African Development Finance Journal
September Vol 8 No.8, 2025 PP 154-176
http://journals.uonbi.ac.ke/index.php/adfj
ISSN 2522-3186

Professional Competence, Due Care and Financial Reporting Quality: Stakeholders Perception

Dr. (Mrs) Eguono Evi Ejuvwiekoko
Raphael Dibie

Date Received: April, 15, 2025
Date Published: September, 18, 2025

http://journals.uonbi.ac.ke/index.php/adfj
ISSN 2522-3186

Professional Competence, Due Care and Financial Reporting Quality: Stakeholders Perception

By: Dr. (Mrs) Eguono Evi Ejuvwiekoko [1] and Raphael Dibie [2]

Abstract

The study investigated the impact of professional competence on financial reporting quality, adopting a stakeholders-oriented approach to understand this relationship. A survey approach was employed to gather data from investors, analysts, auditors, regulators and management. The study was analyzed using descriptive statistics, confirmatory factor and path analysis, also used for the analysis is regression. The research findings show that stakeholders view on professional competence and due care have a significant bearing on the quality of financial reporting. Specifically, due care and continuing professional development are deemed essential for ensuring accurate, transparent and reliable financial reports. This study reveals that stakeholder assess financial reporting quality based on factors such as compliance with regulations, clarity of financial disclosures, auditor's opinion and corporate governance. The results also indicated that poor professional competence and financial reporting quality can lead to loss of investor confidence, decreased market value, regulatory penalties and reputational damage. The research contributes to extant literature by providing insights into stakeholders' perception on professional competence and due care and financial reporting quality. The findings have implications for professional organizations, regulatory bodies and companies highlighting the need for ongoing training, enhanced corporate governance and independent audit committees to ensure high-quality financial reporting..

Keywords: *Professional Competence and Due Care, Financial Reporting Quality, Stakeholders' Perception, Ethical Code, Accountant*

1. Introduction

Financial reporting quality is pivotal to informed decision masking in the corporate world. Investors, regulators, analysts and other stakeholders depend on precise and trustworthy financial information to evaluate a company's performance guide strategic decision making. The professional competence of auditors and accountants is essential for maintaining high-quality financial reporting. However, recent financial scandals and accounting irregularities in some corporations like WorldCom, Enron, Tyco International, Adelphia, Polly and Peck, Bank of Credit and Commerce International, Parmalat, Global Crossing, Peregrine system, Satyam, Xerox, NAMPAK, Afri-bank and Cadbury have raised concerns about the effectiveness of financial

[1] *Department of Accounting and Finance, College of Social and Management Science Western Delta University. Oghara, Delta State, E-Mail: ejuvwiekokoeguonoevi@gmail.com or eeguono@wdu.edu.ng*
[2] *Department of Accounting, Delta State University of Science and Technology, Delta State, E-Mail: dibieraph@yahoo.com*

reporting and the competence of accounting professionals (Aamirs, Yasir, Shahzad, Abmed & Mehmood, 2014). The recent wave of corporate failures has sparked intense interest in financial reporting quality, making it essential for accountants to ensure accuracy and reliability in their reporting, both in professional practice and academic research.

This challenge is a global concern, as stakeholders' confidence has been eroded due to reliance on financial reports prepared and presented by management and audited by accountants. Restoring stakeholders' confidence in management and professional accountants requires the preparation of high-quality financial reports. To address this issue, various professional bodies worldwide have proposed and implemented measures, including the Sarbanes-Oxley Act 2002, which mandates ethical behavior in the US. However, among the consensus according to Catacutan (2006) was that to restore stakeholders' confidence, the members of the accounting profession should be professional in carrying out their duties.

The professional code of ethics serves as a comprehensive guide for accountants, providing rules, principles standards that accountants must adhere to, ensuring that their professional actions align with the highest ethic in the profession in promoting integrity, objectivity and transparency in the accounting profession. Professional code of ethics can be referred to as ethical responsibilities of an organization. Ethical responsibilities require nosiness to uphold high practices, standards and norms, even if they are not legally mandated (Ezechukwu & Uzuagu, 2022). These ethical codes are inclusive of objectivity, integrity, professional competence and due care, professional behavior and confidentiality (Bakhtiari & Azimifar, 2013). The focus of this study however, is on professional competence and due care, how it affects financial reporting quality.

1.1 Research Problem

The quality of financial reporting is vital for stakeholders including investors, regulatory bodies and creditors among others. Professional accountant plays an important role in ensuring the reliability, transparency and accuracy of financial reports. However, recent corporate scandals and financial crises have resulted on questioning the effectiveness of the professional code of ethics in guiding accountants' behavior and decision making. Existing research provides empirical evidence of a significant link between professional competence and the quality of financial reporting (Enofe et al., 2015; Al-Alam & Firmansyah, 2019; Kaawaase et al., 2021).

However, investigation into Professional code of ethics (Professional Competence and Due Care) and financial reporting Quality-Stakeholders perception had not received serious empirical considerations. Firstly, there is a scarcity of empirical studies that investigate stakeholders' perceptions of the relationship linking professional code of ethics and financial reporting quality. Secondly, there is limited focus on stakeholders' perceptions, other studies have focused more on accountants' behavior and decision making with limited attention to stakeholders' perceptions. Thirdly, there is no adequate exploration of professional competences and due care. Existing research has not adequately explored the specific components of professional code of ethics There is ethics (Professional Competence and Due Care) that influence stakeholders' perceptions of financial reporting quality. Therefore, this research attempted to contribute to the unresolved issues of how some stakeholders' perception of professional competence and due care affects financial reporting quality by addressing the gaps identified above thereby contributing to existing knowledge professional competence and due care affects financial reporting quality by addressing the gaps identified above thereby contributing to existing knowledge.

1.2 Research Question

Based on the statement of research problem, the study seeks to answer the question; how does stakeholders' perception of professional competence and due care affect financial reporting quality?

1.3 Objective of the Research

The objective of this research is to evaluate the relationship between professional competence, due care and financial reporting quality from stakeholders' perception in Edo and Delta State.

1.4 Statement of Hypotheses

Hypothesis One: There is no significant relationship between stakeholders' perception of professional competence and Due Care on financial reporting quality in Edo and Delta State.

2. Literature Review

This section is presented in the following sub-headings; professional code of ethics, accounting ethics and its fundamental principles, professional competence and due care, financial reporting quality, ethics and financial reporting quality, professional competence and due care and financial reporting quality.

2.1 Theoretical Framework

This section examined the stakeholder theory. This theory was critically examined based on its significance to the principles of Professional Code of Ethics and Financial Reporting Quality.

2.1.1 Stakeholder Theory

This research is anchored on stakeholders' theory, Marty Packer Follett can be said to be the pioneer of forward Stakeholders theory, although she never used the word stakeholders (Demence, 2007). Her perspective began to gain ascendency between 1970 and 1980. Stakeholders, according to Freeman, (1984) were individuals or groups of individuals who affected or were are affected by the attainment of organisational objectives. Antle, Gjesdal, and Liany (1994) conceptualized stakeholders as individuals or groups of individuals who bore are burden or benefit from the firms' operations. Stakeholders, as posited by Donaldson and Preston (1995) were a set of persons or groups with genuine interest in substantive or procedural aspects of companies' activities. They classified stakeholders into primary and secondary group. The primary stakeholders were those who were instrumental to the firm's going concerns e.g. customers, government and shareholders while the secondary stakeholders were those who were not instrumental to the going concerns of the business e.g. media and trade associations. Wheeler and Sillanpaa (1997) noted that managers, investors, customers, employees, local community business partners and the natural environment were stakeholders that should be taken into cognizance in the course of articulating the governance structures of a firm. Stakeholders can be identified by the following attributes: they have power to influence companies' decisions; they have close relationship with the firm and they have importance of the claim on the firm. This study is anchored on stakeholder's theory, the justification for the shareholders theory is that the study is looked from the stakeholder's perception.

2.2 Empirical Review

Abdul, et. al. (2014) investigated effects of competence and auditor independence on audit quality. They observed that competence had a positive impact on the quality of audit. It means higher auditor's competence, higher audit quality. Yosep (2016) carried out a study to analyse the effects of competencies of auditors on the quality of financial reporting. Findings from the study shows competence of the auditor had an important role in decision making for auditors, that it was paramount for auditors to give their opinions on quality assessment of company's financial statements.

Bushi (2019) conducted an assessment of the effect of professionalism and ethical adherence in accounting standards on the quality of fiscal reports in Nigeria. The study employed a mixed research method. Collection of primary data was done through questionnaires, which was administered to seventy-five (75) respondent including accountants and auditors selected via simple random sampling. Professional independence, competence served as metrics for accounting ethics and financial reporting quality. Ordinary least square regression was used in testing the hypotheses. The results showed a significant positive relationship among financial reporting understandability and competence ($p>0.05$). However, reliability did not demonstrate a significant association with competence. Therefore, the study suggests corporate entities establish dedicated ethics compliance units to strengthen ethical adherence in various economic sectors.

Osagioduwa and Ogbonmwan (2022) examined professional accountants' codes of ethics and public sector experience, the research was conducted in four states in Nigeria. Designed employed was survey, a likert scale questionnaire was utilized to collect primary data, which was distributed to auditors and accountants with at least two years working experience. Systematic Sampling Technique (SST) was adopted, convenient sampling method was employed. Statistical techniques employed include descriptive like tables, charts, frequency distribution and percentages. The hypotheses were subjected to statistical testing using, both IT point Analytical Techniques (ITAT) and Chi-square Analytical Techniques (CAT) allowing for the validation or rejection of the proposed hypotheses. Their findings showed that professional accountants uphold integrity and objectivity in Nigerian public sector. The study also revealed that professional accountant do not significantly applies codes of ethics in their day to day activities and conducts in public sector of Nigeria. The study therefore, recommends amid others that monitoring committee be set up by The Institute of Chartered Accountant of Nigeria to continuously examine the level of members' application of the codes of ethics in real-world transactions with client. The study also recommended regular seminal/workshop on professional accountant integrity in day to day activities of organisation.

2.2.1 Professional Code of Ethics

Professional code of ethics is the moral reflection of an organistion's internal and external environment or workplace which is based on professional practice (Collste, 2012). Bushi (2019) described professional accountant ethical code as essential professional value that also provides framework for applying the stated values. Professional code of ethics is necessary for the positive image and success of the organisation (Velentzas & Broni, 2010). Osagioduwa and Ogbonmwan (2022) opined that accounting ethics entire the study of moral values and judgment as they applicable to accountancy. The business may not achieve desired goals and satisfy stakeholders' needs. It is expected that professional accountants in carrying out their duties must adhere strictly to the ethical code of conduct in their preparation, presentation and attestation to financial statements that are accurate, relevant, timely, understandable, comprehensive and reliable (Ogbonna, 2010).

Manikutty and Singh (2004) believed that values and ethics were closely related noting that ethics were based on value. They further stressed that those values were embedded in the principles, rules and regulations laid down by religious bodies and codes of conduct of past professional bodies which formed ethics for those groups of people concerned. Izedonmi (2012) identified accounting ethic purpose to include: developing framework of accounting ethics within which an accountant is expected to operate; recognizing and understanding ethical issues; the ability to deal with such issues and to apply their ethical knowledge practice. Of worthy note is Sarbanes-Oxley Act (2002) which was enacted as to restore the confidence of stakeholders'. This Act is currently affecting companies in US positivity (Onyebuchi, 2011).

Anghel-Ilcu (2014) argued that there was a lot of heterogeneity found in ethical code due to the fact that they are designed using a voluntarily process. He therefore, recommended general models of ethical code which were to stand as a guide for organisations wishing to design an ethical code of ethics .He based his research on France and the United Kingdom (UK) where he used nineteen (19) major companies' codes of ethics with a focus on specific stakeholders (shareholders, investors, management employees, customers, suppliers and government). His findings revealed that various companies had different ethical challenges which varied from country to country given that traditions and customs of the people also varied. He recommended that general ethical code should be examined by the companies in order to decide on the specific code that was applicable to their companies. However, the work did not cover the exhaustive list of code of ethics rather; it expected that each orgnisation in formulating its ethical code should add or reduce from the list of conceptualized theoretical models. Arowoshegbe, Uniamikogbe, and Ant (2017), according to their research, ethics play an important role in accounting, forming the bedrock of accounting profession. They described the relationship between ethics and accounting as symbiotic. The International Ethics Standards Board for Accountants (IESBA) which is one of the affiliated bodies of the International Federation of Accountants (IFAC), which is saddled with the responsibility of developing ethical codes, defined the accounting professional code of ethics as set of moral standards/principles identified as important for regulating the conduct and behaviour of professional accountants worldwide.

2.2.2 Accounting Ethics and its Fundamental Principles

Accounting ethics deal with applied ethics which include the study of moral values; moral principles and judgments as they apply to accounting profession (Azim & Ahmed, 2015) Accounting ethics have five fundamental principles which were developed by the International Ethics Standards Board for Accountants (IESBA). The Institute of Chartered Accountants of Nigeria (ICAN) is one of the bodies regulating the accounting profession in Nigeria aligned itself with the fundamental principles identified by the International Ethics Standard Boards for Accountants (IESBA).These fundamental principles of accounting ethics include professional behavior, confidentiality, integrity, professional competence and due care and objectivity.

2.2.3 Professional Competence and Due Care

This principle enables accountants carry out their duties skillfully and carefully. The accountant must be competent in carrying out such services and must not be involved in the provision of services he does not have the expertise in (Oraka & Okegbe 2015). The accountant should desist from agreeing to carry out any professional service he cannot handle.

2.2.4 Financial Reporting Quality

Financial reporting quality has no single acceptable definition and this can be attributed to the broadness of the concept of financial reporting quality (Achim & chis, 2014). The broadness includes disclosure of non-financial and financial information which is used in making decisions (Tasios & Bekiaris, 2012; Herath & Albarqi, 2017). Achim and Chis (2014) argued that financial information value could be determined by the quality of the financial reports. They stressed that the quality could be attributed to the legal system, the role of accounting education, financing sources, the tax system, financial reporting effect on economic development and the impact of the professional accountant on the financial report. Martinez-Ferrero (2014) opined that financial reporting quality was the authenticity of the information communicated by the reporting process. Pounder (2013) stated in his work that the quality that financial report possessed determined the value of financial reporting quality. Biddle et al., (2009) defined the quality of financial report as the exactness with which management communicated financial information or cash flow activities of an organisation to stakeholders. This definition satisfies one objectives of quality financial reporting by aiding investors in equity investment decision making (Financial Accounting Standards Board [FASB], 1978). In 2002, the International Accounting Standards Board (IASB) developed a conceptual framework aimed at incorporating the objectives of quality financial reporting which included, identifying the main component on which accounting standards were built and defining the elements of financial statements. IASB body defined financial reporting quality using the basic right and improvement of qualitative characteristics that are the foundation of decision usefulness.

Achim and Chis (2014) maintained that financial reports would be of high quality if there was good quality financial. For the information to be of high quality, the financial statements should meet certain qualitative criteria as spelt out in the conceptual framework of IASB (2008). These qualitative criteria were divided into two; enhancing and fundamental qualitative characteristics. The fundamental qualitative characteristics include relevance and faithful representation while the enhancing qualitative characteristics include timeliness, verifiability, understandability, and comparability (L&SB, 2008). The qualitative characteristics are useful to stakeholders in making decision, while the enhancing qualitative characteristics enrich the usefulness of information in the financial statements (Achim & Chis, 2004). At this point, the researcher defined financial reporting quality as the truthfulness and relevance of financial information communicated about firms' activities and financial positions.

The International Accounting Standards Board IASB (2008) stated some elements that may impact financial report quality to include accounting standards put in place, audit quality and accounting information content. Lian & Kusumah (2022) are of the opinion that auditors with better professionalism and competence, the better the quality of financial reporting. Martinez-Ferrero (2014) argued that in order to achieve quality financial report, there was the need for organisations to expand the scope of information contained in their financial reports, thereby improving the quality of their report to facilitate greater transparency resulting in well-grounded decisions by market participations. She added that the higher information quality, the more transparent the reports.

2.2.5 Ethics and Financial Reporting Quality

Ilaboya and Uwubamwen (2005) explained that ethics were tools used in enforcing ethical behaviour at all levels in an organisation or professional practices. Salaudeen et al., (2015) said that ethical codes characterized the entire image of the business ethics. Wilson (1993) opined that ethics had both cognitive and emotive values. By cognitive value, he meant that profession should have clear set of values to abide by. He added that such gave the person the pride of belonging to that profession. He further stressed that the pride would later become an emotion that would motivate the individuals to become members of that profession.

2.2.6 Professional Competence and Due Care and Financial Reporting Quality

An accountant or auditor providing professional services implies that he has the competent to perform such services. Accountants are therefore expected to refrain from agreeing to perform professional services which they are not competent to carry out unless competent advice and assistance are obtained (Ogbonna & Ebimobowei, 2012). Professional accountant are expected to possess requisite professional knowledge and skill needed to carry out the necessary duty based on current trends in practice. He/her should be conversant with current applicable legislations and techniques and act diligently while carrying out his duty which include maintaining skill and professional knowledge which will translate into competent professional service delivery (Bakhtiari & Azimifar, 2013). Bakhtiari and Azimifar (2013.) argued that professional accountants should etiquette at the level in which the client or employer has the assurance that the professional services are efficient.

2.3 Conceptual Framework and Models Specification

Professional competence and due care, going by the literature reviewed showed a positive relationship to financial reporting quality. It therefore, showed that the more professional competence the accountants displayed the higher the quality of the financial reports. Also, the more the accountants took due care, the higher the financial reporting quality. The expected functional relationship between Professional competence and due care and financial reporting quality were depicted below

Financial reporting quality =*ƒ*(Professional competence and due care) ………………………………(i)

FINRQ *ƒ* (PCDC) (………………………………………………………………ii)

Equation (ii) was transformed into econometrics term as

Where;

FINRQ= Financial reporting quality

PCDC= Professional competence and due care

2.3.1 Path Analysis of Structural Model

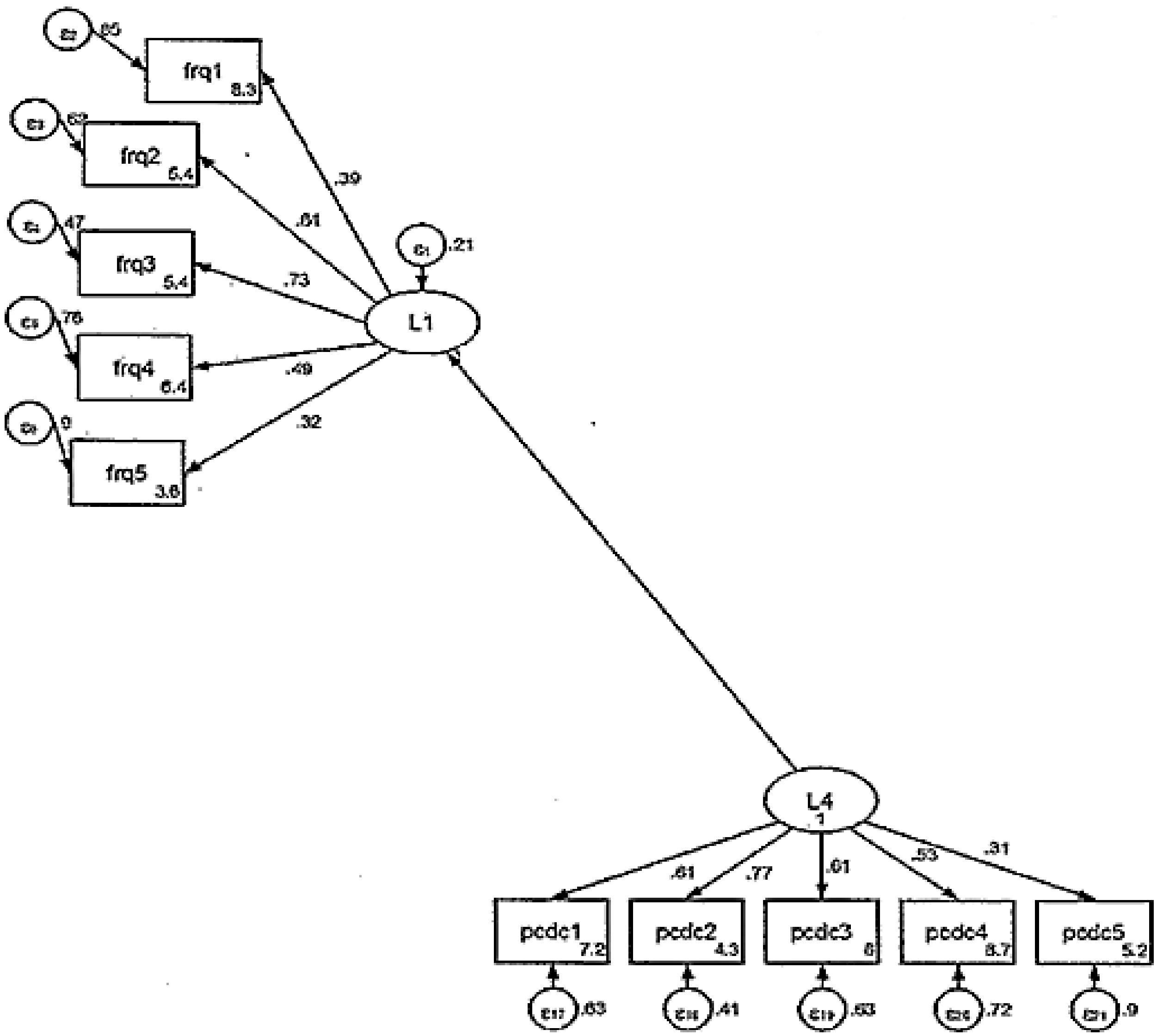

Figure: **Structural Equation Models (SEM**

3. Methodology

The exploratory research design which involved survey was used in this study. The choice of the method was based on its high reliability of eliciting information from respondents. Primary data collected through the use of a five (5) point's likert scale questionnaires which were administered on respondents. The population under study was stakeholders (investors) of financial reports who make informed financial decisions. The South-South Geographical Zone was selected based on proximity and convenience. However for the purpose of picking our samples the convenient sampling technique was used in selecting two (2) States (Edo and Delta) from the six (6) States in South-South Geographical Zone.

The assumed population of the proposal was between ages 15 and 85 years and above. The age bracket was determined based on the age range indicated in the household distribution by the National Population Commission. The statistical figure available from the National Population Commission revealed that the household distribution within the region for Delta and Edo States was 4,112,445 and 3,233,366 respectively, while the population of study was 2,573, 832 for Delta State and 2,052,720 for Edo State. The total population for both States was 7,345,811. The population of this study was approximately 4,626,552 being 62.98 % of 7,345,811. All the population figures were obtained from the Federal Republic of Nigeria 2006 Population and Housing Census published by the Nigerian Population Commission in 2010.

Table 3.1: Study Population and Sample

State	Edo	Delta	Total
Household distribution	4,112,445	3,233,366	7,345,811
Population of study	2573,832	2,052,720	4,626,552

Compilation from the Federal Republic of Nigeria 2006 Population and housing Census published by the Nigerian Population Commission in 2010.

The Yaro Yamanie (1967) formula was used to determine the sample size. It was shown below.

n= N/[1 + (Ne^2)]

Where n= sample size

N= the population

e= is the error limit (0.05 on the basis of 95% confidence level)

When the above formulae was applied, the size was therefore:

N= 4,626,552/1+4,626,552 $(0.05)^2$

n=399.96

The assumed sample size from the calculation above was approximately 400 persons

The researcher expected about 66.67% response rate, therefore, six hundred (600) questionnaires were distributed to users of financial reports. Research assistants were engaged to complement the researcher's effort ensure adequate coverage of the stakeholders.

3.1 Reliability and Validity of the Instrument

Reliability is concerned with the extent to which an instrument measures the same underlying construct in order to check the internal consistency of Likert scale from the survey instrument (Pallant, 2007). Cronbach's Alpha is a number between 0 and 1. In evaluating statistical significance, factor loadings within the range +/- .50 to +/- .70 are considered practically significant, while loadings exceeding +/- 0.70 are indicative of a well-defined structure.

Cronbach's Alpha Formula

$$\frac{a = kr^{-}}{(1 + (k-1)r^{-})}$$

a = Cronbach Alpha

K = number of indicators or number of items.

r^{-} mean inter-indicator correlation.

The value of the formula indicates the percentage of reliable variance.

Validity of an instrument assesses the degree to which it measures what it is supposed to. Validation of measurement instrument assumes that inferences and conclusions that are drawn in a research are actually valid. There are various types of validity, but for the purpose of this research, we considered external validity and internal validity (Watt and Berg 1995).

3.2 Operationalization of Variables

Dependent variable in this research was financial reporting quality and was operationally defined using relevant, faithfully representation, timely, comparability and understandability. On the other hand, the independent variable was professional competence and due. The table below showed the dependent and independent variables:

Table 3.2: Measurement of Variables

Variables	Acronym	Measurement	Expected signs
Financial Reporting Quality	FENRQ	Five questions covering relevant, faithful representation, timely, comparability and understand ability.	+
Professional competence care and due	PCDC	Five questions covering maintaining professional skill and knowledge, applicable legislation, etiquette at all level in which client has the assurance, diligence and knowledge and skill	+

4. Presentation and Analysis of Data

It forms the basis for objectively assessing the study and also for the test of the hypotheses raised in the previous chapter. It begins with the presentation and analysis of the demographic data and then examines the responses from the questionnaire. The chapter concludes by testing the study's hypotheses.

Table 4.1: Descriptive statistics of Variables Table

Variables	Mean	Standard deviation	Number	Maximum	Minimum
FINRO					
FINRO 1	4.60	0.566	400	5	3
FINRO 2	4.14	0.811	400	1	5
FINRO 3	4.15	0.833	400	1	5
FINRO 4	4.22	0.686	400	2	5
FINRO 5	3.90	1.096	400	1	5
PCDC					
PCDC1	4.493	0.633	400	5	3
PCDC2	4.053	0.943	400	5	2
PCDC3	4.255	0.708	400	1	5
PCDC4	4.324	0.651	400	5	2
PCDC5	4.398	0.839	400	I	5

The showed the descriptive statistics of the variables. As observed, for financial reporting quality, five questions were developed to reflect the construct. F1NRQ 1 had a mean of 4.60 with standard deviation of 0.566. FINRQ 2 had a mean of 4.14 with standard deviation of 0.811. FINRQ3 had a mean of 4.15 with standard deviation of 0.833. FLNRQ 4 had a mean of 4.22 with standard deviation of 0.686 FINRQ5 had a mean of 3.90 with standard deviation of 1.096.

PCDC 1 had a mean of 4.493 with standard deviation of 0.633, PDC2 had mean of 4.053 with standard deviation of 0.943. PCDC3 had a mean with of 4.255 with standard deviation of 0.708. PCDC 4 had mean of 4.324 with standard deviation of 0.651. PCDC 5 had a mean of 4.389 with standard deviation of 0.839.

4.1 Confirmatory Factor Analysis (CFA)

This analysis is used in the measurement model to test the fitness of the data in a hypothesized measurement model (Hox & Bechger, 2018). Normally CFA is usually utilized to assess a designed measurement model in SEM. It should be noted that the model is rejected if CPA shows poor confirmation of measurement. Then the results of SEM will indicate a poor fit, and the estimated parameter will be unexplainable. Therefore, CFA should be utilized in adjusting the relation between latent variables and observed in SEM, and the results should subsequently be concluded in line with an assessment of models fit statistics.

Table 4.2: Confirmatory factor Analysis for Construct Validity of FINRQ Table

Variables	**Loading**	**Cronbach's alpha**	**Item test correlation**	**Composite reliability (cr)**
FINRQ 1	0.582	0.654	0.227	
FINRQ 2	0.614	0.538	0.541	
FTNRQ 3	0.730	0.511	0.588	
FLNRQ 4	0.641	0.585	0.461	
FINRQ 5	0.801	0.706	0.271	0.761

Convergent and discriminate validity are important components of construct validity which is the way to test whether a set of measured items actually reflect the theoretical latent construct in measurement models. To evaluate convergent validity, factor loadings and composite reliability were necessary. In general, the factor loadings were larger than the critical value 0.5, which implied that the latent variables could properly explain the observed variables and the measurement model had good convergent validity. It also showed that the composite reliability value of 0.761 was greater than 0.70 which substantiated the construct validity of the variables.

Table 4.3: Confirmatory factor Analysis for (PCDC) Table

Variables	**LOADING**	**CRONBACH'S ALPHA**	**INTER-CONSTRUCT-CORRELATION**	**COMPOSITE RELIABILITY**
OBJ 1	0.539	0.699	0.6937	
OBJ 2	0.692	0.670	0.7417	
OBJ 3	0.680	0.673	0.730	
OBJ 4	0.606	0.711	0.756	0.762
OBJ 5	0.655	0.717	0.6071	

For Professional Competence and Due Care (PCDC), the factor loadings value were larger than the critical value 0.5, which implied that the latent variables could appropriately explain the observed variables and the measurement models had good convergent validity. The composite reliability value 0.762 was greater than 0.70 which substantiated the construct validity of the variables.

Table 4.4: Path Analysis Table

	Coefficient	Standard error	p-value
PCDC (L4) $\longrightarrow$ FRQ (L1)	0.9576	0.2420	0.000*
R^2 = 0.8249 Adj R^2 = 0.7849			

The regression result got from path analysis of SEM of the models was specified in the previous chapter. As observed, the construct validity of the qualitative variables had all been evaluated using the loading values and composite reliability test measures. The R2 was 0.8249, which implied that the models explained about 82.49% of the systematic variations in the dependent variable while the adjusted R2 was 0.7849. The F-stat was 3.141 (p-value = 0.00) significant at 5% and suggested that the hypothesis of a significant linear relationship between the dependent and independent variables could not be rejected. It was also indicative of the joint statistical significance of the models, from the analysis of the results. Professional competence and due care was found to have a positive and significant effect ($p=0.00<0.05$) and it appeared to reveal stakeholders' perception of accountants' professional competence reflecting ability to deliver on the job.

4.2 Tests of Hypotheses and Discussion of Results

This section explains how the working hypotheses of the study were tested based on the outcome of the results from the estimated model of the study.

4.2.1 Hypothesis

Professional Competence and Due Care has no significant effect on financial reporting quality.
The result from the analysis revealed that Professional competence and due care had no significant effect on financial reporting quality ($p=0.00<0.05$). The null hypothesis which stated that Professional competence and due care had no significant effect on financial reporting quality is rejected. A professional accountant/auditor, in agreeing to provide professional services, implies that he is competent to perform the service (Ogbonna & Ebimobowei, 2012). The findings were consistent with Bakhtiari and Azimifar (2013), Eginiwin and Dike (2014) works.

5. Conclusions and Recommendations

Professional Competence and Due Care (PCDC) factor loading values were larger than the critical value 0.5 which showed that the measurement models had good convergent and the observed variable could properly be explained by the latent variables. The calculated value of the composite reliability (CR) 0.762 was greater than 0.70 which substantiated the construct validity of the variables. The null hypothesis which stated that Professional Competence and Due Care had no significant effect on financial reporting quality was rejected.

There has been increasing number of interest in financial reporting quality in recent times both in practice and academic research, following its importance in building stakeholders' confidence on the activities of management (directors) and professional accountants. The recent financial scandals have called to question the etiquette of accountants in particular since they were accused of collusion with management. Several scholars had attributed the financial scandals to ethical negligence on the part of the board directors, auditing and accounting profession. The growing interest on ethics and financial reporting quality is basically to increase transparency, enhance the quality of the financial reports and restore stakeholders' confidence. It is important to note that in order to restore investors' confidence, ethical practice should be the watchword while ensuring that the information contained in the financial report is reasonable, well organised, unbiased and dependable. The focus of the study was to examine professional code of ethics (Professional Competence and Due Care) and financial reporting Quality-Stakeholders perception the professional competence and due care and financial reporting quality. Based on the study's results, the researcher suggests that accountants should continually update their skills and expertise to perform their duties more effectively.

References

Aamirs, S., Yasir, M., Shahzad, A., Ahmed, K., & Mehmood, N. C. (2014). Impact of unethical behaviour on accounting practices. *Journal of Basic and Applied Research,4*(7), 36-43.

Abdul, H., Sutrisno, T., Rosidi, A., & Achsin, M. (2014). Effect of competence and auditor independence on audit quality with audit time budget and professional commitment asmoderation variable. *International Journal of Business and Management Invention, 3*(6), 64-74.

Achim, A. M., & Chis, A. O. (2014). Financial accounting quality and its defining characteristic. *SEA-Practical Application of Science, 3*(5), 93-98.

Al-Alam, M. P. A., & Firmansyah, A. (2019). The effect of financial reporting quality, debt maturity, political connection, and corporate governance on investment efficiency: evidence from Indonesia. *International Journal of Innovation, Creativity and Change, 7*(6), 39-56.

Al-Alam, M. P. A., & Firmansyah, A. (2019). The effect of financial reporting quality, debt maturity, political connection, and corporate governance on investment efficiency: evidence from Indonesia. *International Journal of Innovation, Creativity and Change, 7*(6), 39-56.

Antle, R., Gjesdal, F., & Liany, P. J. (1994). Essays in accounting theory in honour of Joel S. Demski. USA: Springer.

Arowoshegbe, A. 0., Uniamikogbe E., &Atu, 0. (2017).Accounting ethics and audit quality in Nigeria. *Asian Journal of Economics Business and Accounting, 4*(2)1-15.

Bakhtiari, M., & Azimifar, M. (2013). Impact of professional ethics on financial reporting quality. *Advances in Environmental Biology, 7*(10), 2862-2867.

Biddle, G., Gilles, H., & Verdi, R. (2009). How does financial reporting quality improve investment efficiency? *Journal of Accounting and Economics, 48*(2), 112-131.

Bushi, K. M. (2019). Professionalism and Ethics of Accounting in Financial Reporting: An Overview of Nigerian Scenerio, *European Scientific Journal*, 15(25), 224-238. Doi:10.19044/esj.2019.v15n25p224. Available from URL:http://dx.doi.org/10.19044/esj.2019.v15n25p224

Catacutan, R. (2006). A humanistic perspective in teaching business ethics in accountancy. In 6 Annual Ben-Africa Conference University of Stellenbosch, Capetown, South Africa 26-28 Strathmore University Nairob4 Kenya, 1-6.

Collste, G. (2012). Applied and professional ethics. *Kemanusiaan, 19*(1), 17-33.

Donaldson, T., & Preston, L. (1995). The stakeholder theory of corporation: concepts, Evidence and implication. *The Academy of Management Review, 20*(1), 65-91.

Eginiwin, J. B., & Dike, J. W. (2014). Accounting ethics and the quality of financial reporting: A survey of some selected oil exploration and producing companies in Nigeria. *Journal of Business and Management, 16*(7), 26-36.

Enofe, A. 0., Ukpebor, I., & Ogbomo, N. (2015). The effect of accounting ethics in improving auditor professional skepticism. *International Journal of Advanced Academic Research, 1*(2), 1-16.

Ezechukwu, L.C., & Uzuagu, A.U. (2022). A review of corporate social responsibility: Its perception, practice, impact, and challenges in Nigeria. *Journal of Accounting and Business Education, 7*(1), 1-24. *DOI: http://dx.doi.org/10.26675/jabe.v7i1.26867*

Framework for Financial Reporting: The Objective of Financial Reporting and Qualitative Characteristics of Decision Usefulness Financial Reporting Information. London.

Freeman R. E. (1984). Strategic Management: A Stakeholder Approach. Ptman, Boston. Friedman, A. L., & Miles, S. (2006). Stakeholders' Theory and Practice. Oxford, USA.

Herath, S. K., & Albarqi, N. (2017). Financial reporting quality: A literature review. *International Journal of Business Management and Commerce, 2*(2), 1-14.

Hox, J. J., & Bechger, T. M. (201 8).An introduction to structural equation modeling. Family Science Review, 11, 354-373. Retrieved from http://joophox.netlpublist/semfamre.pdf 20/06/2018.

Ilaboya, 0. J., & Uwubamwen, A. B. (2005). Ethics, integrity and accounting profession: Empirical evidence from Nigeria. *Nigeria Journal of Business Administration, 7*(1-2), 8-25.

Institute of Chartered Accountants in England and Wale (2005). Audit Quality Agency Theory and Role of Audit. London.

International Accounting Standard Board (2008). Exposure Draft on an Improved Conceptual.

International Federation of Accountants, (2012). Handbook of the Code of Ethics for Professional Accountants. www.ifac.org/.. .-code-ethics-professional-accountants.

Izedonmi, F. 1.0. (2012). Ethics Manual. Powered by World Bank and Institute of Chartered Accountants of Nigeria.

Kaawaase, T. K., Nairuba, C., Akankunda, B., & Bananuka, J. (2021). Corporate governance, internal audit quality and financial reporting quality of financial institutions. *Asian Journal of Accounting Research*, *6*(3), 348-366. https://doi.org/10.1108/AJAR-11-2020-0117

Lian, L., & Kusumah, R. W. R. (2022). The Effect of Auditor's competence Professionalism, and Organizational Culture on the Quality of financial Statements. *Wiga : Jurnal Penelitian Ilmu Ekonomi*, *12*(4), 313-323. https://doi.org/10.30741/wiga.v12i4.902.

Manikutty, S., & Singh, S. (2004). A question of ethics. The Economic Times, December 24, 2004.

Martinez-Ferrero, J. (2014). Consequence of financial reporting quality on corporate performance. Evidence sat the international level. *Estudio de Economia, 41*(1), 49-88.

Ogbonna, G. N., & Appah, E. (2011). Ethical compliance by the accountant on the quality of financial reporting and performance of quoted companies in Nigeria. *Asian Journal of Business Management, 3*(3), 152-160.

Ogbonna, G. N., & Ebimobowei, A. (2012). Effect of ethical accounting standards on the quality of fmancial reports of banks in Nigeria. *Current Research Journal of Social Science, 4*(1), 69-78.

Ogbonna, G.N. (2010). Ethical considerations in corporate governance: A Survey of governance practices of corporate stakeholders in Nigeria. *International Journal of Business and Science Research, 1*(1), 91-108.

Onyebuchi, V. N. (2011). Ethics in accounting. International Journal of Business and Social Science 2(10), 275-276.

Oraka, A. O., & Okegbe, T. 0. (2015). The impact of professional accounting ethics in quality assurance in audit. International Journal of Academic Research in Business and Social Sciences, 5(8), 64-78.

Osagioduwa, L. O. & Ogbonmwan, E. E. (2022). Professional Accountants codes of ethics and the public sector experience. *Journal of Accounting and Management (JAM), 12*(3), 18-42.

Pallant S. P. (2007). SF55 Survival Manual: A step by step guide to data analysis using SF55 for window. New York, USA.

Pounder, B. (2013). Measuring Accounting Quality. Strategic Finance.

Salaudeen, Y. M., Ibikunle J., & Chima E. (2015). Unethical accounting practice and financial reporting quality: Evidence from Nigeria. *International Journal of Academic Research in Accounting Finance and Management Science, 5*(2), 143-150.

Tasios,S., & Bekiaris, M (2012). Auditor's perceptions of financial reporting quality: The case of Greece. *International Journal of Accounting and financial Reporting, 1*(2), 57-74.

The Institute of Chartered Accountants of Nigeria (2008). Rules of professional code of conduct for members. Nigeria.

The International Federation of Accountants (2004).Handbook of International Auditing, Assurance and Ethics Pronouncement, International Federation of Accountants. Retrieved 13/01/2016. http://www.ifac.org/members/downloads/iaasbhandbook2004.pdf.

The Sarbanes- Oxley Act of 2002

Velentzas, J., & Broni, G. (2010). Ethical dimensions in the conduct of business: Business ethics, corporate social responsibility and law, the "ethics on business" as a sense of business ethics. International Conference on Applied Economics-IC OAR 795-819.

Watt, J. H., & Berg, S. V. D. (1995). Research Methods for Communication Science. Allyn & Bacon.

Wheeler, D., & Sillanpaa, M. (1997). The Stakeholder Corporation: A Blueprint for Maximizing Stakeholder Value. Pitman.

Wilson, J. Q. (1993). The moral sense. American Political Science Review, 87(01), 1-11.

Yaro Yamanie (1967).

Yosep, M. (2016) Effect competencies, independence, objectivity of the function of internal audit (implication for quality financial reporting). European-American Journal, 4(5), 57-72.