Workers who invest in ethics training and professional development programs have the knowledge and skills they need to make moral decisions under pressure. The two objectives of continuous education are to promote a spirit of continuous learning and to uphold ethical standards.

C. Implementing Accountability Mechanisms

- **Establishing Reporting Channels:** Organizations should establish transparent reporting mechanisms and safeguards for whistleblowers to ensure that employees feel safe enough to report unethical behavior without fear of retaliation. A commitment to transparency and equity is demonstrated by prompt inquiry and appropriate response.
- **Rewarding Ethical Behaviour:** When employees are recognized and rewarded for their efforts, they are more likely to act in an ethical manner and to continue upholding the company's standards. A culture of honesty and greatness may flourish when reward systems are designed to encourage moral behavior. To sum up, accounting firms and organizations must have ethical leadership and a culture that promotes ethical behavior if they want their employees to act with integrity. By encouraging a culture of openness, accountability, and constant development, organizations can improve their ethical standing and build trust among stakeholders [37].

IX. Mitigating Ethical Risks In Accounting

- **Ethical Risk Identification:** Businesses should routinely evaluate their operations for any ethical risks or weaknesses. This necessitates taking stock of potential contributors to unethical behavior, such as company culture, internal controls, and outside influences [38].
- **Putting in Place Internal Controls:** In order to identify and prevent accounting-related unethical behavior, strong internal controls must be in place. Segregation of roles, dual permission procedures, and regular audits are all strong control measures that may help organizations reduce their vulnerability to fraud and misbehavior.

- **By encouraging a culture of honesty and responsibility**, ethical leadership establishes a precedent for the organization's culture and helps reduce ethical hazards. Businesses should put resources into cultivating trustworthy executives who put ethics first when making decisions and who can motivate their teams to do the same [39].

- **Promoting Whistleblower Reporting:** Encouraging whistleblower reporting methods allow workers to disclose unethical behavior in a secure and private way, without worrying about reprisal. In order to promote openness and responsibility, businesses should set up transparent reporting mechanisms and safeguards for employees who blow the whistle.

Following these steps can help businesses reduce accounting-related ethical issues while maintaining a culture of honesty and professionalism.

X. Conclusion And Future Directions

This study examined the ethical aspects of performance-based reporting on accounting practices with a focus on Fiscal Reporting Quality (FRQ), Honesty (INT), Neutrality (OBJ), Competence and Due Care (PDC), Secrecy (COF), and Professional/Business Conduct (PB). The empirical findings demonstrate that ethical traits and high-quality financial reporting are highly interdependent, and that there is a significant correlation between the two. Normalcy tests validated the use of non-parametric statistical methods, and reliability analysis verified the measuring instrument's excellent internal consistency. Spearman's rho correlation values at the 1% significance level indicate that there is a positive and statistically significant association between FRQ and all ethical aspects. The findings suggest that in performance-based reporting situations, accounting professionals may experience greater ethical pressure to act biased, dishonest, or compromised. When authors strictly adhere to ethical standards like competence, secrecy, and professional behavior, financial reports are more reliable and trustworthy. In sum, the research shows that ethical compliance is an important factor in honest and trustworthy accounting, not only a legal need.

A. Suggestions

- When conducting performance reviews, organizations ought to incorporate ethical performance metrics in addition to monetary objectives.

- Programs for ongoing ethical education and training should be bolstered by professional accounting organizations.

Regulators should strengthen systems that monitor ethical compliance in order to reduce manipulation caused by performance pressure.

- Honesty, objectivity, and sound judgment should be rewarded in order to foster an ethical culture within an organization. Policies and processes for enforcing compliance with them should place an emphasis on secrecy and due care.

B. Limitations and Scope for Future Study

- Results may not be applicable to a broader population due to the small sample size (N = 143). Convenience sampling increases the likelihood of sample bias. Because they are based on self-reported data, the findings of the study may be influenced by respondents' subjective experiences.

- It cannot reveal long-term ethical behavior patterns because it is a cross-sectional study.

- Because the research only looked at a subset of ethical issues in accounting practice, it's possible that not all of them were taken into account.

C. Scope for Future Research

- Improved generalizability is possible with a bigger and more representative sample from other nations or areas.
- Researchers may conduct longitudinal studies in order to observe how people's ethical actions change over time.
- Structural Equation Modeling (SEM) and other advanced statistical methods may be used. It is possible to conduct research comparing private and public organizations.
- Future research may focus on how artificial intelligence-powered digital audits and reporting systems affect moral judgment.

XI. References

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