ABSTRACT.

This study examine the place of accounting standards and professional ethics on Nigeria quoted firms as it relates to earnings management. The basic purpose of accounting standards is to facilitate the provision of financial information about entities to enable investor, analysts, creditors and the entities themselves to make informed decisions about the allocation of resources. Standards in Accounting are essential and of utmost importance and as such should not be ignored or neglected in accounting related businesses and literatures. This paper looks at the meaning and reasons for standards, international financial reporting standards (IFRS). The study also examine the effect of professional ethical accounting standards on quoted firms earnings management.

INTRODUCTION

Over the years financial reporting has become a primary duties of managers of fund which enables them give account of their stewardship. In Nigeria, the companies and Allied Matters Act (CAMA), 2004 requires all incorporated firms operating within the country to keep accounting records (section 331). Its therefore expected of managers of listed firms to prepare and present annual financial reports to shareholders, who are owners of the firm and other interested users such as creditors, analysts, government, and the general public to enable them assess the performance and financial position of the reporting entity.

Therefore, the objective of financial reporting is the provision of information on the financial performance and position of the reporting entity that is useful to different users. This is to enable the users to assess the stewardship of management and make informed economic decisions (International Accounting Standards Board (IASB), 2008; Glautier, Underdown, & Morris, 2011). This means that published financial statement that fail to meet the information needs of its users do not achieve their intended purpose.

In order to achieve this objective, information contained in financial statements has to meet the basic accounting standard attributes of relevance and faithful representation and professional ethics quantitative attributes. Relevance of financial statements information is associated with the extent to which published financial information is able to influence the decision of the users. Faithful representation on the other hand entails that published financial statements information should be verifiable, neutral and complete (IASB, 2008).

The manipulative behaviour of managers, called earnings management is associated with the deliberate altering of financial statements through the use of judgment in structuring transactions to either mislead the firm's stakeholders about the true economic picture of the firm or to achieve some contractual benefit that is based on reported accounting numbers (Healy & Wahlen, 1999). Earnings management is a manager's choice of accounting policies that achieves some specific objectives.

Existing accounting literature suggests that managers engage in earnings management for different reasons such as, to earn compensation bonus (Healy, 1985), to beat analyst forecast (Comprix, Mills & Schimidt, 2007), to attract favorable subscription during Initial Public Offerings (IPO) (Teoh, Wong & Rao, 1998), and so on. The practice of earnings management however, is not without consequences for the reporting entity. Examples of these consequences include but not limited to reduction in the relevance of reported accounting information and corporate failure in worst scenarios. Earnings management is, therefore, of great

concern to regulators, practitioners and accounting researchers since it obscures facts that different stakeholders need to know about the reporting firm (Okolie, 2014). Earnings management is widespread among companies in the world. The menace has been proven by past corporate failures such as Xerox, Enron, WorldCom and Parmalat. Hence, such failures have undermined the credibility of audited financial reports and have cast doubt in the minds of shareholders as to the true economic and financial position of firms. In general, earnings management is defined as follows:

"Earnings management occurs when managers use judgment in financial reporting and in structuring truncations that alter financial reports to either mislead some stakeholders about the underlining economic performance of the firm or to influence contractual outcomes that depends on reported accounting numbers" (Healy and Wahlen, 1999).

Earnings management is seemingly difficult to detect. Chief Executive Officer (CEOs) use earnings management to misrepresent firm's financial performance to individual stakeholders of their companies including regulatory authorities, shareholders, and creditors. There are several reasons that encourage managers to engage in earnings management. First of all, managers always desire to meet shareholders' and analysts' expectations. However, some earnings management practices are out of misinterpretation of accounting framework in use while some are deliberate actions to mislead shareholders about CEO performance. A great deal of prior literature endeavor to understand why earnings are manipulated by firms, how it is manipulated, and how such misrepresentation is detected.

In view of the consequences of earnings management for the reporting firm, regulatory authorities need to put in place constant monitoring mechanisms to ensure that managers run the firm in the best interest of the shareholders. Though several countries from both developed and developing economies have made external audit of the financial reports of public companies by high quality auditors a statutory requirement, accounting scandals and corporate failures linked to earnings management still continue to occur globally. Prominent accounting scandals and corporate failures in the last few decade include: Enron and Worldcom in US, Parmalat in Italy, Cadbury PLC, African Petroleum (now Forte Oil) PLC, and Unilever PLC in Nigeria among others (Ghosh, Marra & Moon, 2010; Fodio, Ibikunle & Oba, 2013; Chandrasegaram, Rahimansa, Rahman, Abdullah & Mat, 2013; Miko & Kamardin, 2015; Mishra & Malhotra, 2016).

With these scandals in the world largest companies, the public loss confidence in the quality of published financial report and the global audit function. In response to the aforementioned corporate scandals, regulators from many nations of the world have

embarked on new restructurings and modification in other to strengthen the independence of the external auditor and also to restore the loss of public confidence in the quality of published financial reports. In the US for instance, the Sarbanes-Oxly act was passed in 2002, which established the Public Company Accounting Oversight Board (PCAOB) to oversee the financial reporting process of public companies. Similar regulatory reforms aimed at enhancing audit quality and the quality of annual financial statements produced by public firms were also carried out in UK, Canada, Malaysia, South Africa and Nigeria. However, despite these regulatory reforms to mitigate earnings management, enhance audit quality and by extension the quality of published accounting reports, accounting scandals and corporate failures involving highly reputable external auditors are still widespread globally. This has attracted the attention of accounting researchers who sought to establish the empirical link between audit quality and earnings management of firms.

Many literatures on audit quality has documented a number of audit quality attributes that affect earnings management of firms. Popular among these attributes are audit firm size, auditor industry specialization, auditor tenure, client importance, and audit committee financial expertise. The size of an audit firm is alleged to affect the earnings management of companies because big audit firms have more resources to acquire latest auditing technology than small audit firms (Sawan & Alsaqqa, 2013; Hosseinniakani, Inacio & Mota, 2014). In addition, big audit firms have more clients and their total fees are allocated among the many clients, thereby making them less dependent on any one client. Big audit firms perform more effective audit than small audit firms because they have greater wealth that is exposed to litigation risk in case of audit failure (Dye, 1993). The association between audit firm size and earnings management is supported by much empirical evidence such as Jordan, Clark and Hames (2010), Kamolsakulchai (2015), Gumanti, Nastiti, Utami and Manik (2015), and Khalil and Ozkan (2016).

Documented literature has also associated client importance with earnings management practices of firms. It is argued that relative to other clients, auditors allow their big clients more discretion in financial reporting. Auditors facing the risk of losing a big client and reporting unethical accounting practices of the client are more likely to compromise the quality of the audit exercise (Chen, Sun & Wu, 2010; Sharma, Sharma & Ananthanarayanan, 2011). The relationship between client importance and earnings management of firms is supported by empirical evidence such as Okolie (2014) and Park (2015). Also, audit committee financial expertise is another proxy of audit quality which extant literature associates with earnings management of firms. This is because audit committees whose members have accounting and financial expertise are already familiar with financial reporting environment and therefore more effective in their monitoring role over the external

auditor and financial reporting process of the company. The association between audit committee financial expertise and earnings management is documented by several empirical studies such as Badolato, Donelson and Ege (2013), Salleh and Haat (2014), Ayemere and Elijah (2015), and Mishra and Malhotra (2016).

Accounting theory through the issuance of standards gives direction and guidance on how listed firms and business enterprises could achieve the goal of proper record keeping, transparency, uniformity, comparability and enhancing public confidence in financial reporting (Van tendeloo & Vanstraelen, 2005). Meanwhile, Gluatier and Underdown (2001) stated that the need for the imposition of standards arose because of lack of uniformity existing as to the manner in which periodic profit was measured and the financial position of an enterprise presented.

On the other hand, Hendrikson (2001), revealed that accounting standards are those principles, opinion, interpretation, rules and regulations that guide firms or organization in preparing their financial reports. These are those sets of rules governing how an accounts are drawn up and interpret for decision making. Accounting standards are therefore those acceptable norms in accounting profession. As a result, the lack of uniformity made it difficult for users to compare financial reports of different companies. So the need for comparability has been judged to be the one of the most important criteria for presenting financial report (Gluatier and Underdown, 1997).

This made these professionals assembled to form a group with similar likeminded, view and understanding that is an acceptable "yard-stick or bench mark" known as Accounting standards. Researchers have shown that these standards have been very beneficiary to the accountants as well as the users of financial reports.

Standards are concerned either with how information might be presented, what information ought to be presented or how assets might be valued. Reporting standards play an important role in helping the market mechanism work effectively for the benefit of companies, users and the general public.

Hendriksen & Brenda (1997), noted that despite accounting policies are being established on an international level through the International Accounting Standards Committee (IASC), the compliance with its standards is limited to the acceptance of the standards by the representing professional accounting bodies and by other firms and government agencies within represented countries.

The dishonesty behaviour of auditors in the society and the failure of listed firms in Nigeria as well as the Public companies in every part of the world have once more increased the need for accounting professionals to adhere strictly to the code of professional ethics and practice. In Ogbonna and Appah (2011) document they cited that dishonesty in the business environment seems to be the order of the day in all

societies. Again, Ajibolade (2008) noted that recent times had observed that the collapse of a great number of corporate giant in the United States, for example Enron Corporation, Tyco International, WorldCom, Global Crossing, Arthur Anderson etc. is as a result earnings management in financial report. Nigeria as a Society has also witnessed the collapse of numerous companies in the financial and non-financial sector of the economy. While argued Ogbonna (2010) stated that any firm that lacks professional ethical considerations may not survive for a long time to accomplish its desired goals and objectives and that of its stakeholder. These failure of corporate entities witnessed in the recent time have been accredited to accountants not staying to the codes of professional ethics in the accounting profession. Aguolu (2006) also revealed that these failures that has been witnessed, over the years have brought to greater inspection the work of the accountant from both within the profession and from outside.

Meanwhile, Mathews and Perera (1996) observed that every profession has a built in code ethics to compel ethical behaviour on its members. Individual and firms from time to time have to face ethical predicaments and the problem of weakness of will. Accountants are no different. In their everyday working life they come across numerous situations where they are tempted to do something morally wrong. That is why a feature of accountancy's claim to professionalism is its commitment to professional ethical standards. This involves an assurance that the accountancy bodies and their members will not pursue their material self interest in ways that conflict with their duties to the public interest (Appah, 2010). Consequently, accountants as professionals are responsible for the preparation of financial reports need to adhere to the code of ethical accounting standards to produce reliable, relevant, timely, accurate, understandable and comprehensive financial report. While Nzotta (2008) stated that financial reporting forms the basis for economic decision making for users of financial statements.

The various shareholders need the financial reports for their economic decision making process on the investment and financial aspect of the firm. The financial statements or reports produced by the accountant should be based on certain fundamental qualities for various users to understand the content of the report. In line with this, Alexander and Britton (2000) noted that the fundamental goal of financial reports is to communicate economic measurement and information about resources and performance of the reporting firm useful to those having reasonable rights to such information. Providing high quality financial reporting information is important because it will positively influence capital providers and other stakeholders in making investment, credit and similar resources allocation decision enhancing overall market efficiency IASB (2008).

The Role, Objectives and impact of Accounting Standards and Professional Ethics on Earnings management.

This paper tends to examine the effect of Accounting Standard and Professional Ethics on earnings management in listed firms in Nigeria.

The frequent failure of corporate firms around the world in recent time has posed a question on the credibility of financial statement or reporting and on whether the management of firms has the ability to manage found provided by its investors.

The basic purpose of accounting standards is to facilitate the provision of financial information about entities to enable investor, analysts, creditors and the entities themselves to make informed decisions about the allocation of resources. Therefore, Accounting standards are essentially about disclosure and, in many respects, are at the heat of market efficiency. Obviously, accounting standards helps preparer of financial statements by providing a framework within which to construct the statements, their prime importance is to assist user of the statement to make meaningful assessments about the financial position of an entity. Effective financial statements, which is important to financiers' confidence, can only be achieved if it is unprinted by relevant and well-designed accounting standards. As the detail of financial reporting requirements is increasingly being left by legislation to be filled in by accounting standards, the importance of accounting standards is becoming stressed. Accounting standard facilities both the efficient day –to – day operations of individual business entities and contribute to the efficient operation of capital markets.

At the firm level, Accounting standards improve the accountability of individual business enterprises and their managements to investors and creditors. By stimulating accurate reporting, accounting standards assists the management of a business entity to maximize the wealth of the entity and to put in place effective and efficient corporate governance arrangements.

Accounting standards that result in the provision of accurate and comparable information about the true financial performance and position of business entities promote investor confidence and market integrity, thereby ultimately reducing the costs of capital throughout the economy public confidence in the integrity of the financial reporting framework is central to maintain and expanding a sophisticated domestic capital market (America Institute of Certified Public Accountants, 1992).

Professional Ethics therefore, are the moral principle that an individual uses in governing his or her behaviour. It is the personal criteria by which an individual distinguishes “right or wrong” (Ogbonna and Appah, 2011). Research by Ogbonna (2011), when we talk about ethics and ethical values, we mean our concern about things, which we think, say and/or practice that may not necessarily violate the rules of the organization or interfere with the law of the land or amount to outright crime or felony, but which borders on our sense or morality, our sense of right and wrong. They include issues like conflict of interest, compromising integrity, objectivity, independence, confidentiality, disclosure of official secret and destruction of official documents for financial benefit and other similar acts that are against moral principle and ethical standards.

According to Nwagboso (2008) he argued that ethics or morality as a matter of right and wrong, good and evil, are subscribers to the fact that “we are living today in an ethical wilderness”. Nwagboso believes that ethics is in turbulence and commotion among people. Hayes et al. (1999) documented that ethics represent a set of moral principles, rules of conduct or values. Ethics is apply when an individual has to make a decision from various alternative regarding moral principles.

Ethical behaviour is necessary for society to function in an orderly manner. The essence for ethics in society is sufficiently important that integrity, loyalty, and pursuit of excellent cannot be incorporated into law. On his part, Ajibolade (2008) states that ethics can be divided into Meta ethics, ethical theories and applied ethics. Meta ethics is the consideration upon ethics concepts and theories. Ethical theories is the substantive proposals regarding those consideration that would determine morally acceptable conduct and applied ethics is the deliberation related to a specific area of enquiry.

Meanwhile, Mathews and Perera (1996) declared that a formal code of ethics ensures that professional members will be more aware of the moral aspect of their work; and accessible reference tool for managers to keep ethical concerns in mind; abstract ideas will be translated into concrete terms applicable to every situation; members as whole will act in a more standardized fashion throughout the profession.

In Jenfa (2000) and Nwagboso (2008), professional ethics provides accountants with advantages; it reliefs the accountant to determine the fortune of his conduct in his professional relationship; it indicates the kind of professional attitude the accountant essential need to maintain if he is to succeed; it give the clients and potential clients a beginning for feeling assured that the professional sincerely

desires to serve them well and places services above financial reward; it gives clients assurance that standards of competence, independence and integrity shall remain the goal of the accountant; it enables member bodies and regulatory authorities to fulfill their responsibility of ensuring that the professional accountant have the capabilities and competence expected of them by employees, client and the public and public interest is protected and the credibility of the profession is enhanced.

The place of Professional Ethical Codes in the Accounting Profession

In Nwagboso (2008), he stated that accounting is a profession that is heavily rest on the need to display a high sense of accountability and stewardship, thus the importance that all professional members be conducted with the sphere of the professional code of conduct. Therefore, Aguola (2006), Jenfa (2000) Nwanyanwu (2010), Okezie, Nwagboso (2008) and Ogbonna and Appah (2011) listed the fundamental guidelines applicable to all accountants.
These professional ethics include the followings:

Integrity: It is the fundamental right for the accountant to be honest and having a strong moral principles. This do not only implies honest but fair dealing and truthfulness. This principle of integrity imposes an obligation on all accountants to be straight forward and honesty in professional and business relationships.

Objectivity: The ethics of objectivity imposes the obligation on all professional accountants to be fair, intellectually honest and free from conflict. The principle required four basic element from the accountant, credibility, professionalism, quality of service and confidence.

Technical standards: This principle require the professional accountant to carried out his service with the relevant technical and professional standards. The services should conform to the technical and professional standards of relevant accounting bodies and other legislation.

Professional Competence: A professional accountant, in assenting to professional services implies that he is competent to perform the services. Accountant should refrain from assenting to perform professional services which they are not competent to carry out unless competent advice and assistance are obtained.

Confidentiality: Professional accountants should as matter of professional ethics respect the confidentiality of information obtained or acquired during the course of performing professional services. They should not use or disclose any bit of information without proper and specific authority.

Independence: This implies that the professional accountant will have a

position to take an unbiased viewpoint in the performance of professional assignment or service. Accountant and Auditor must not only maintain an independent attitude in fulfilling their responsibility, but the users of financial report must have confidence in that independence.

Technical standards: Professional services should be carried out in accordance with the relevant technical and professional standards. The services should conform to the technical and professional standards of relevant accounting bodies and other legislation.

Reasons for Accounting Standards in preparation of financial statement

Many researchers has agreed that financial reporting practices of a country depends on several environmental factors that include legal, economic, government interference, cultural and historical background of a country. Financial reporting is not an end in its self, but is intended to provide information that is used in making reasoned choices among alternative uses of scarce resources in the conduct of business and economic activities.

Acknowledge therefore that financial report exist to satisfy the diverse information needs of different users such as management, investors, government, researcher and so on. On the other hand mandatory disclosure make listed firms to disclose information irrespective of its realization, provided that they are appropriately enforced. Thus while some countries use coercive means, through enforcement and punishment for non-compliance in order to induce application of standards, other countries make it voluntary as a channel of best accounting practices.

In Porwal (2006), he suggested the following objectives as standardization: it has help to reduce wide judgmental intuition and discretion, which has reduced the work of the external auditor considerably. It also allows for a large level of consistency in the application of accounting policies, which has help to sustain comparability.

The professional ethics standard setting process has helped to provoke a high level of research and discussion among members of the profession and this has stimulated the profession from its slumber. The information provide on the financial report should show the strength and performance of the organization to users of accounting information. Though accounting standards and policies are not legitimately and legally enforceable, but managers are required to disclose in the notes of the financial report whether the accounts have been prepared in accordance with the relevant statement of accounting standards issued by the Nigerian accounting standard board.

Developing a Common Reporting Standard.

The International financial Reporting Standards (IFRS) started in 1973 with formation of International Accounting Standard Committee (IASC) as a result of a mutual understanding by professional accountancy bodies of key player countries (United Kingdom and Ireland, United States, Germany, Japan, Netherlands, Mexico, Australia, Canada and France) to develop a set of accounting principles and standard across the globe. In its primary stage, the IASC aimed at fostering best practices in the preparation of financial statement with a view to permit different handling for given industries and dealings.

In several countries, where Accounting Standards have not earlier been laid down, international accounting standards are adopted as the country's own standards; In other countries, the principle set out in an international accounting standards are adopted as a basic for a national standard on a particular subject, guaranteeing a certain level of quality and compatibility for the particular standards; Where national standards already exist, countries may compare them with international accounting standards and seek to eliminate any materials differences; In those countries where the framework of accounting practice is contained in law, IAS member bodies endeavour to persuade the relevant authorities of the benefits of harmonization with international accounting standards (Underdown, 1997).

Barriers to common reporting standard

There are different purposes of financial reporting in various countries, in some countries the purpose is solely for tax assessment, while in others, it is for investor decision making; so also different legal systems: In some countries accounting practice are codified. The branches of law, which mostly influence accounting practice, are company law and tax law. These prevent the development of certain accounting practices and restricted the options available; again there are different user groups: in some countries they have different ideas about who the relevant user groups are and their respective importance. In USA, investor and creditor groups are given prominence, while in Europe employees enjoy a higher profile; Needs of developing counties: Developing countries are obviously behind in the standard setting process and they need to develop the basic standards and principles already in place in most developed countries; Nationalism is demonstrated as an unwillingness to accept another country's standard; Cultural differences result in objectives for accounting systems differing from country to country (Ezejelue, 2001); Unique circumstances: Some countries may be

experiencing unusual circumstances, which affect all aspect of everyday life and impinges on the ability of companies to produce proper reports, for examples, hyperinflation, civil war, currency restriction and so on; and the lack of strong accountancy bodies. Many countries do not have strong independent press for better standards and greater harmonization (Ezejelue, 2001).

Benefits of Accounting Standards

They give accountants and auditors some measure of protection from those who may try to pressurize them into using improper methods and assume their independence; they ensure that all stakeholders make contribution into the standard formulation and as such enrich the quality; they usually conform to internal accounting standards; they usually conform with all existing law and regulation requirements, for example, CAMA 1990, BOFIA 1991, and Insurance Act 2003; the standards are reviewed periodically to conform to latest economic and social developments; and the enactment of the NASB Act, 2003, gives it power to enforce compliance with standard.

The benefits of IFRS adoption

Benefits of IFRS to users and preparers of financial statements If a business adopts IFRS, the business will be able to present its financial statement on a single set of high quality and global standards.

Nigerian Statement of accounting Standards are partly outdated and are not sufficiently comprehensive enough to become a basis for preparation of high quality financial statements. Nigeria will benefit from IFRS adoption. Adoption of IFRS will result in high quality, transparent and comparable financial statements that are based on modern accounting principles and concepts that are being applied in global markets. If a company uses IFRS, the company could enjoy the benefit of raising capital from abroad. Comparison is made easier with a foreign competitor if a company presents its financial statement according to IFRS. There are companies which have subsidiaries in countries that permit IFRS and this will make the use of one accounting language possible companywide. IFRS also help the local investors to make better investment decisions.

The adoption of IFRS will improve cross border investment by enhancing comparability of financial statements prepared anywhere in the world.

Approaches to standard setting

The issue of what approach should be taken on setting accounting standards has been the subject of extensive research and debate in recent years. The need for accounting standards seems to be a matter of controversy. For example, some researchers argue that within the market mechanism there are already means that provides for efficient generation of quality financial information for users and, therefore, standards do not serve a useful purpose in improving the quality of financial report. There are others who argue that the market mechanism fails to provide the information needed by users of financial statement in the manner that is equitable and efficient and, therefore, accounting standards are necessary to regulate the provision of information through financial report (Rehma, Perera and Tower, 1992). The Advocates of the former view take a free-market approach while those of the later view take a regulatory approach to setting accounting statement.

Free-market approach

The basic assumption of the free-market approach is that accounting information is an economic good similar to other goods and services. As such, it is subject to the forces of demand and supply; demand by interested users, and supply by entities in the form of financial statements. Through the interaction between the market forces, equilibrium is reached, where an optional amount of information is disclosed at an optimal price. Where a given piece of information is demanded, the market will generate the information if the price offered is right. The market is thus presented as the ideal mechanism for determining the types of information to be disclosed, the recipient of the information and the accounting standards to govern the production of such information. The proponents of this view also argued that, mandatory standards are undesirable because they tend to over-produce standards in view of the fact that the cost of production of information is not borne by users (Kam, 1990; Udoayang, Akpanuko and Asuquo, 2009).

Regulatory approach

Advocates of a regulatory approach to accounting standard seems to believe that market failures or anomalies and perceived asymmetry in regards to the quantity and quality of financial information available to various interested parties, which lead to a decline in investor confidence, can be rectified through regulation. Furthermore, particularly, though accounting standards may be used to prepare

and represent undistorted financial statement, it will also assist auditors and regulatory agencies as it provides clear guidelines for reporting, verification and overseeing purposes, respectively (Rahma, Perera and Tower, 1992).

Arguments in favour of accounting standards

According to Matthew and Perera (1996), the following are the arguments in favour of accounting standards: In private sector regulation; Private sector regulation would mean those associations with the accounting profession. This would automatically ensure involvement by knowledgeable and experienced people in the standard-setting process; a board in the private sector commands more prestige and acceptability among the business community because a board in the public sector would be seen to be subject to pressures to help accomplished the social economic objectives of the government (Kam, 1990); Since a government body suffered with bureaucrats is likely to be insensitive to the cost effectiveness of additional disclosure requirements the cost of compliance with government regulation would be substantially higher than that of private sector regulation; there is the danger that political appointees to the board may feel that witch beams are necessary to protect the public interest or may want to take certain actions at the expense of accounting standards and the accounting profession; the legislative process and government authority could be susceptible to political lobbying and pressures than privates; government standards would be drawn up with an overriding concern for enforceability and thus would tend to be more rigid, leaving less room for judgment than standards developed in the private sector. The procedures to be followed in formulating standards would make them less adaptive to changing circumstances than standards generated by the private sector.

In favour of public sector regulation: A public sector regulation has greater legitimacy through its explicit statutory authority. Added to that is a greater enforcement power than a private agency; a governmental board would be less subject to the influence of corporate management than large professional accounting firms that would work for better disclosure for investors to enforce; a governmental body would be the catalyst for change. The private sector and market force do not provide the leadership necessary to effect such change; Public sector regulation of accounting standard is motivated by the need to protect the public interest. It provides mechanism to offset the bias that institutionally exist in the standard setting process as well as to offset the economic limitation of investors seeking adequate information (Burton, 1982); the private sector has to

be watched and controlled, given that its objectives may sometime contradict the public interest. A minimum of government intervention may be necessary to avoid extreme and negative behaviours; and accounting standards have the effect of law and should therefore be established in accordance with the general rules and procedures for making laws. As the public interest is at stake, it would be wrong to leave the setting of standards to non-public bodies which could be affected by conflicts of interest.

Financial reporting

Financial Reporting is the act of communicating to interested parties, information on the resources obligation and performance of the firm or enterprise. This is done with the financial statements; the financial statements are therefore expected to be simple, clear and easy to understand by all users.

Gaps Associates with Accounting Standards and Professional Ethics.

The following are the criticism of accounting or argument against accounting standards and professional ethics: They inhibits initiative; Accounting standards inhibit initiatives as decision has already been made. This will restrict the financial reporter (Accountant) from using his initiative as he is compelled to follow the laid down rules in the standard (ICAN, 2006).

They rarely take accounting of peculiarities of individual business: It is said and seen that all fingers are not equal, some business enterprises are different and unique based on their lean activities, capital and location. These factors affect the operation or report of business directly and indirectly. Accounting standards here, give base and general rules on how financial activities of business organizations are to be accounted and reported without looking at the peculiarities of the small and medium enterprises (Oti, 2003).

Standards are watered-down through exposure drafts: Accounting standards are subject to lobbying, debates, negotiations, comments pressures and compromise. When proposed standards are issued out for public comment and contribution, these interested parties or intended users come together to reform these standards through their opinions in such a manner that will suit their personal and organization interests. These difficulties water-down the standard. David Masso in Hendrikson (2001), said that standard setters write rules when they cannot avoid it, so that power may be balanced and this will favour interest group.

Some National Standards are not based on conceptual framework: Although IAS is, for example, Accounting Standard Committee (ASC) of United Kingdom when it issued SSAP2 on Disclosure Accounting Policies stated 'it is not the purpose of this statement to develop a basic theory of accounting. An exhaustive theoretical approach would take an entire different form and would include for instance, many more propositions than the four fundamental concepts (going concern, accruals, consistency and prudence) referred to here." This lack of conceptual framework leads to condition and conflict among and between the four concepts. Accounting for Research and Development is based purely on prudence while accounting for stock and work in progress is based essentially on the matching convention (Akpan, 2003). A set of rules which gives backing to one method of preparing accounts**:** Might be inappropriate in some circumstances, for example, IAS4 on Depreciation of fixed asset held by enterprise for use in the production or supply of goods and services is inappropriate for investment properties (e.g. land and buildings not occupied by enterprise but held solely for investment) which are covered by IAS 25 on investment. Rigidity and little room for flexibility**:** Standard may be a friend towards rigidity and away from flexibility in applying the rules. Standards are based on general accepted accounting principles and therefore must be compiled with diligence, in case of litigation not as experience plays a vital role.

Economic consequences (cost benefit analysis)**:** The costs of gathering information and application sometimes exceed the benefits to be derived. This makes some standards not cost effective (Matthew and Perera, 1996). Legislative enforcement: Most of the standards are not being applied in financial report. This is due to lack of legislative enforcement, which is a problem to accountability.

Research problem Analysis

In our world today, auditing and accounting firms perform other accounting related services and provide a wide range of non-accounting and no-auditing services, such services has resulted in serious questions concerning the integrity, accountability and independence of the auditors on the other hand the credibility of audited financial statements. These question arise in a larger part due to a series of unexpected failures of big companies.

In order to ensure quality financial reporting by managers and to protect the

interest of investors, the accounting profession, in most countries, has developed code of ethics that bring about the guideline for auditors' competence and independence (Che Ahmed, Shafie, & Mohamad Yusof, 2006).

In Africa, particularly in Nigeria, questions have equally been awakened largely from a chains of failure of large companies and doubtful disclosures of such firm with an illegitimate payment for audit and non – audit services. Accounting firms and auditors in particulars appears to be responsible for earning management in listed firm and consequently their failure.(Gregory & Kathy 2000)

Conclusion

Accounting standards and ethics give a uniform for recording, analyzing, calculating and reporting accounting information in such a manner that financial information of a business organization can be ascertained at any time thereby enabling the user of such information make wise decisions. The purpose of ethics therefore in accounting and financial reporting is to guide the preparer of accounting information to be objective and professional in reporting an entity business activity to enable the investors and creditor to make adequate business decision.

The sole purpose of national accounting standards is to reduce the areas of differences amongst firm in the disclosure, measurement and methods of presentation of financial information in financial statement or reports and to change the quantity and the quality of information in published financial reports.

The research show that ethical accounting standards affect management earnings of listed quoted company in Nigeria. Ogbonna and Appah (2011) stated that ethics in the accounting profession is fundamental in the quality of financial reports of organization. On the basis of the findings, the study concluded that ethical accounting competence is fundamental in the production of quality financial report.

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