Accounting Ethics and Financial Reporting Quality of Tourism and Hospitality Firms in Rivers State

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Abstract
There has been growing concern in recent times that the recent wave of corporate scandals, which are associated with ethical bankruptcy in the accountancy practice, is eroding the relevance of accounting and financial reporting quality. This study is therefore undertaken to investigate the nexus between accounting ethics and financial reporting quality, using tourism and hospitality industry in Rivers State as a case study. The study adopted empirical research design with a positive research approach. Questionnaire was distributed, and relevant data obtained. Accounting ethics was measured with professional independence and professional competence, while financial reporting quality was measured using the qualitative attribute of reliability and understandability. Ordinary Least Square was used to develop a theoretical equation model to test the formulated hypotheses. The findings of the study support the proposition that variability in accounting ethics can account for, between 79% and 91% of the variability in the quality of financial reporting in the tourism & hospitality industry in Rivers State. Although understandability was significant at 5% level in associating with both competence and independence respectively, reliability was found to be significant at 5% level, only with independence. On the basis of these findings therefore, it was the recommendation of this study that corporate bodies establish ethics compliance units or department to boost the enforcement of ethical compliance, among others.

Keywords: *accounting ethics, financial reporting quality, independence, reliability, understandability, professional competence*

1.0 Introduction

The preparation process of any entity's financial statement is governed by accounting principles, policies, methods, techniques and systems. For those transactions and events not specifically covered by an official pronouncement; accountants must exercise professional judgment in determining the treatment that is most credible and consistent with generally accepted accounting principles. Such professional judgments may be susceptible to significant influence by the ethical leaning of the reporting accountant (Schlachter, 1990). Therefore, in other to curtail ethically unacceptable behaviour in financial reporting, a set of codes of professional standard is necessary. According to Smith (1999), all professions that are duly recognized by authorities, such as the accounting profession, have developed codes of professional ethics. The basic purpose of these 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 developed by professional associations generally hold the practicing professional to higher standards of conduct than do the laws regulating that, profession. In part, this tendency evolves from the fact that professional associations have a vested interest in enhancing the public image of the profession.This is because the role of accountants is critical to society. The role of accountants includes serving as financial reporters and intermediaries in the capital markets which mean that they owe their primary obligation to the public interest. The information provided by accountants is essential in assisting managers, investors and others in making key economic decisions. In view of that, ethical improprieties by accountants can be harmful to the accounting profession in particular and society in general, resulting in distrust by the public and disruption of efficient capital market operations. Above all, such ethical improprieties can also impair the quality of the financial report which they generate.

The quality of financial reporting points to a limit in which the financial reports of an entity, its economic status, and functions, which are measured over period of time, are presented honestly (Talebnia, Salehi & Jabbarzade, 2011). The extent to which financial reporting is perceived to be true and trusted, depend on far more than the actions and decisions of individuals or sophisticated "mechanisms" for the whole system (Enderle, 2006). This is because business practices, environments, and culture are known to possess the capability, in varying degrees, to affect the value of and hence, confidence in the financial reporting systems, (Gilligan, 1977; Langenderfer & Rockness, 1990; Paradice & Dejoie, 1991). Therefore, reliability of, and trust in the financial reporting system cannot be an issue of either personal or institutional ethics alone, (Brenkert, 2004).

Accountants' obligations are primarily to shareholders, creditors, employees, suppliers, the government, the accounting profession and also the public at large. The reporting accountants' responsibility goes beyond their immediate client because assessments made on information provided by these accountants can significantly affect the lives of any or all of these stakeholders. Consequently, behaving ethically is a vital and expected trait (Carrol, 2005). Therefore, an accountant is liable for the penalty of his moral choices not only for his own life but also on the lives of other people. A professional accountant committing fraud ruins his own moral being and also harms the interests of the other members of society who depend on him (Catacutan, 2006). Alexander & Britton (2000) noted that "*Professional ethics is important to accountants and those who rely on information provided by accountants because ethical behavior entails taking the moral point of view. Therefore, internalizing and developing professional ethics in accounting profession ultimately lead to promoting the quality of financial reporting*".

There are generally two perspectives of financial reporting quality of importance in the appraisal of financial reporting quality (Jonas & Blanchet, 2000). The first point of view relies on the users of the financial statement. Under this view, quality of financial reporting is determined on the basis of the usefulness of the financial information to its users, (Baxter, 2007). A second perspective of financial reporting quality is focused on the concept of shareholder/investor protection. This point of view ensures that all information available to users is sufficient for their needs, is transparent and competent, (Jonas & Blanchet, 2000). Quality of financial reporting as a subject is broad with several definitions of the term financial reporting quality based on the objectives of each research. For instance, Verdi (2006) defines financial reporting quality as "*the precision with which financial reports* *convey information about the firm's operations, in particular its cash flows, in order to inform equity investors"*. Researchers also define financial reporting quality as *"the extent to which the financial statements provide true and fair information about the underlying performance and financial position"*, (Q. Tang *et al.* 2008). A generally accepted definition was provided by Jonas and Blanchet (2000), who state that *"…quality financial reporting is full and transparent financial information that is not designed to obfuscate or mislead users"*. In all, the need for financial statement to reflect the economic circumstance of the reporting entity is expressly implied. Thus, financial reporting quality, especially according to the shareholders' protection perspective, can be compromised for pecuniary consideration by an accountant who lacks accounting ethics.

The Nigerian society over the years has witnessed its fair share of corporate scandals in the financial sector (Societe General Bank, Oceanic bank etc.) and non-financial (Cadbury Plc and African Petroleum) of the economy. Ogbonna (2010) argues that any organization that lacks ethical consideration may not survive for a long time to achieve its desired goals and objectives and that of its stakeholders. These failures of corporate entities have been attributed to accountants' not adhering to the codes of conduct evidenced not only in the contents of financial statements but also in its reliability by end users. Hence adequate care has to be taken on how these financial statements are presented. Aguolu (2006) says that these failures have brought to greater scrutiny the work of the accountant from both within the profession and from outside. Several ethical issues have been discussed in recent times ranging from conflict of interest, insider's dealings, objectivity, acceptance of gifts etc. scholars are of the opinion that all these ethical issues affect the quality of financial statements. The code of corporate governance (2011) provided for the composition of an ethics committee in an organization where the committee is responsible for deliberating on ethical issues as well as upholding ethical standards in the organization. This has not really yielded the right result as intended as some of the scandals over the past decade have been traced to ethical issues where most times management and auditors compromised integrity for personal and selfish gain to the detriment of the organization. Thus, the lacuna between theory and practice has necessitated the critical appraisal of ethical issues in organizations and how they affect financial reporting quality. It is therefore the purpose of this paper to investigate whether or not; accounting ethics among accountants in Rivers State is significantly associated with their financial reporting qualities, in the context of the structure of fiduciary relationships surrounding the profession in Rivers State.

The remaining part of this paper is organized as follows: section two reviews literature on accounting ethics and financial reporting quality. The third section focuses on the research methodology, section four presents the results and section five provides the conclusion and recommendations.

2.0 Literature Review

2.1. Accounting Ethics

The rapid development of human society and social relationships which is complex, necessitates the constant flux of fiduciary relationship management that is ethically acceptable. One professional development efforts needed in response to these changing conditions evolve in the form of professional codes of conduct and standards. Thus, increasing social demands in the range of accounting responsibilities in the complex web of social contracts makes the establishment of standard practice and professional behaviour expected of the accountant, inevitable. This explains why accounting services are provided under the supervision of a professional association, (Saghafi, Rahmani, & Rabie, 2010). For instance, according to principle of AICPA code 3, *Members* should accept the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism. These professional responsibilities, in order of priority, include: responsibility for society, responsibility for client, responsibility for other members of the profession, and responsibility for self. In other words, professional person should accept that after joining the profession, the interests of society take precedence over and above client's and personal interests in the discharge of his professional services.

The professional accountant is expected to provide true and accurate picture of the performance of an entity even in the face of conflicting interest involving his personal interest. Such display of professional discipline, which is the hallmark of professional objectivity, no doubt, engenders reliability, continued trust and public confidence in the accounting profession, which should further reinforce the intellectual and practical adherence to the professional standards of conduct. More so, it is believed that such professional discipline also enhances the desirable quality of the final products of the accounting profession. Such desirable qualities as faithful representation of facts, relevance and reliability of facts so presented, understandability of facts and timeliness of facts, are enhanced when the public accountant is seen to be so professionally disciplined in conduct.

2.2. Financial Reporting Quality

The primary objective of financial reporting is to provide high-quality financial reporting information concerning economic entities, primarily financial in nature, useful for economic decision making (FASB, 1999; IASB, 2008). Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit, and similar resource allocation decisions enhancing overall market efficiency (IASB, 2006; IASB, 2008).The quality of financial reporting indicates a limit in which the financial reports of a company, its economic status, and functions, which are measured over period of time, are presented honestly (Talebnia, Salehi, Jabbarzade & Kangarluei, 2011). Truthfulness of and trust in the financial reporting system depend on far more than the actions and decisions of individuals or sophisticated "mechanisms" for the whole system, (Enderle, 2006). Companies in the energy, accounting, and banking industries and the professional associations of the certified public accountants and the investment managers and researchers have, in varying degrees, affected the quality of and confidence in the financial reporting systems. Therefore, truthfulness of and trust in the financial reporting system cannot be a matter of either personal or institutional ethics alone (Brenkert, 2004).

Behaving ethically in accounting is more important than auditing because accounting system prepares financial statements for auditing, (Mahdavikhou & Khotanlou, 2011). Accountants have obligations to shareholders, creditors, employees, suppliers, the government, the accounting profession and the public at large. In other words, their obligations go beyond their immediate client. Decisions made on information provided by accountants can materially affect the lives of any or all of these stakeholders. Therefore, behaving ethically is an essential and expected trait, (Carroll, 2005). As a result, an accountant not only meets the moral consequences of their choices in life, but the lives of other people as well, (Catacutan, 2006). Professional ethics is important to accountants and those who rely on information provided by accountants because ethical behavior entails taking the moral point of view. Thus, internalizing and developing professional ethics in accounting profession lead to promoting the quality of financial reporting, (Ball, Robin & Wu, 2003).

2.3 Development of research hypotheses

Following from above line of thought therefore, the following hypotheses are drawn:

H_{01}: Professional competence of accountants in Rivers State does not have significant effect on the understandability of their financial statements

H_{02}: Professional competence of accountants in Rivers State does not have significant effect on the reliability of their financial reports

H_{03}: Professional independence of accountants in Rivers State does not have significant effect on the understandability of their financial reports

H_{04}: Professional independence of accountants in Rivers State does not have significant effect on the reliability of their financial reports

2.4 Ownership Structures and financial reporting quality

Share ownership structure can possibly have important implications for a company's corporate culture and value system. The effect of ownership concentration is found to depend on owner identity (Thomsen, 2000). Owners are an important source of ingredient for the behavioural makeup of the organization, and therefore have a far-reaching implication for the ethical practice in the firm generally. There are considerable differences between the different profiles, style or types of owners. This means that the various owner categories perceive what tolerable ethical practice is and what is not, differently. Accordingly, different owner classes will probably respond differently to different acts of management with regards to how impactful such acts may be on the financial reporting quality. For instance, state ownership, is usually associated with weak control, (Djakov, 1999), family ownership is associated with centralized control system of management, etc. La Porta, Lopez-de-Silanes & Shleifer (1999) studied the ownership structures of large corporations in 27 wealthy economies to identify the ultimate controlling shareholders of these firms. They found that, except in economies with very good shareholder protection, relatively few of these firms were widely held. The controlling shareholders typically have power over firms, significantly over their cash flow rights, primarily through participation in management. In view of the foregoing, the following hypotheses are formulated:

H_{05}: Business ownership structures in Rivers State do not have significant moderating effect on the relationship between financial statement reliability and accounting ethics

H_{06}: Business ownership structures in Rivers State do not have significant moderating effect on the relationship between financial statement understandability and accounting ethics

3.0 Methodology of Research

The population of the current study is Hospitality & Tourism industry in Rivers State. According to the membership directory of Port Harcourt Chamber of Commerce Industry, Mines and Agriculture, (see http://www.phccimang.com/portal/home.php?page=members&view=AM), there are a total of forty-three hospitality and tourism firms in Rivers State, as at 18th May, 2017. Samples for the study were collected from among these forty-three firms, using convenience sampling technique in order to avoid accessibility difficulty. Data was collected through the instrumentality of a well-structured questionnaire. This choice of data collection method is founded mostly on the imperativeness to appreciate the underlying reasons and motivations behind the phenomenon of interest to the researcher by revealing the prevalent thoughts, emotions and opinions which are not measured in numeric terms but rather in terms of the what, where, how and when that leads to the creation and interpretation of practical experience. Parametric statistics was the major technique of statistical analysis. To analyze the impact of accounting ethics on financial statement quality, multiple regression analysis was adopted. Regression analysis was used to build the working model, expressing the hypothesized relationship between the independent variables and the dependent variable. In formal terms, the research is quantitatively expressed in the following equations:

$$REL_j = \beta_0 + \beta_1 COM_j + \beta_2 IND_j + \beta_3 OWN_j + e \qquad \text{---------------} \ (1)$$

$$UND_j = \alpha_0 + \alpha_1 COM_j + \alpha_2 IND_j + \alpha_3 OWN_j + u \qquad \text{--------------} \ (2)$$

where $\alpha$and β are parameters of the regression equation, COM and IND are measures of the independent variables (COM is acronym for professional competence, IND is acronym for independence) while UND and REL are understandability and reliability respectively which are proxies to the dependent variable, *OWN* is the control variable. While α_0 and β_0 can take any value and direction, the same cannot be said for the other coefficients (α_1, β_1, α_2, and β_2). In line with the hypotheses of the study, the *a priori* expectation for the direction of association, as was measured by the slopes of the regression lines of equations 1 and 2 are as follows:

$\alpha_1 > 0$, $\alpha_2 > 0$, $\beta_1 > 0$, and $\beta_2 > 0$

4.0 Data Analysis and Discussion of Findings

Two copies of questionnaire were distributed to each of the firms in the list, following the lead addresses and largely relying on the assistance from a contact who is a Board member of the Chamber, for distribution. A total of 86 copies were dispatched successfully but only 77 were returned, thereby recording a response rate of 89.5%. Out of the returned 77 filled questionnaires, 5 were discarded because of their failure to meet the necessary conditions for inclusion in the final analysis. The whole of the remaining 72 copies of the questionnaire were used in the statistical analysis. Of these respondents, 9 (12.5 per cent) are in the position of supervisors, 15 (20.8 per cent) in middle management position while 48 (66.7 per cent) are in senior management position. These facts are presented in table 4.1 and figure 4.1.

Table 4.1: Designations of Respondents

Designations	Frequency	%
Supervisor	9	12.5
Middle Manager	15	20.8
Senior Manager	48	66.7
Total	**72**	**100.0**

The overall scores of the variables are measure on the basis of five-point Likert scale, by taking the averages of the individual scores of the manifest constructs. These are then interpreted on similar basis of five-point scale ranging from 1 (representing very low) to 5 (representing very high) for all the variables. The results are presented in table 4.9 as follows:

Table 4.2: Overall Result Summary

Variables	**Overall Score**	**Verdict**	***Internal Consistency (Cronbach Alpha)***	***EigenValues***	***Proportion Explained***
Independence	2.5	Average	0.8008	3.743	74.9%

Professional Competence	2.5	Average	0.8431	3.248	81.2%
Reliability	2.4	Very Low	0.8521	3.119	78.0%
Understandability	2.5	Average	0.9470	3.488	69.8%
Ownership Structure	2.3	Very weak	0.8550	2.327	77.6%

All the variables seem to go in the same direction (low), suggesting that all the variables are positively related. The implication of these scores is that, accounting ethics among accountants in Rivers State are positively correlated with the financial statement quality produced by them. Thus, results from descriptive statistics show that the overall average financial statement quality for the investigated accountants in the hospitality sector in Rivers State is 48.80 per cent (or 2.440 on 5-point Likert scale). On the other hand, results from descriptive statistics show that the overall average accounting ethics of accountants in the hospitality industry in Rivers State is 49.98 per cent (or 2.499 on 5-point Likert scale).
The strength and direction of relationships which were observed, as measured by Pearson's product moment correlation coefficients, reveals bivariate relationship magnitude of between 0.442(weak relationship) and 0.952 (very strong relationship), both figures expressed in absolute terms.

Table 4.3: Correlation Matrix

	IND	*COM*	*OWN*	*REL*	*UND*
IND	1.000				
COM	0.543	1.000			
OWN	0.823	0.442	1.000		
REL	0.952	0.552	0.857	1.000	
UND	0.857	0.676	0.720	0.856	1.000

There is a total of two equations which expresses the hypothetical relationships among the various variables of interest to the current study. Equation 1 without the *OWN* term, enables the testing of hypotheses 1 and 3. Similarly, equation 2 without the *OWN* term facilitates the testing of hypotheses 2 and 4, while equations 1 and 2 with the *OWN* terms enable the testing of hypotheses 5 and 6 respectively. Accordingly, the tests of hypotheses are carried out in serial sequence of equations beginning from equations 1 through equation 2 without the control variable, and a repeat of test with the inclusion of the control terms.

Equation 1 Results:
Using the OLS technique, we obtained the results as presented in table 4.4:

Table 4.4: Summary Output (Equation 1)

Regression Statistics	
Multiple R	0.893
R Square	0.797

Adjusted R Square	0.791					
Standard Error	1.630					
Durbin – Watson	1.969					
Observations	72					
	df	*SS*	*MS*	*F*	*Significance F*	
Regression	2	720.456	360.228	135.631	0.000	
Residual	69	183.260	2.656			
Total	71	903.716				
	Coefficients	*SE*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-0.1962	0.1941	-1.0108	0.3156	-0.5834	0.1910
IND	0.7463	0.0694	10.7545	0.0000	0.6078	0.8847
COM	0.3774	0.0813	4.6429	0.0000	0.2153	0.5396

With a coefficient of determination (adjusted-R^2) of 0.791, there appears to be a highly dependable relation between *UND* and the two proxies of accounting ethics. The standard error of 1.630 indicates that the fitness of the model is good. This is confirmed by the F-statistic (135.631) and F-significance with a near-zero value. The model is stable and robust with mild signature of positive autocorrelation as indicated by the Durbin-Watson statistic of 1.969. It implies that about 79 per cent variability of financial statement understandability can be explained by changes in the combined independent variables of professional competency and independence.
Both *COM* and *IND* turned out to be positively signed as expected, with *p-values* of 0.0000. Therefore at 5% level of significance, the null of zero coefficients for both variables are rejected, thereby confirming their respective statistical significance.

Equation 2 Results:
Similarly, the results as presented in table 4.18, is obtained using OLS technique.

Table 4.5: Summary Output (Equation 2)

Regression Statistics						
Multiple R	0.953					
R Square	0.909					
Adjusted R Square	0.906					
Standard Error	0.741					
Durbin – Watson	1.897					
Observations	72					
	df	*SS*	*MS*	*F*	*Significance F*	
Regression	2	375.982	187.991	342.827	0.000	
Residual	69	37.837	0.548			
Total	71	413.819				
	Coefficients	*SE*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-0.3334	0.0882	-3.7804	0.0003	-0.5094	-0.1575
IND	0.6733	0.0315	21.3538	0.0000	0.6104	0.7362

COM	0.0422	0.0369	1.1437	0.2567	-0.0314	0.1159

In respect of financial statement reliability, there seems to be a very strong coefficient of determination (adjusted-R^2) as indicated by the obtained result (0.906). It means the relationship between *REL* and the two proxies of accounting ethics (i.e. *COM*and *IND*) is very strong, such that besides *COM* and *IND*, there are other factors accounting for just about 9.4 per cent of variability of *REL*. The standard error of 0.741 further confirms the model's goodness-of-fit. The F-statistic (342.827) and F-significance with a near-zero value all bear testament to the overall structural fitness of the model. The model is stable and robust with negligible traces positive autocorrelation as indicated by the Durbin-Watson statistic of 1.897.

Of the two proxies of accounting ethics, only *IND* turned out to be significant at 5% level. Interestingly, both *COM* and *IND* also turned out to be positively signed as expected. In conclusion therefore, the result obtained leads to the confirmation of H_{02} and the rejection of H_{04}.

Results on H_{05}:
Using the OLS technique, the initial results as presented in table 4.6 is obtained.

Table 4.6: Summary Output

Regression Statistics						
Multiple R	0.962					
R Square	0.926					
Adjusted R Square	0.922					
Standard Error	0.673					
Durbin – Watson	2.053					
Observations	72					
	df	*SS*	*MS*	*F*	*Significance F*	
Regression	3	383.044	127.681	282.123	0.000	
Residual	68	30.775	0.453			
Total	71	413.819				
	Coefficients	*SE*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-0.4421	0.0847	-5.2187	0.0000	-0.6112	-0.2731
IND	0.5351	0.0452	11.8356	0.0000	0.4449	0.6253
COM	0.0436	0.0336	1.2990	0.1983	-0.0234	0.1106
OWN	0.2861	0.0724	3.9501	0.0002	0.1416	0.4307

Equation 1 is repeated with the inclusion of the *OWN* term which is the control variable. Therefore, all things being equal, results obtained from both equations should be identical, in which case, it would imply that the control variable is ineffectual. Therefore, in comparison with the results of equation 1, the coefficient of determination (adjusted-R^2) showed improvement from 0.909 to 0.922. This shows that with the introduction of *OWN* into the equation, the explanatory power improved considerably. Similarly, the standard error which indicates the fitness of the model also showed considerable improvement, as it reduces from 0.741 to 0.673. Consequently, the F-statistic and F-significance also improved, likewise the model's stability and robustness.

Both *COM* and *IND* maintained their positive signs as expected. Also, *IND* remained significant at 1% level, while *COM* still remained insignificant at 5% level. And more interestingly, the coefficient for *OWN* turned out to be positively signed, and has a *P-value* of 0.0000, thereby confirming the significance of *OWN*. Therefore at 5% level of significance, the null of zero coefficients for *OWN* is rejected, thereby confirming the statistical significance of ownership structure of hospitality businesses as a moderating variable in studying the relationship between financial statement reliability and accounting ethics of hospitality industry in Rivers State. On the final analysis therefore, the result obtained leads to the rejection of H_{05}.

Results on H_{06}

Using the OLS technique, the initial results as presented in table 4.7 is obtained.

Table 4.7: Summary Output

Regression Statistics	
Multiple R	0.893
R Square	0.798
Adjusted R Square	0.789
Standard Error	1.638
Durbin – Watson	1.923
Observations	72

	df	*SS*	*MS*	*F*	*Significance F*
Regression	3	721.255	240.418	89.599	0.000
Residual	68	182.462	2.683		
Total	71	903.716			

	Coefficients	*SE*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*
Intercept	-0.2328	0.2063	-1.1283	0.2631	-0.6444	0.1789
IND	0.6998	0.1101	6.3568	0.0000	0.4801	0.9195
COM	0.3779	0.0817	4.6245	0.0000	0.2148	0.5409
OWN	0.0962	0.1764	0.5455	0.5872	-0.2558	0.4482

In similar manner, equation 2 is repeated with the inclusion of the *OWN* term which is the control variable. Therefore, all things being equal, results obtained from both equations should be the same, in which case, it would imply that the contextual variable is not significantly impactful. Therefore, in contrast with the results of equation 2, the adjusted-R^2 deteriorated from 0.791 to 0.789. This shows that with the introduction of *OWN* into the equation, the explanatory power failed to improve, rather it deteriorated negligibly. Similarly, the standard error which indicates the model's goodness-of-fit, similarly showed slight deterioration, as it increased from 1.630 to 1.638. Consequently, the F-statistic and F-significance also modestly got worse than before, likewise the model's stability and robustness.

Very importantly, both *COM* and *IND* maintained their positive signs as before. Also, the coefficient for *OWN* turned out to be positively signed, but has a *P-value* of 0.5872, thereby confirming the insignificance of *OWN* at 5% level. Therefore at 5% level of significance, the null of zero coefficients for *OWN* is accepted, thereby confirming the statistical insignificance of ownership structure as a moderating variable in studying the relationship between financial statement understandability and accounting ethics of accountants in the hospitality industry in Rivers State.

The foregoing data analyses have produced a number of findings. Professional competence is found to have significant and positive relation with financial statement understandability, meaning that, the more the reporting accountant is perceived to be professionally competent by financial statement users, the better their understandability of the financial statement. The outcome of the foregoing analysis therefore tends to suggest the notion that financial statement users' perception of the competence level of reporting accountants determines the users' understandability of the financial statement. This notion underscores why membership to professional accounting body should be determined by rigorous assessment of competency test, not only at entry point, but also existing members to undergo mandatory continuous competency training. Since man by his nature has a tendency towards aversion to learning, it therefore becomes imperative for members (both existing and intending) to be compelled to learn the requisite skills and training, hence giving further fillip to the interventionist argument of regulation theory.

It is also the findings that professional competence is insignificantly but positively related with financial statement reliability. Thus, these findings tend to suggest that financial statement users' perception of the reporting accountant's competence does not affect their reliability on the financial statement he produces. It is also the findings of this study that the perceived professional independence of the reporting accountant in the tourism & hospitality industry in Rivers State by financial statement users, positively and significantly associate with their understandability and reliability of the financial statement. Finally, it is also the findings of this study that ownership structure as it relates to corporate governance, moderates the relationship between financial statement reliability and accounting ethics, but fails to moderate the relationship between financial statement understandability and accounting ethics.

In general, these findings which are in agreement with those of Enofe *et al* (2015), Egini & Dike (2014), and Ogbonna & Appah (2011), confirms the ethical relativism theory which holds that morality is relative to the norms of one's culture. That is whether an action is right or wrong depends on the moral norms of the society in which it is practiced. The same action may be morally right in one society but be morally wrong in another. For the ethical relativist, there are no universal moral standards that can be universally applied to all peoples at all times. The only moral standards against which a society's practice can be judged are its own. Thus, professional competence of the reporting accountant is perceived to be insignificant in affecting the reliability of the financial statement, but his perceived level of independence affects their reliability. This perhaps underscores the position of Enderle (2006) when he posited that "*truthfulness of and trust in the financial reporting system depend on far more than the actions and decisions of individuals or sophisticated "mechanisms" for the whole system"*.

5.0 Conclusion and Recommendations

The analysis of the data showed that accounting ethics had a significant relationship with financial reporting quality. The result is consistent with the study of Ogbonna & Appah (2011) that ethics in the accounting profession is fundamental in the quality of financial reports of organizations. Thus, ethical norms and codes as they relate to the accountancy profession need to be enforced (regulation theory) in order to maintain the relevance of the accounting profession to the society (social contract theory).

This study has produced empirical evidence which suggests a positive relationship between perceived professional independence of the reporting accountant and financial statement understandability by the financial statement user. The inherent nature of man to pursue self-interest is by itself, a justification for the existence of law, without which society is likely to degenerate into self-destruction. In the same token, professional practice requires some measure of ground rules to which the members of the profession are expected to comply with. Compliance with such professional codes of practice tends to instill some positive perception of reliability on the professional man by the society, the lack of which elicits suspicion of compromised independence. Such suspicion of compromised independence (both in mind and appearance) of the professional man may blur the sense of reasoning of his evaluator. This explains why perceived independence of the accountant is positively associated with the understandability of his output (i.e. the financial statement). This notion therefore underscores the imperativeness of regulation by intervention.

This study has also produced empirical evidence of positive relationship between professional competence and financial reporting quality. This finding implicates justification of the mandatory continuous education programme by some accountancy professional bodies on their members. According to this finding, better improved financial reporting quality can be achieved through continuous training and skill acquisitions offered by such programmes. At least, it will enhance the positive competency perception of the professional man by the general public, thereby leading to enhanced reliability of his final product (i.e. financial statement).

On the basis of the findings, the study concludes that high ethical standard is fundamental in achieving an objective, reliable and transparent financial report. The following recommendations are provided to improve the financial reporting framework:

1. **Improvement in recruitment process**
   Firms should endeavor to improve upon their recruitment process in order to recruit men and women with high level of ethical standing would be employed.

2. **Ethics Compliance Department**
   Business firms in should, as a matter of priority, establish autonomous department that should enforce, ethics and compliance department to direct and monitor ethics implementation in their day-to-day operations.

3. **Improved Monitoring and enforcement**
   Financial Reporting Council of Nigeria (FRCN) and other regulatory bodies should intensify effort to compel firms to comply strictly to the financial reporting framework issued by the International Financial Reporting Standards for better and more acceptable financial reports.

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