

**EFFECTS OF ETHICAL ACCOUNTING PRACTICES ON FINANCIAL  
REPORTING: A SURVEY OF LISTED FIRMS IN KENYA**

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**A Research Project Presented to the School of Post Graduate Studies in  
Fulfilment of the Requirements for the Award of Degree of Master of  
Business Administration (Accounting Option) by  
Kabarak University**

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## DECLARATION

### Declaration by the Candidate

This research Project is my original work and has not been presented for examination or award of any Certificate, Diploma or Degree in any academic institution.

**Signature**.....

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## RECOMMEDATIONS

To Post graduate studies,

This research Project entitled “**Effects of Ethical Accounting Practices on Financial Reporting: A survey of listed firms in Kenya**” written by **Douglas Paul Kukutia** has been submitted with our recommendations as the university supervisors.

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## **DEDICATION**

I would like to dedicate this work to my parents and my family who have been of great support to me, my lecturers for their encouragement during the course of my studies. I also dedicate this work to my friends for their continued encouragement and support all through my studies.

## **ACKNOWLEDGEMENTS**

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## ABSTRACT

The study sought to investigate the effects of ethical accounting practices on financial reporting of listed firms in Kenya. The study therefore examines the effects of accounting objectivity, professional competence, integrity and confidentiality on listed firms in Kenya. Listed firms in Kenya continue to face challenges in financial reporting. These challenges include fabrication of assets, alteration of accounting records, inability to provide documents to support the financial statements, misinformation in financial statements, and failure to apply accounting principles leading to fraud and unreliability of the financial statements this study was based on three theories; the Positive Accounting Theory, Compliance Theory and stakeholder's Theory. This study adopted descriptive research design as the blue print that guided the study in data collection, analysis and presentation of findings. The study targets all the 67 listed firms in Kenya. The study used census method to select all the listed companies in Kenya. However, 6 listed firms were selected for a pilot study and the other 61 firms were studied in the actual study. The 6 firms represent 10% of the sample size. Structured questionnaires were used in data collection. The study sought to ascertain whether the data collection tool measures to what the study intends to measure using content validity index. Reliability of the questionnaires was tested using Cronbach's Alpha test of internal consistency. The study used descriptive statistics (frequencies, percentages and mean scores) and inferential statistics (Correlations and Multiple linear regressions) in the analysis of data. Multiple linear regressions were also used to predict the financial reporting for the listed firms using the ethical accounting practices. The study undertook a multiple linear regression analysis with a view of explaining the effect of objectivity, professional competence, integrity and confidentiality on the financial reporting of the listed firms. The study found a coefficient of determination of 0.632 indicating that 63.2% of the variability in the financial reporting that is attributable to the cumulative effect of confidentiality, professional competence, objectivity, and integrity. The achieved score of 0.632 indicates that 63.2% of the variability in the financial reporting was a result of the cumulative effect of confidentiality, professional competence, objectivity, and integrity. The achieved beta coefficients for objectivity, professional competence, integrity and confidentiality had beta coefficients of 0.264, 0.263, 0.299, and 0.228 respectively. The positive beta coefficients of all the variables indicated that increase in the respective independent variables were associated with increase in the dependent variable with the remainders of the variables kept constant. The study further found that there were statistically significant effects between each of the accounting practices and financial reporting. The study recommended that listed firms should observe objectivity in order to improve on the financial reporting of the firms. Amongst the aspects that the firms should observe include elimination of the conflict of interest in the drawing of the financial reports.

**Key Words:** *Financial Reporting, Ethical Accounting Practices, Accounting Objectivity, Professional Competence, Integrity and Confidentiality*

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## **ABBREVIATIONS AND ACRONYMS**

<b>CPA:</b>	Certified Public Accountants
<b>I-CVI:</b>	Item Level Content Validity Index
<b>NACOSTI:</b>	National Commission of Science, Technology and Innovation
<b>S-CVI:</b>	Scale Level Content Validity Index
<b>SPSS:</b>	Statistical Package for Social Sciences
<b>UK:</b>	United Kingdom
<b>USA:</b>	United States of America
<b>DOPU:</b>	Drop and Pick up
<b>IFRS:</b>	International Financial Reporting standards
<b>ANOVA:</b>	Analysis of Variance

## OPERATIONAL DEFINITION OF TERMS

<b>Confidentiality</b>	Refers to the degree in which accounting records and information are treated as private and restricted in sharing(PuDDu, Rainero, Secinaro, Indellicato, & Vietti, 2013). The study also adopted the same definition.
<b>Ethical Accounting Practices</b>	Refers to the code of professional conduct and set principles (or rules) governing accountants and which requires them to have integrity, professional competence, integrity and confidentiality in their profession (Chan, Phooi, Rahman, & Sannacy, 2018). The current study adopted the same definition.
<b>Financial reporting</b>	Refers to the act of disclosing of financial results and information related to management of funds to external stakeholders such as customers, investors, and regulators on periodically over's in time of operation (Gross, Königsgruber, Pantzalis and Perotti (2016).The study also adopted the same definition.
<b>Integrity</b>	Is defined as the level on which an accountant executes activities in consideration of morals, values and expectations of the individuals, society or the profession(Guerreiro, Rodrigues, & Craig, 2015). The study also adopted the same definition.
<b>Listed companies</b>	Refers to corporations whose ownership is spread out to general public through acquisition of shares that are publicly sold through stock exchange market or over the counters (Chan <i>et al.</i> , 2018).The study also adopted the same definition.
<b>Objectivity</b>	Refers to the ability of the accountant to be impartial and free from prejudice in promoting good ethics in accounting(Marzuki &Wahab, 2016). The study also adopted the same definition.
<b>Professional competences</b>	Refers to the degree in which the accounts are able to comprehend and understand their roles in the accounting profession(Amidu, Yorke, & Harvey, 2016).The study also adopted the same definition.

**Quality financial reporting**

Is defined as the level of usability of financial records that are produced to external shareholders (Edogbanya & Kamardin, 2014; Johannesen & Larsen, 2016; Vidhi & Divya, 2013). The study also adopted the same definition.

# CHAPTER ONE

## INTRODUCTION

### 1.1 Background of the Study

According to Gross, Königsgruber, Pantzalis and Perotti (2016), financial reporting refers to the act of disclosing of financial results and information related to management of funds to external stakeholders such as customers, investors, and regulators on periodically over's in time of operation. It includes reports such as balance sheet, income statement, statement of stockholders' equity and statement of cash flows that are produced either quarterly, semi-annually or annually (Herbert, Ene, & Tsegba, 2014).

According to Balsmeier and Vanhaverbeke (2018), financial reporting is very important to stakeholders and investors in establishing the level of financial performance of the firms. Financial statements are used by owners, managers, creditors, investors, employees, government, and other institutions in making key decisions regarding the business (Biancone, Secinaro, & Brescia, 2017). Financial reporting is also a requirement by the government for taxation purposes and business regulation (Eyenubo, Mohammed, & Ali, 2017). Due to the importance of financial reporting in business ventures, quality financial reporting is required (Moses *et al.*, 2016). Quality financial reporting is defined as the level of usability of financial records that are produced to external shareholders (Amidu *et al.*, 2016). It relates to aspects of relevance, understandability, reliability, comparability, neutrality, consistency economic realism and timeliness of financial records(Of *et al.*, 2015).

To adhere to quality financial reporting there are set financial and accounting standards to guide the process of financial disclosure(Edogbanya & Kamardin, 2014; Johannesen & Larsen, 2016; Vidhi & Divya, 2013). International standards of accounting and financial reporting have been formulated according to National standards and financial reporting framework in the given country. Across the world, there has been rapid implementation of IFRS in a number of countries. In Africa, countries such as South Africa, Malawi, Botswana, Mozambique, Lesotho, Mauritius, Swaziland, Namibia, Zambia, Zimbabwe, Rwanda, Uganda and Tanzania (Aderin & Otakefe, 2016). Through Institute of Certified Public Accountants of Kenya,

accounting and finance practitioners in Kenya have promoted the implementation IFRS in Kenya(Nderitu, 2018).

All the financial and accounting standards used in different countries and in different contexts aim at improving the quality of financial reporting through the adoption of acceptable accounting ethics (Todorovi, 2018; Voss, 2018; Yarahmadi & Bohloli, 2015).

The ethical accounting practices refers to the code of professional conduct and set principles (or rules) governing accountants and which requires them to have integrity, professional competence, integrity and confidentiality in their profession (Chan, Phooi, Rahman, & Sannacy, 2018). Ethics of accounting relates to responsible, professional, honest, systematic, and loyal aspects of accounting (Anzeh & Abed, 2015). Other code of ethics in professional accounting include professional competence, high accounting work quality, and professional independence, adherence to prevailing and applicable laws, responsibility in accounting information presentation, correct conduct, and professional secrecy in providing accounting services (Enofe, 2015). Majority authors and practitioners have summarized the various accounting ethics into the following aspects; objectivity, professional competence, integrity and confidentiality (Agwor & Okafor, 2018; Anzeh & Abed, 2015; Enofe, 2015; Kamyabi, Haghshenas, & Noushabadi, 2013; Todorovi, 2018; Voss, 2018; Yarahmadi & Bohloli, 2015).

Objectivity refers to the ability of the accountant to be impartial and free from prejudice in promoting good ethics in accounting(Marzuki & Wahab, 2016). It relates to aspects such as prejudice, impartiality, interests, independence and goal-orientation of accountants(Voss, 2018).

Professional competences refers to the degree in which the accounts are able to comprehend and understand their roles in the accounting profession(Amidu *et al.*, 2016). It also refers to the level of knowledge and skills in executing the mandate of an accountant in respect to the accounting standards(Akhidime & Ekiomado, 2014). It relates to working experience, training, accuracy, hardworking and skill set(Krismiaji & Prabhata, 2016).



Integrity is the level on which an accountants executes activities in consideration of morals, values and expectations of the individuals, society or the profession (Guerreiro et al., 2015). It is the degree of the honesty and truthfulness of an accountant in presenting the financial reports (Iyoha, 2014). It relates to correctness of financial statements, timeliness in disclosure, manipulation and alterations, support documents, and application of accounting principles(Kuzina, 2014).

Confidentiality on the other hand refers to the degree in which accounting records and information are treated as private and restricted in sharing(PuDDu et al., 2013). This relates to aspects such as data storage and security, accessibility of data, and data sharing framework among other aspects(Isa Dandago & Isdawani Binti Hassan, 2013).Despite the presence of these standards, listed firms in Kenya continue to face challenges in financial reporting. It's on this background that the current study seeks to examine the effect of accounting objectivity, professional competence, integrity and confidentiality on listed firms in Kenya.

Listed companies determine the performance of economy of countries to a large extent(Appiah, Awunyo-Vitor, Mireku, & Ahiagbah, 2016; Ghani, Tarmezi, Said, & Yuliansyah, 2016; Johl, Kaur, & Cooper, 2013; Ogwoka, Namada, & Sikalieh, 2017; Tandy, 2015; Yegon, Mouni, & Wanjau, 2014).The top 2000 largest listed companies across the world form companies from 60 different countries. In 2018, collectively, the top 2000 largest listed companies across the world accounted for \$39.1 trillion from sales, \$189 trillion in form of assets, \$3.2 trillion profitability, and \$56.8 trillion market value. The profitability of these companies is impressive at 28%.China and the United States of America had majority of the firms in the list of the top 2000 largest listed companies in the world. China had 291 companies in the list while the USA had 560 (Chan et al., 2018).

Listed companies refers to corporations whose ownership is spread out to general public through acquisition of shares that are publicly sold through stock exchange market or over the counters (Chan *et al.*, 2018). Listed companies contribute significantly to the economy of the world because of the large investments from diverse shareholders due to the ability to raise additional funds through the sale of shares (Waworuntu, Wantah, & Rusmanto, 2015). Listed companies are attractive to

top talent due to the publicity and market exposure (Berke-Berga, Dowladbekova, & Ābula, 2018). According to Madushanka and Jathurika (2018) are able to gain leverage when obtaining credit facilities from financial institutions. In addition, listed companies attract mutual and hedge funds, and institutional and market traders due to the indirect advertising and endorsement in most major exchanges (Chan *et al.*, 2018).

For the listed companies to continue attracting investors, the listed firms have to provide financial reports to the public as well as shareholders (Marzuki & Wahab, 2016). This is done periodically such as quarterly or semi-annually (Balsmeier & Vanhaverbeke, 2018; Din, Munawarah, Ghozali, & Achmad, 2017; Mahboub, 2017; Mantzari, Sigalas, & Hines, 2017). Potential investors are able to study the financial reports and make informed decisions on whether to invest in the listed firm or not (Moses, Ofurum, & Egbe, 2016). This is based on how well the financial reporting is done as well as the performance of the firm (Krismiaji & Prabhata, 2016).

### **1.1.1 Global Perspectives of Ethical Accounting Practices on Financial Reporting**

In Iran, Todorovi (2018) noted that there was conflict of interest between the obedience of ethical standards of accounting and the interest of the organization of attracting investment from shareholders. In China, Wang, Chen, Chin and Zheng (2017) listed firms had inflated earnings, delay in disclosure, fabrication of assets, and false statements. In United States of America, Abbott, Daugherty, Parker, and Peters (2016) noted there was lack of honesty, objectivity, and professional independence in accounting process in the listed firms. In Lebanon, Mahboub (2017) observed that there was ethical accounting problems such as deceiving investors by violating the code of ethics in accounting.

In Indonesia, Suryanto (2016) noted there were incidences of manipulation and falsification of accounting information. It was also noted that alteration of accounting records was a common practice within the listed companies. It was also noted that there was lack of documents to support the financial statements. Other integrity issues noted in Indonesia were misinformation in financial statements, and failure to apply accounting principles leading to fraud. Still in Indonesia, Din, Munawarah, Ghozali, and Achmad (2017) revealed that there was misinformation on the correct amounts

transacted within the local governments and there was no adherence to accounting standards set out by the government.

In United Kingdom accounting reports, Al-Shaer, Salama, and Toms (2017) noted that professional accountants were unable to offer justification for any diversion from the ethics of accounting profession. In Thailand, Kamolsakulchai (2015) noted that there was poor quality of financial reporting among the listed firms which was characterized by unreliable financial statements as well as statements that could not be understandable and comparable. In Montenegro, Todorovi (2018) observed there was no objectivity in financial reporting through a lot of alteration of the actual report to portray a good image to investors. In Spain, Tormo-Carbó, Seguí-Mas and Oltra (2016), indicated that the listed companies faced challenges of competences in reporting financial records. In respect to this, there was delay in presentation of financial records to shareholders.

### **1.1.2 Regional Perspectives of Ethical Accounting Practices on Financial Reporting**

In Nigeria, Akenbor and Tennyson (2014) noted that the listed firms were faced with challenges of manipulation of financial records to alter the financial position of the firms to portray healthy investment opportunities for investors. Still on Nigerian context, Oboh and Ajibolade (2017) noted that a huge diversion from the professional code of ethics in accounting reporting to poor transparency challenges in financial reporting. There were also challenges related to quality of the financial records whereby it was noted that the listed firms were unable to give consistent financial records from time to time.

In Ghana, Appiah, Awunyo-Vitor, Mireku, and Ahiagbah (2016) noted that the listed companies in the country were faced with unethical accounting issues such as lack of professional competence, lack of professional independence in accounting, failure to sharing accounting information. Uganda, Mzuzu (2016) observed that the listed companies were unable to produce financial records in a timely and transparent manner. It was observed that there were many manipulations of the financial records and this reduced the confidence of investors.

### **1.1.3 Local Perspectives of Ethical Accounting Practices on Financial Reporting**

In Kenya, Nderitu (2018) observed unethical accounting practices such as inflated amounts by firms and delays in financial reporting. Fabrication of assets, false statements, manipulation and falsification of accounting information were also accounting challenges observed in Kenyan firms. Waithaka (2016) also noted that listed firms in Kenya were faced with challenges of alteration of accounting records. Most of the firms were unable to provide documents to support the financial statements presented in their quarterly reports. Other integrity issues noted by Otieno and Theuri (2018) were misinformation in financial statements, and failure to apply accounting principles leading to fraud and unreliability of the financial statements produced by the listed firms.

## **1.2 Statement of the Problem**

Listed companies contribute significantly to the economy of the world because of the large investments from diverse shareholders due to the ability to raise additional funds through the sale of shares (Waworuntu *et al.*, 2015). Listed companies attract mutual and hedge funds, institutional and market traders due to the indirect advertising and endorsement in most major exchanges (Chan *et al.*, 2018). For the listed companies to continue attracting investors, the listed firms have to provide financial reports to the public as well as shareholders (Marzuki & Wahab, 2016). Financial statements are used by owners, managers, creditors, investors, employees, government, and other institutions in making key decisions regarding the business (Biancone *et al.*, 2017). Due to the importance of financial reporting in business ventures, quality financial reporting is required (Moses *et al.*, 2016). Through Institute of Certified Public Accountants of Kenya, accounting and finance practitioners in Kenya have promoted the implementation of the IFRS in Kenya (Nderitu, 2018).

Despite these efforts, listed firms in Kenya continue to face challenges in financial reporting. These challenges include fabrication of assets, alteration of accounting records, inability to provide documents to support the financial statements, misinformation in financial statements, and failure to apply accounting principles leading to fraud and unreliability of the financial statements. The National Bank of Kenya was one of the listed firms that had ethics challenges with its accounting. The bank was found by the Capital Markets Authority to have misrepresented the bank's financial statements for the periods ended June 30, 2015 and September 30,

2015. Additionally, the Capital Markets Authority found the National Bank of Kenya financial results for the period ended December, 2015 had inadequate provision of non-performing loans by upto Ksh. 2 billion shillings. Studies previous conducted in Kenya (Kiio & Ambrose, 2017; Makori & Ambrose Jagongo, 2013; Otieno & Theuri, 2018; Waithaka, 2016; Yegon, Cheruiyot, Cheruiyot, Kirui, & Rotich, 2014) presents research gaps that the current study seeks to fill by establishing the effect of accounting objectivity, professional competence, integrity and confidentiality on listed firms in Kenya.

### **1.3 Objectives of the study**

#### **1.3.1 General Objectives**

The general objective of the study was to establish the effects of ethical accounting practices on financial reporting of listed firms in Kenya.

#### **1.3.2 Specific Objectives of the Study**

- i. To examine the effect of objectivity on financial reporting of listed firms in Kenya
- ii. To assess the effect of professional competence on financial reporting of listed firms in Kenya
- iii. To explore the effect of integrity on financial reporting of listed firms in Kenya
- iv. To establish the effect of confidentiality on financial reporting of listed firms in Kenya

### **1.4 Research Hypotheses**

**H<sub>01</sub>:** There is no statistically significant effect of objectivity on financial reporting of listed firms in Kenya

**H<sub>02</sub>:** There is no statistically significant effect of professional competence on financial reporting of listed firms in Kenya

**H<sub>03</sub>:** There is no statistically significant effect of integrity on financial reporting of listed firms in Kenya

**H<sub>04</sub>:** There is no statistically significant effect of confidentiality on financial reporting of listed firms in Kenya

### **1.5 Justification of the Study**

The study seeks to evaluate the influence of ethical accounting practices on the financial reporting of listed firms in Kenya. The study was of great importance to the listed companies in Kenya in highlighting the importance of ethical accounting

practices in the improving the financial reporting of listed firms in Kenya. Understanding on the effect of accounting objectivity enabled accountants and other financial officers to produce solid evidence of the financial reports produced by the listed firms. This might increase the confidence of shareholder and therefore improving the performance of the financial institutions. Findings on professional competencies in financial reporting was helpful to finance officers in the listed companies to developed the necessary skills needed in financial reporting in order to improve the financial reporting in the listed companies and hence performance of the firms.

The effect of integrity on financial reporting of listed firms in Kenya helped policy makers to develop policies to govern finance officers in regard to ethical accounting practices. Recommendations for the study in regard to confidentiality of the accounting process helped in improving the shareholders confidence and therefore increasing their level of investment and hence improving the performance of the listed firms. The findings also help the Nairobi stock exchange in formulating policies that regulate the financial reporting of the listed firms. The findings of this study were also useful to academicians and researchers in the area of accounting. They were able to use the findings obtained in this study to have a basis for their studies and identify the research gaps that the current study may have failed to fill.

### **1.6 Scope of the Study**

The study was limited to ethical accounting practices and financial reporting in listed firms in Kenya. This forms the population scope of the study. The content scope of this study was limited to four ethical accounting practices which are; objectivity, professional competence, integrity and confidentiality aspects. The dependent variable of the study was financial reporting. The geographical coverage of the study was limited to Nairobi city since the headquarters of the listed companies in Kenya are found in Nairobi. The study is scheduled to take a period of six months starting from March 2019.

### **1.7 Limitations and Delimitations of the Study**

The study expects to meet challenges pertaining the period for data collection due to busy working conditions of the respondents chosen for the study and therefore the period of data collection may be long. Adequate follow up on the issued questionnaires was done to ensure that the questionnaires are filled in a reasonably

short time. The respondents may also be hesitant to fill in the questionnaires due to fear that the provided information can be shared to third party. To overcome this limitation, the respondents were assured that the information they provided was used only for academic purposes. The respondents were also assured that the information they provided was treated with utmost confidentiality and that the respondents as well as the firms remained anonymous in this study. The study was limited in the number of the firms the study can be able to investigate since the study is self-sponsored. This is the reason for sampling in this study.

### **1.8 Assumptions of the Study**

The study assumes that the selected respondents objectively answer the questions in the questionnaire and was as honest as possible. The study also assumes that the sample size used in this study is large enough for generalization purposes. The study further assumes that the questions contained in the questionnaires perfectly measures the objectives of the study. However, the study also carried out validity test to ascertain this assumption.

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1 Introduction**

The chapter two of the study endeavors to present the literature review for the study with an aim of laying a basis for the study as well as establishing research gaps that the current study seeks to fill. This chapter gathered literature review from theories and past studies on the study variables. The chapter therefore afterward developed a conceptual framework that indicated the measurable aspects of the study variables.

#### **2.2 Theoretical Review**

Theoretical review refers to examination of ideas and principles rather than experimental observations that are put a cross to explain a certain phenomenon (Neuendorf, 2011). Is a framework of theories set out a cross to guide a given thought or observation in a study (Cohen, Manion, & Morrison, 2007). This study was based on three theories; the Positive Accounting Theory, Compliance Theory and stakeholder's Theory.

##### **2.2.1 Positive Accounting Theory**

Positive Accounting Theory was developed by Ross Watts and Jerold Zimmerman in 1986. This theory seeks to explain how organizations respond and implement accounting policies. Positive Accounting Theory gives details on the roles of accounting and also explains the importance of accounting activities in an organization (Voss, 2018). The theory also explains how firms respond to the accounting policies and standards. The proponents of the theory state the management teams of organizations respond to accounting standards and policies depending on the influences of the standards on the cash flow of the firm (Abernathy, Beyer, Masli, & Stefaniak, 2014).

The theory therefore gives the motivation behind the adoption of accounting standards (Johannesen & Larsen, 2016). Three hypotheses are made according to the Positive Accounting Theory. These hypotheses are; bonus plan hypothesis, debt-equity hypothesis and political cost hypothesis (Miller & Power, 2018). Bonus plan hypothesis states that managers will shift future bonuses to current in order to earn high bonuses in the current year. According to debt-equity hypothesis states that managers will report high values of income in order to portray a good liquidity and financial position on the firms. The third hypothesis state that managers with political



inclination or obligation will shift current earnings to future earnings(Ferry & Lehman, 2018). The theory further states that unfavorable accounting standards led to failure of adoption and only favorable standards and polices was implemented in an organization(Yarahmadi & Hoyaryahoocom, 2015).

However, the theory has been critique on its assumption that every manager or agent is motivated by self-interests with the primary goal of maximizing their own wealth without considering any adverse effects(Gross *et al.*, 2016). The theory also predicts what the financial personnel or the manager might do without giving what should be done(Park, 2015). This theory has however been widely used to explain the implementation and adherence to accounting standards in different contexts(Nderitu, 2018; Oboh & Ajibolade, 2017; Todorovi, 2018; Tormo-Carbó *et al.*, 2016). In this study, the theory was used to guide the study in regard to the effect of the various accounting ethics (objectivity, professional competence, integrity and confidentiality) on the financial reporting of the listed companies in Kenya.

### **2.2.2 Compliance Theory**

Compliance theory was proposed by Helmreich, Robert; Collins, Barry E in the year 1968. The theory explains that compliance to rules, regulations and guidelines can be influenced by power and authority(Tormo-Carbó *et al.*, 2016). According to the theory, authority and regulations that are put in place to govern certain tasks in an organizations alters the attitude of employees in performing the given tasks(Todorovi, 2018). The theory states that compliance is an element of regulations, persuasion and authority or even perception of high-ranking individual(Akenbor & Tennyson, 2014).

According to proponents of the theory, compliance increase with increase in regulations and exertion of authority to the low-ranking employees to executing their roles in a given organization(Salami, Sanni, & Uthman, 2018). In respect to this, in an organization with strict supervision and requirement that the employees to obey certain code of professionalism or ethics, compliance rates may be high(Voss, 2018). In accounting profession, accountants are required to adhere to certain accounting code of ethics in their financial reporting(Yarahmadi & Hoyaryahoocom, 2015). These requirement may be integrity, objectivity, professional behaviour, professional competence and due care, and confidentiality (Agwor & Okafor, 2018).

This theory has been however critiqued due to its assumption that compliance is a result of power and authority persuasion(Enofe, 2015). The critics are that compliance can be a result of individual morals and nurturance(Kamyabi et al., 2013). This theory has however been applied in areas with a given code of professionalism and regulations(Akenbor & Tennyson, 2014; Kamyabi *et al.*, 2015; Salami *et al.*, 2018; Todorovi, 2018; Tormo-Carbó *et al.*, 2016; Voss, 2018). This theory is therefore applicable in the area of accounting and specifically in the context of accounting that requires ethical accounting practices. These ethical accounting practices include objectivity, professional competence, and integrity and confidentiality aspects. It is this respect that the current study chooses to use the study to establish the effect of ethical accounting practices on the financial reporting of listed companies in Kenya.

### **2.2.3 Stakeholder's Theory**

Friedman developed Stakeholder's Theory in 1962 to explain how an organization strikes a balance between the various demands of stakeholders in an organization. According to the proponents of the theory, different stakeholders contribute differently and at different levels and therefore their rewards is different(Fontes, Rodrigues, & Craig, 2016). The theory states that an organization is made of different parties that seek to benefit from the operations of the organization. The theory is used to solve the problems arising from conflicting job demands(Harrison, Freeman, & Abreu, 2015). This theory has been critiqued based on its assumption that the different demands and needs of different stakeholders can be balanced and addressed (Ansong, 2017).

To satisfy different stakeholders, aspects of evidence are key. Since the shareholders of the listed companies do not run day to day activities of the firms. The shareholders and other stakeholder relay on financial disclosure provided by the firms(Vidhi& Divya, 2013). Quality financial reporting is critical in enabling the different stakeholders evaluate the level of performance of listed companies. This compels the managers and the finance personnel to adopt the accounting standards that are acceptable in the professional accounting(Dalnial, Kamaluddin, Sanusi, & Khairuddin, 2014). These may include principles such as professional competence, high accounting work quality, and professional independence, adherence to prevailing and applicable laws, responsibility in accounting information presentation, correct conduct, and professional secrecy in providing accounting services (Enofe, 2015).

Stakeholder's Theory is therefore relevant in guiding this current study in establishing the effect of accounting objectivity, professional competence, integrity and confidentiality on listed firms in Kenya.

### **2.3 Empirical Review**

This section reviews the past studies in regard to the effects of ethical accounting practices on financial reporting of listed firms. In respect to this, the study reviewed four ethical accounting practices which are; objectivity, professional competence, integrity and confidentiality aspects. The variables were reviewed against their impact on financial reporting of listed firms.

#### **2.3.1 Objectivity and Financial Reporting**

The ability of the accountant to be impartial and free from prejudice has been seen as a key aspect in promoting good ethics in accounting. Kamyabi, Haghshenas, and Noushabadi (2015) investigated the extent of accounting independence and impartiality in accounting in financial firms in Iran. The study found out that accountants were impartial in their accounting and did not engage in prejudice acts as well as fulfilling their own desires. The study further revealed that the accountants were socially responsible and were determined to present the financial statements with alterations. Kamyabi, Haghshenas, and Noushabadi (2015) they concluded that independence of accounting improved the financial reporting of the financial firms in Iran.

In investigating the ethical dilemma of accountants in Nigeria, Akenbor and Tennyson (2014) highlighted several challenges accountants meet in the line of their profession. The study used a sample size of 125 respondents who included accountants and auditors. The data for the study was collected through administration of questionnaires. The study revealed that due to competition among different companies in the same market, accountants were involved in manipulation of financial position of the firms to portray a healthy investment opportunity. Akenbor and Tennyson (2014) revealed this unethical accounting practice was through victimization and promise of high pay rise. The study recommended denial of membership to professional accounting bodies in an event of participation in unethical accounting practice.

A study by Todorovi (2018) sought to establish the code of ethics of accountants in Irish companies. Using structured questionnaires, the study revealed that majority of

the accountants compromised on the financial reporting to meet the expectations of the organization. It was also observed that most of the accountants were not fair and truthful enough in their financial reporting in order to depict a good image for a sinking organization. It was further revealed that the accountants did not obey the principle of objectivity due to conflict of interest between the obedience of ethical standards of accounting and the interest of the organization of attracting investment from shareholders. Todorovi (2018) also noted that managers of the sampled organizations were in support of unethical accounting practices in regard to objectivity principle.

Voss (2018) carried out a study in Europe that sought to examine the challenges facing ethical accounting standards implementation in large companies. The study collected its data through issuance of questionnaires to the respondents. The study revealed that there was no objectivity in the financial reporting of the large companies in Europe. In respect to this, the study noted that accounting was affected by external pressures such as subordinate staff, managerial team, pressures to hide past mistakes in accounting, lack of independence and fear of losing job. This external pressure results to alterations of financial reports and therefore violating the objectivity of the accounting process.

An explorative study by Enofe (2015) sought to establish the frequency of incidences of unethical accounting practices in Nigeria. The study found out that the most prominent unethical practice in accounting is lack of objectivity. This study noted that there was a lot of pressure to manipulate the true financial records of an organization to suit the managers' needs. It was also noted that the accounts did not have independence in carrying out their roles. This to a large extent affected the objectivity of the financial reporting. In this respect, Enofe (2015) found a positive relationship between objectivity in accounting through independence of accountants and the quality of financial reporting the sampled firms.

### **2.3.2 Professional Competence and Financial Reporting**

Professional competence is a key aspect of accounting that is sought by employers looking to fill the position of an accountant. In Nigerian context, Agwor and Okafor (2018) carried out a study that sought to find out the effect of accounting ethics and quality of financial reporting. One of the accounting ethics that the study focused is

professional competences. The study used research questionnaires to collect data. It was revealed that there was a statistically significant relationship between the professional competence of accounting staff and the financial reporting understandability and transparency. In respect to this, the study noted that an increase in professional competence in accounting improved the financial reporting. These findings are in agreement with those by Santana, Rathke, Lourenço, and Dalmácio (2014) who noted that professional competences in accounting improved the financial reporting of firms in Latin America.

In United States of America, Abbott, Daugherty, Parker, and Peters (2016) carried out a study that sought to find out the influence of financial reporting competences on the quality of financial reporting. The sample size of the study was 909 respondents who comprised of accountants, auditors and chief finance officers. It was revealed that there was a significant and positive relationship between financial reporting competences and the financial reporting competences. In respect to this, it was established that the lead accountants were experienced in accounting and had the relevant training in regard to accounting standards. Focusing on banking sector in Lebanon, Mahboub (2017) revealed that staff competences in accounting aspects had a positive and significant relationship with financial reporting quality. In respect to staff competences, accounting skills were found to have the greatest influence on the quality not financial reporting of banks in Lebanon.

Focusing on United Kingdom accounting reports, Al-Shaer, Salama, and Toms (2017) sought to find out the influence of staff characteristics and the quality of financial reporting in firms dealing with environmental issues. The study used a sample of 305 companies operating within the UK. It was established that staff competences in financial reporting aspects had a significant influence on the financial reporting of the firms. Accounting experience and academic background of accountants positively contributed to the quality of the financial reporting. In agreement to the findings of Al-Shaer, Salama, and Toms (2017), Park (2015) noted qualification of accountants determined the quality of financial reporting of firms operating within Boston in USA. Park (2015) revealed that higher qualification in accounting resulted to high quality of financial reporting.

In Ghana, Appiah, Awunyo-Vitor, Mireku, and Ahiagbah (2016) carried out a study to examine the influence of staff characteristics on financial reporting. Using descriptive survey research design, the study revealed that the level of skill set of the accountants was attributable to good financial reporting of the listed firms. Focusing on listed companies in Thailand, Kamolsakulchai (2015) established a positive and significant relationship between staff competences and the financial reporting quality. Focusing on banking sector, Adekunle (2013) established that the position of an accountant required a post graduate degree in finance related fields and long working experience. The study concluded that there was a positive and significant relationship between staff competences and quality of financial reporting in commercial banks. The study further recommended the in-service training in respect to accounting standards and ethics.

### **2.3.3 Integrity and Financial Reporting**

Honesty and strong moral principles have been seen as key ethics in financial accounting as depicted by different scholars over different contexts. In the context of China, Wang, Chen, Chin and Zheng (2017) carried out a study that sought to establish the influence of accounting integrity on the performance of listed firms. Using research questionnaires, the study revealed that listed firms in China were faced with accounting malpractices. It was reported that accounting process in the listed firms had inflated earnings, delay in disclosure, fabrication of assets, and false statements. It was further revealed that lack of accounting integrity resulted to financial fraud through poor financial reporting. This is in line with the findings by Sukmono (2015) who noted that integrity of the accounting and finance personnel affected the quality of financial reporting. In respect to this, increase in integrity in accounting resulted to high quality financial statements.

Focusing on listed companies in Indonesia, Suryanto (2016) investigated the malpractices of accounting in the financial reporting of the companies. The study sampled 90 companies listed in the Indonesian Stock Exchange using questionnaires. The study revealed that there were incidences of manipulation and falsification of accounting information. It was also noted that alteration of accounting records was a common practice within the listed companies. Suryanto (2016) revealed that there was lack of documents to support financial statements. Other integrity issues noted were misinformation in financial statements, and failure to apply accounting principles

leading to fraud. This however differs with the findings by Edogbanya and Kamardin (2014) that showed that there was compliance to accounting standard and ethics in listed companies in Nigeria.

Din, Munawarah, Ghozali, and Achmad (2017) carried a study to examine the source of financial loss by local governments in Indonesia. The study used secondary data made from 1152 observations of local government transactions. The study revealed that source of financial loss in the local governments was related to integrity aspects of financial reporting. It was in this respect that revealed that there was misinformation on the correct amounts transacted within the local governments and there was no adherence to accounting standards set out by the government. A study by Iyoha (2014) in Lagos Nigeria differ with the study by Din, Munawarah, Ghozali, and Achmad (2017) by noting that there was integrity and objectivity in financial reporting of listed firms in Nigeria. Iyoha (2014) revealed that the accountants were ethically sensitive and this was evidenced by proper financial reporting by the listed firms.

Focusing on county governments in Central region of Kenya, Nderitu (2018) investigated the effect of integrity on financial reporting. The study adopted descriptive survey research design. The sample size for the study comprise of 226 respondents who included top level managers, mi-level managers and low level managers from finance department in Kirinyaga, Murang'a, Nyeri, and Kiambu counties. The study found out that integrity in accounting process improved the transparency and accountability of financial reporting. The study concluded that there was statistically significant relationship between integrity in accounting proves and the quality of financial reporting. Vidhi and Divya (2013) concur to this by establishing a positive relationship between accounting integrity and financial reporting.

#### **2.3.4 Confidentiality and Financial Reporting**

The degree in which accounting records and information are treated as private and restricted in sharing has been attributed to good financial reporting by diverse scholars. Oboh and Ajibolade (2017) carried out a study to examine the strategies used to improve financial reporting in registered commercial banks in Nigeria. The study sample size was 71 managers of registered commercial banks. The study

revealed among other findings that the accounting records were treated as confidential and only shared with the relevant people in the commercial banks. Oboh and Ajibolade (2017) concluded that confidentiality of accounting information improved the quality of financial reporting.

Akenbor and Tennyson (2014) sought to find out among other objectives the influence of accounting records confidentiality on financial reporting of organizations in Rivers State capital in Nigeria. The study used descriptive survey research design and collected data using closed-ended questionnaire. The study revealed that treatment of accounting data as confidential discouraged alterations of the accounting records. The study concluded that confidentiality of accounting information was statistically related to the quality of financial reporting. The study recommended enhancement of accounting information security.

In the context of Uganda, Mzuzu (2016) carried out a study to examine the accounting information systems used by small business in Kampala City. The study used descriptive research design and adopted quantitative research method. This study revealed that there were guidelines put in place to guide the sharing of accounting information between different parties in the organizations. Adherence to confidentiality requirement of accounting information was found to have a positive relationship with the quality of financial reporting. In respect to this, the study noted that where the confidentiality of accounting information was adhered to, the transparent and reliability as well as understandability of financial reporting improved of small business in Kampala City.

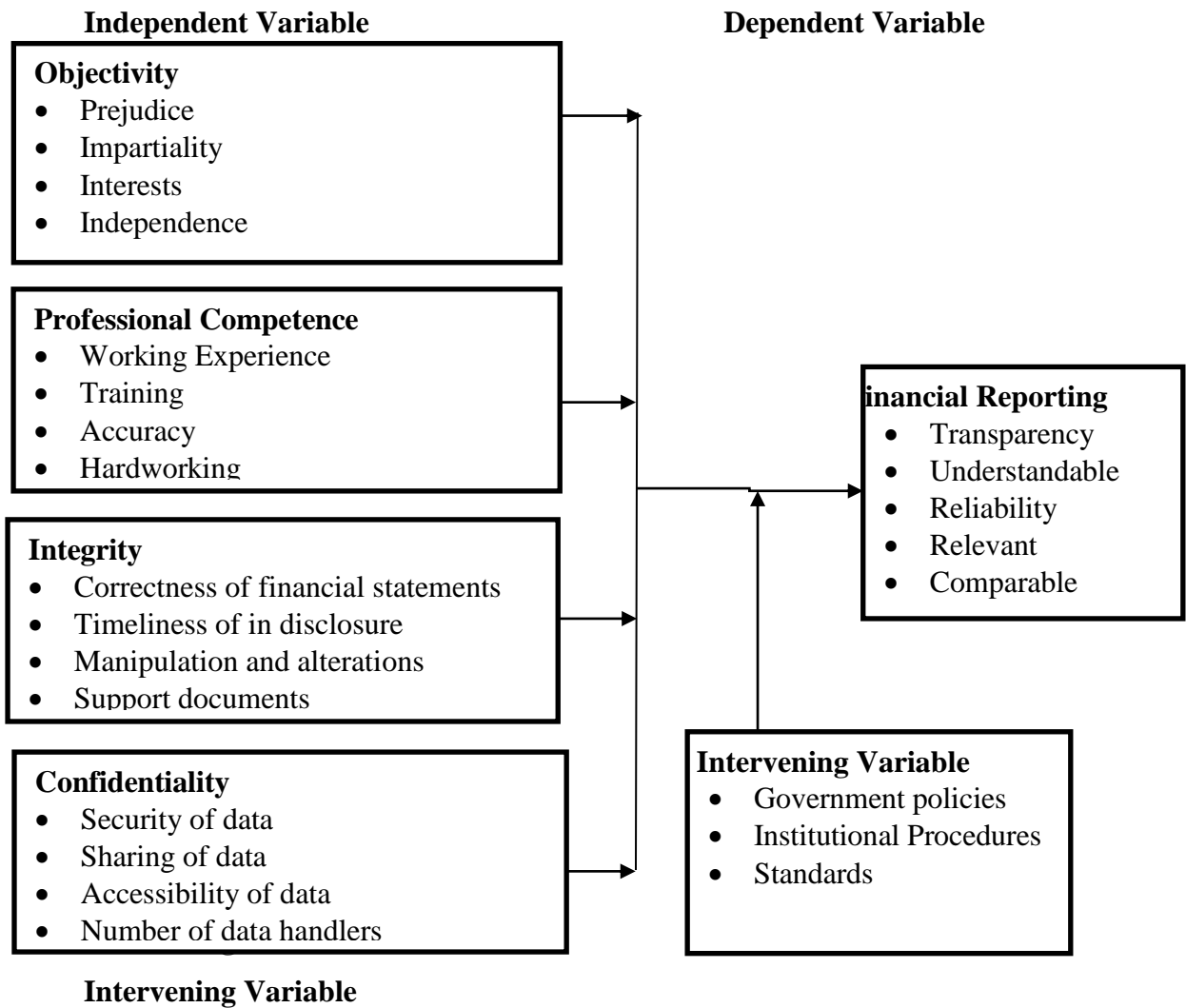
In a study in Montenegro, Todorovi (2018) sought to find out the effect of adherence to code of ethics in accounting on financial reporting of listed companies. Among the code of ethics that the study focused on is the role of confidentiality of accounting information on financial reporting. Based on data obtained through questionnaires, it was revealed confidentiality of accounting data had a positive and significant relationship with the quality of financial reporting of listed firms. The study further recommended training in data management to accountants in order to enhance the confidentiality aspects of accounting information.



In the context of Spain, Tormo-Carbó, Seguí-Mas and Oltra (2016) carried out a study to examine the influence of ethical accounting practices in financial reporting quality. One of the objectives of the study was to establish the role of accounting data security and confidentiality in promoting financial reporting quality. The sample size for the study was 551 respondents who were selected through simple random sampling. The respondents were required to answer a questionnaire based on Likert scale. The study concluded that data security was an important practice by the listed firms in Spain and affected the quality of financial reporting. These findings are consistent with the findings by Salami, Sanni and Uthman (2018) who found out that there was statistically significant relationship between confidentiality of accounting information and quality of financial reporting.

#### **2.4 Conceptual Framework**

The study sought to establish the effect of ethical accounting practices on financial reporting of listed firms. In so doing, the study focuses on four ethical accounting practices which are; objectivity, professional competence, integrity and confidentiality aspects. The dependent variable of the study was financial reporting. Figure 2.1 give a diagrammatical illustration of the concepts under investigation in this study.



**Figure 2.1: Conceptual Framework**

*Source: Researcher Conceptualization (2019)*

## 2.5 Research Gaps

This study identified some research gaps that it intends to fill. Kamyabi, Haghshenas, and Noushabadi (2015) investigated the extent of accounting independence and impartiality in accounting in financial firms in Iran. This presents a contextual research gap since the study was done outside Kenya and therefore different government regulations in accounting. In investigating the ethical dilemma of accountants in Nigeria, Akenbor and Tennyson (2014) highlighted several challenges accountants meet in the line of their profession. Due to different business regulation and governance between Kenya and Nigeria, there is a need for a study to be carried out within a Kenya context. A study by Todorovi (2018) sought to establish the code of ethics of accountants in Irish companies while Voss (2018) carried out a study in Europe that sought to examine the challenges facing ethical accounting standards implementation

in large companies. These two studies presents a conceptual research gap for the studies focused on accountants' independence only while the current study focuses in addition accountants' prejudice and impartiality aspects.

In United States of America, Abbott, Daugherty, Parker, and Peters (2016) carried out a study that sought to find out the influence of financial reporting competences on the quality of financial reporting. This study presents a conceptual research gap for it only focused on training of accountants and failed to focuses on others aspects such as work experience, hard work and skill set of the accountants. In Ghana, Appiah, Awunyo-Vitor, Mireku, and Ahiagbah (2016) carried out a study to examine the influence of staff characteristics on financial reporting while Focusing on listed companies in Thailand, Kamolsakulchai (2015) established a positive and significant relationship between staff competences and the financial reporting quality. The studies were done outside Kenya and therefore presenting a contextual research gap due to different business environment between Kenya and other countries.

In the context of China, Wang, Chen, Chin and Zheng (2017) carried out a study that sought to establish the influence of accounting integrity on the performance of listed firms. This study only utilized descriptive statistics and therefore failed to link the various variables of the study. The current study seeks to test the various study hypotheses using inferential statistics in order to establish the relationship between the integrity aspects and financial reporting quality. Similarly, focusing on listed companies in Indonesia, Suryanto (2016) investigated the malpractices of accounting in the financial reporting of the companies but failed to show the relationship between the various study variables. This methodological gap was filled by using inferential statistics in the current study.

Oboh and Ajibolade (2017) carried out a study to examine the strategies used to improve financial reporting in registered commercial banks in Nigeria. This study collected data from only the managers and failed to focus on the accountants who are actively involved in accounting tasks. The current study fills this methodological gap but collecting data from accountants who are involved in accounting data and therefore improving the valid of the data. In the context of Uganda, Mzuzu (2016) carried out a study to examine the accounting information systems used by small

business in Kampala City. This study only focused on one aspect of accounting data confidentiality while the current study focuses on several confidentiality aspects such as data storage and security, accessibility of data, and data sharing framework among other aspects.

## **CHAPTER THREE**

### **RESEARCH DESIGN AND METHODOLOGY**

#### **3.1 Introduction**

Research methodology is presented in this chapter. This chapter sought to give details on the research design, population and sampling techniques and procures its used to arrive at sample size. The instruments used for data collection as well as the data collection procedures are also given in this chapter. The chapter also gives details on the data analysis plan and concludes by giving the ethical considerations that the study makes.

#### **3.2 Research Design**

This study adopted descriptive research design as the blue print that guided the study in data collection, analysis and presentation of findings. Descriptive research design involved collecting data from the natural setting of the phenomenon under investigation(Bryman, 2012). In respect to this, data was collected from the listed firms in Kenya. This research design does not allow manipulation of data and therefore the actual status of the phenomenon under investigation can be established(Miller & Whicker, 2017). This research design is the most relevant in this study since it yields large amount of information that enable generalization of the study findings(Fitzgerald & Linda, 2015).

#### **3.3 Location of the Study**

The study was based in Nairobi County. The study location was selected since the headquarters of all the listed companies is in Nairobi County. Nairobi is the capital city of Kenya. It is the largest city in East and central Africa. Nairobi is the business and financial center of Kenya and East Africa. This is highlighted by the number of companies and organizations headquartered in the city. According to MasterCard Report of 2019, Nairobi's index value rose from 37.2 in 2015 when it was ranked 19th, to 41.3 in 2019 which ranks the city in ninth position out of 74 African cities. This implies that by carrying out the current study in Nairobi City, the study findings was useful to not only Kenya but also other firms from different countries that use Nairobi as a case study (Ministry of Industry, Trade and Cooperatives, 2019).

#### **3.4 Population of the Study**

The study targeted 61listed firms in Kenya. This forms the unit of observation. From the listed firms, the study sought to gather information in regard to the effect of ethical accounting practices on financial reporting of listed firms from Chief finance

officers. Chief Finance Officers (CFO) are the most experienced and knowledgeable employees in regard to financial reporting aspects of the firms they work. These individuals were able to give correct details in regard to the information sought by the study since this is their area of specialization. The CFOs formed the unit of analysis for the study. Therefore, the target population of the study was 61 respondents.

### **3.5 Sampling Procedure**

The study used census method to select all the listed companies in Kenya. Census method implies complete enumeration of the target population into the study. This method was adopted since the target population for this study is small. This implies that the target population is small enough to be studied within the budget and time scope of this study. The advantage of census method is that there is no sampling error that this improves the generalization of the study variables. Using the purposive method, the study selected the Chief Financial Officers of all the listed companies in Kenya. This is a non-probabilistic method as the respondents were purposively chosen and thus not random in nature.

### **3.6 Instrumentation**

The study used primary data collection method. Primary data collection was done using structured questionnaires. The questionnaires were distributed using the DOPU method in order to enhance the response rate of the study. Structured questionnaires were chosen since they provide a fast way of data collection since respondents are only required to choose one of the responses provided (Hall, 2015). In addition, structured questionnaires can be administered in absence of the researcher and therefore enabling data collection from a large geographical location, involving many respondents (Glăveanu, 2012). Another reason for the choice of structured questionnaire is that the questionnaire provides privacy to respondents implying that respondents can respond to the questionnaire anonymously which improves response rate of questionnaires (Sekaran & Bougie, 2011).

The questionnaire was divided in 6 parts. The parts of the questionnaire were on background information of respondents and that of the listed firms. The second part top the sixth part of the questionnaire sought to collect data in regard to the study variables. In respect to this, the second part was used to collect data in regard to the objectivity aspects of accounting while the third part of the questionnaire was sought to collect data on the professional competence aspects. Integrity and confidentiality

aspects of ethical accounting was focused on in part four and part five respectively. The last section of the questionnaire was on the dependent variable of the study, whereby financial reporting aspects was investigated. Questions in part two to part six was measured using a five point Likert scale whereby; 1=Very small Extent, 2=Small Extent, 3=Moderate Extent, 4=High Extent and 5=Very high Extent. This was to transform quantitative statement into quantifiable measures for the purposes of analysis(Kershaw & Nicholson, 2011).

### **3.6.1 Pilot Study**

The current study carried out a pilot study to establish the validity and reliability of the research questionnaires(Wanjohi, 2014). The pilot study comprise of 6 listed firms in Kenya, which are shown in Appendix IV. The study was undertaken in their Nairobi head office. These firms were excluded from the actual study to avoid data contamination(Fitzgerald & Linda, 2015). The pilot study findings were relevant in adjusting the research instruments since the 6 firms that were selected for the pilot study were part of the listed firms. The 6 firms that were selected constituted 10% of the sample size as per the recommendation of Sekaran and Bougie (2011).

### **3.6.2 Validity of the Instrument**

The study sought to ascertain whether the data collection tool measures to what the study intends to measure using content validity index. This was done by using five subject matter experts .The feedback given by the subject matter experts was used to remove any ambiguity in the questions as well as improving the construct and face validity if the questionnaires(Kershaw & Nicholson, 2011). In addition, the researcher endeavoured to construct items in the questionnaire in line with the study objectives to improve on the construct validity of the questionnaire(Miller & Whicker, 2017). Only validated items were used in the questionnaire that was issued to respondents. The study validated the results through the content validity index.

### **3.6.3 Reliability of the Instrument**

The research sought to establish whether the research questionnaires yields consistent results whenever the instrument is applied to the same group of the respondents repeatedly(Hall, 2015). This was done using Cronbach's Alpha test of internal consistency (Glăveanu, 2012). This measures the internal consistency of the questions in the questionnaire when the instrument was used from one time to another of the same group of the respondents(Bryman, 2012). Based on the pilot data from this study, the Cronbach's Alpha coefficient was computed. The Cronbach's Alpha

coefficient of at least 0.7 was used to ascertain the reliability of the questionnaire that was used in the data collection(Kershaw & Nicholson, 2011). The study found Cronbach alpha coefficients of 0.745, 0.854, 0.795, 0.802, and 0.796 in respect to the objectivity, professional competences, integrity, confidentiality and financial reporting aspects respectively.

### **3.7 Data Collection Procedure**

The study commenced data collection procedure from getting an authority from the post graduate school of Kabarak University. The researcher sought to obtain and introduction letter that sought to introduce the student to the respondents and indicate the purpose for the study. The introduction letter was used to apply for licence to collect data from the National Commission of Science, Technology and Innovation (NACOSTI). With this licence, the researcher sought to visit the selected listed firms for introduction and also seeking appointment for data collection. On the scheduled dates for data collection, the researcher issued questionnaires to the respondents and adheres to all ethical requirements of research.

### **3.8 Data Analysis**

The entire data analysis for the study was done using Statistical Package for Social Sciences (SPSS). The study used descriptive and inferential statistics in the analysis of data. The descriptive statistics that was used for the study include frequencies, percentages and mean scores. These statistics was able to describe basic characteristics of the data obtained in the research(Sekaran & Bougie, 2011). The inferential statistics that was used include the Pearson Correlations and multiple linear regressions. This was done to describe the relationships between the independent variables of the study with the dependent variable of the study(Fitzgerald & Linda, 2015). The multiple linear regressions were used to test the hypotheses of the study. The hypothesis of the study was tested at 5% significance of the study. The presentation of the study findings was done in form of tables and explanations given to explain the findings in the reported tables.

$$Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \varepsilon$$

Where; Y = Financial Reporting

$\beta_0, \beta_1, \beta_2, \beta_3, \beta_4$  = Model Coefficients

$X_1$  = Objectivity

$X_2$  = Professional competence

$X_3$  = Integrity



$X_4$ = Confidentiality

$\varepsilon$  = Standard estimate of error to be normally distributed

### **3.9 Ethical Considerations**

The ethical consideration examines the manner in which acceptable behaviors are utilized in the undertaking of the research. The ethical considerations governed the data collection procedures, treatment of the respondents and the collected data. First of all, the respondents were informed on the purpose of the study and the criteria used to select them as respondents. The researcher indicated that participation in this study is voluntary and those respondents willing to participate in the study were allowed to take part willingly. After this informed consent, the study assured the respondents that the information that they would provide was treated with utmost confidentiality. The respondents was also allowed to fill in the questionnaires at their own conform and privacy. In respect to this, the researcher left the respondents with questionnaires for the respondents to fill at their own time and privacy. The respondents were not required to give identifying details such as their name or that of their institutions.

## CHAPTER FOUR

### DATA ANALYSIS, PRESENTATION AND DISCUSSION

#### 4.1 Introduction

This chapter examines the data analysis, presentation and discussion of the findings. The research findings are presented in terms of tables. The statistics that are being undertaken for the study include frequency distributions, chi square tests, correlation analysis and multiple linear regressions. The t statistic has been used in the study for the purposes of hypothesis testing for the study.

#### 4.2 Response Rate

The response rate of the study was calculated and the results presented in Table 4.1 below.

**Table 4.1; Response Rate of the Study**

<b>Distributed Questionnaire</b>	<b>Returned Questionnaire</b>	<b>Response Rate</b>
61	56	91.8%

Data was to be collected from 61 respondents drawn from the listed firms in Kenya. Therefore 61 questionnaires were distributed using the DOPU method in order to enhance the response rate of the study. Out of the 61 distributed questionnaires, 56 questionnaires were returned leading to the achievement of 91.8% response rate for the study. This response rate was considered adequate as it surpasses the 80% threshold advocated for by Bernard (2006) in respect to questionnaires. According to Nayak (2016) a high response rate is ideal for eliminating of non-response bias.

#### 4.3 Background Information

The background information of the study examines the background characteristics of the respondents. In this study the background characteristics are examined using the level of education and length of the respondents at the current firm. The results are presented in Table 4.2 and Table 4.3 below.

##### 4.3.1 Level of Education

The study examined the level of education through the use of four education levels that is certificate, diploma, degree and post graduate levels. The results of the level of the education are presented in Table 4.2 below.

**Table 4.2; Level of Education**

	<b>Frequency Distribution</b>	<b>Percentage</b>
Certificate	0	0%
Diploma	0	0%
Degree	10	17.8%
Post Graduate	46	82.2%
<b>Total</b>	<b>56</b>	<b>100%</b>

The results indicated that a majority of the respondents had post graduate level of education at 82.2% compared to 17.8% of the respondents who had degree level of education. None of the respondents had certificate and diploma level of education

#### **4.3.2 Length at Current Firm**

The study examined the length in which the respondents had stayed at their current firm and the results presented in Table 4.3 below.

**Table 4.3; Length at Current Firm**

	<b>Frequency Distribution</b>	<b>Percentage</b>
1-2 Years	0	0%
3-4 Years	12	21.4%
5-6 Years	40	71.4%
7 Years and Above	4	7.2%
<b>Total</b>	<b>56</b>	<b>100%</b>

The results of the length of stay at the current firm indicated that a majority of the respondents at 71.4% of the respondents had stayed at their current firm for 5-6 years. This is compared to 21.4% who had stayed at between 3-4 years and 7.2% of the respondents who had stayed at 7 years and above.

#### **4.4 Descriptive Statistics**

The study had used structured questionnaire with a five point likert based scale to measure the variables both the independent and the dependent variables as latent variables. The five point likert based scale had measurement scales as follows; VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent and VHE=Very High Extent. The descriptive statistics that were examined were the frequency distribution and the chi square tests. According to (The British Academy., 2019) a chi-squared test is used when there are two categorical variables measured for all observations in a dataset and there is need to test if the variables are related or independent. Independent implying that the category observed for one variable does not depend on the category observed for the other variable. The chi square tests presence or absence of statistically significant distribution between the specific

indicator and the dependent variable at 5% level of significance with a p value of less than 0.05 leading to the conclusion of presence of significant relationship.

#### 4.5 Effect of Objectivity on Financial Reporting of Listed Firms

The role of objectivity on the financial reporting was examined using a set of five indicators that is accounting prejudice, accounting impartiality, conflicts of interests in accounting, accounting independence and goal orientation in accounting. The frequency distribution and the chi square tests were provided in Table 4.4 below.

**Table 4.4; Descriptive Statistics for Objectivity**

	VSE	SE	ME	HE	VHE	$\chi^2$	P
	Freq.	Freq.	Freq.	Freq.	Freq.		Value
	N %	N %	N %	N %	N %		
Accounting prejudice	1 1.8%	3 5.4%	4 7.1%	39 69.6%	9 16.1%	9.565	<0.05
Accounting impartiality	2 3.6%	7 12.5%	7 12.5%	34 60.7%	6 10.7%	12.679	<0.05
Conflict of interests in accounting	5 8.9%	4 7.1%	2 3.6%	42 75.0%	3 5.4%	11.216	<0.05
Accounting independence	3 5.4%	8 14.3%	1 1.8%	39 69.6%	5 8.9%	13.068	<0.05
Goal-orientation in accounting	0 0.0%	6 10.7%	5 8.9%	36 64.3%	9 16.1%	13.925	<0.05

**Key:** VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent, VHE=Very High Extent

The results in the Table 4.4 revealed that accounting prejudice distribution had a statistically significant relationship with the financial reporting due to a p value of less than 0.05. These results can further be illustrated by a huge number of respondents who indicated that accounting prejudice would affect the financial reporting to a high extent and very high extent with observed frequencies at 69.6% and 16.1% respectively. The results of this study are consistent with those of Kamyabi, Haghshenas, and Noushabadi (2015) who investigated the extent of accounting independence and impartiality in accounting in financial firms in Iran. The study found out that accountants were impartial in their accounting and did not engage in prejudice acts as well as fulfilling their own desires.

In respect to the accounting impartiality, a statistically significant relationship was observed between the indicator and the financial reporting at 5% level of significance

due to  $p$  value  $< 0.05$ . The cumulative percentage of the respondents who chose high extent and very high extent when asked on the extent of influence of accounting impartiality influence on financial reporting stood at 71.4%. The relationship between accounting impartiality (also referred to as neutrality) and financial reporting as observed in this study has also been documented by various scholars including Trovato (2017) and, Carp and Georgescu (2016) amongst others. In this context, Trovato (2017) argues that neutrality should be an integral component of the financial reporting process. This view is in agreement with that held by Carp and Georgescu (2016) who indicated that neutrality should be observed in the drawing of the financial reports.

The extent in which the conflict of interests in accounting influenced financial reporting had 8.9%, 7.1%, 3.6%, 75.0%, and 5.4% indicating to very small extent, small extent, moderate extent, high extent and very high extent respectively. These results indicated that high extent and very high extent had a cumulative score of 80.4% compared to very small extent and small extent that had a cumulative score of 16%. The results in Table 4.4 further indicated that conflict of interest was significantly related to the financial reporting at 5% level of significance. The conflict of interest has the capacity to influence the financial reporting through compromising the integrity and objectivity of the accountants drawing financial reports (Todorovi, 2018). In this context, a study by Todorovi (2018) that sought to establish the code of ethics of accountants in Irish companies observed that most of the accountants did not obey the principle of objectivity due to conflict of interest between the obedience of ethical standards of accounting and the interest of the organization of attracting investment from shareholders. These results were further enhanced those found by Cardoso, Martinez, and Teixeira (2014) in a study based in Brazil. Cardoso et al., (2014) had observed that conflict of interest between management and shareholders may lead to manipulation of financial reports such as earning management reports.

The accounting independence with a  $p$  value of less than 0.05 had a statistically significant relationship with the financial reporting. This is further illustrated by the small percentage of respondents who when asked on the influence of accounting independence on the financial performance indicated very small extent (5.4%), and small extent (14.3%). The results of this study on the statistical significant

relationship of accounting independent and financial reporting are consistent with the existing literature on the subject. Nwanyanwu (2017) in a study based in Nigeria noted the importance of accounting independence on the financial reporting quality. In this context, Nwanyanwu (2017) indicates that accounting personnel must maintain independence in both fact and appearance in all circumstances to enable them discharge their duties in a professional manner and in an objective manner.

Finally, the goal orientation in accounting was also found to have a significant relationship with the financial reporting due to a p value of less than 5%. This was evidenced by a cumulative percentage of 80.4% indicating that the goal orientation in accounting influenced financial reporting to a high extent and very high extent. The goal orientation of the financial reporting relates to the purposes in which the financial reporting is being undertaken. The results of this study are consistent with those of Bora and Saha (2016) who examined the role of creative accounting on the financial reporting aspects. The study noted that when financial reports are goal oriented towards judging an investment on the basis of the yields achieved in the immediate following years then some companies may employ creative accounting in order to regulate the attitude of the investors towards the company. These practices have the effect of compromising the integrity of the financial reports.

#### 4.6 Effect of Professional Competence on Financial Reporting

The role of professional competence on the financial reporting was examined using five indicators that is working experience of accountants, training of accountants, accuracy of accountants, hardworking and efficiency of accounts, and skill sets of accountants.

**Table 4.5; Descriptive Statistics for Professional Competence**

	VSE Freq. N %	SE Freq. N %	ME Freq. N %	HE Freq. N %	VHE Freq. N %	$\chi^2$	P Value
Working experience of accountants	4 7.1%	2 3.6%	3 5.4%	43 76.8%	4 7.1%	15.495	<0.05
Training of accountants	6 10.7%	1 1.8%	0 0.0%	39 69.6%	10 17.9%	12.912	<0.05
Accuracy of accountants	5 8.9%	3 5.4%	3 5.4%	41 73.2%	4 7.1%	12.932	<0.05
Hardworking and efficiency of accountants	1 1.8%	2 3.6%	6 10.7%	40 71.4%	7 12.5%	10.387	<0.05
Skill set of accountants	3 5.4%	5 8.9%	3 5.4%	39 69.6%	6 10.7%	12.042	<0.05

**Key:** VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent, HE=Very High Extent

The roles of the working experience of accountants were found to have a statistically significant relationship with financial reporting at 5% level of significance. This was a result of a p value of less than 0.05. These results were further emphasized by an observed score of 76.8% and 7.1% of the respondents indicating high extent and very high extent in respect to the effect of working experience of accountants on the financial reporting. The influence of working experience of accountants has also been examined by other scholars such as Afnany, Miqdad, and Sulistiyo, (2018), Salaudeen, Ibikunle, and Chima (2015) and, Höglund and Sundvik (2016) amongst others. Höglund and Sundvik (2016) note that accountants with the firms must have professional experience to deal with arising accounting matters when drawing financial reports. Onyabe, Okpanachiph, Nyorph, Yahaya, and Mohammed (2018) further indicates the importance of accounting experience as a as a certified public accountant, auditor, chief financial officer, financial controller, or accounting officer in the financial reporting aspects.

The extent in which training of accountants affected on the financial reporting had 10.7%, 1.8%, 69.6% and 17.9% of the respondents indicating to a very small extent, small extent, high extent and very high extent. The results in Table 4.5 further showed that training of accountants had a statistically significant relationship with financial reporting at 5% level of significance. This can be attributed to the high number of respondents indicating to a high extent and very high extent in their responses. The results of this study on the important of the accountant training on the financial reporting quality is collaborated by diverse studies across the globe including Nguyen, (2016) in Vietnam, Nwanyanwu (2017) in Nigeria, and Ogbenjuwa (2016) still in Nigeria amongst others. In this context, Nguyen (2016) found that in Vietnam there is need for the accountants to be trained on the accounting standards and to be continually knowledgeable on the development of these standards in order to improve on the financial reporting quality. These results were collaborated by Nwanyanwu (2017) in Nigeria who found a statistically significant relationship between training and financial reporting quality.

The effect of the accuracy of the accountants on the financial reporting had 8.9%, 5.4%, 5.4%, 73.2% and 7.1% of the respondents choosing very small extent, small extent, moderate extent, high extent, and very high extent in respect to the extent of effects of the indicator on financial reporting. The results of Table 4.5 further indicated that accuracy of the accountants had a statistically significant relationship with financial reporting. Diverse scholars such as Prihatni & Noviarini (2017), Gahman and Ibrahim (2015) and Jerubet (2017) have documented the importance of the accuracy in financial reports. The extent in which the hardworking and efficiency of accountants affected the financial reporting was also examined in the study. The results presented in Table 4.5 indicated that this indicator had a statistically significant relationship with financial reporting due to a p value of less than 0.05. This is further evidenced by the frequency distribution in which a majority of 71.4% of the respondents indicated that the hardworking and efficiency of the accountants influenced the financial reporting to a high extent.

The last indicator of the professional competence was the skill set of accountants and the extent in which it affected financial reporting aspects. The study results in Table 4.5 revealed that skill set of accountants had a statistically significant influence on the financial reporting aspects at 5% level of significance. This is further evidenced by a majority of 69.6% of the respondents indicating that skills set of accountants influenced the financial reporting to a high extent. The importance of the skills set of the accounts and their effect on the financial reporting has been noted by accounting scholars across the globe. According to Salaudeen *et al.*, (2015) noted that a professional accountant should have adequate skills on their professional development and accounting techniques required for financial reporting. Adebayo (2017) further note in agreement with Salaudeen *et al.*, (2015) that accountants should have adequately developed skills in order for them to comprehend the international accounting standards and any new enacted standards in order to improve on their financial reports.

#### **4.7 Effect of Integrity on Financial Reporting**

The integrity effect on the financial reporting was examined using five indicators that are correctness of amounts presented, timeliness of disclosures, corruptions, use of support documents, and application of accounting principles. The results of the descriptive statistics were presented in Table 4.6 below.



**Table 4.6; Descriptive Statistics for Integrity**

	VSE	SE	ME	HE	VHE	$\chi^2$	P
	Freq.	Freq.	Freq.	Freq.	Freq.		Value
	N %	N %	N %	N %	N %		
Correctness of amounts presented	4 7.1%	7 12.5%	4 7.1%	36 64.3%	5 8.9%	11.509	<0.05
Timeliness of disclosure	2 3.6%	3 5.4%	8 14.3%	38 67.9%	5 8.9%	16.512	<0.05
Corruption	3 5.4%	11 19.6%	5 8.9%	30 53.6%	7 12.5%	14.768	<0.05
Use of Support documents	1 1.8%	8 14.3%	6 10.7%	33 58.9%	8 14.3%	14.848	<0.05
Application of accounting principles	4 7.1%	2 3.6%	4 7.1%	37 66.1%	9 16.1%	15.532	<0.05

**Key:**VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent, VHE=Very High Extent

The effect of the correctness of amounts presented as an indicator of the integrity was found to have a statistically significant relationship with financial reporting at 5% level of significance. This was further emphasized by the observed frequency of 64.3% for the respondents indicating to a high extent in respect to the influence of correctness of amounts presented on the financial reporting. The results of this study in respect to the role of correctness of the amounts presented on the financial reporting are consistent with the empirical literature on the subject. In this context in a study based in Indonesia, Din, Munawarah, Ghozali, and Achmad (2017) revealed that there was misinformation on the correct amounts transacted within the local governments due to non-adherence to accounting standards set out by the government.

The timeliness of the disclosure as an indicator of integrity had a majority of the respondents indicating to a high extent in respect to the influence of the indicator on the financial reporting. The chi square test further found that the indicator had a statistical significant relationship with financial reporting aspects at 5% level of significance. This was further evidenced by a cumulative percentage of 76.8% of the respondents noting that the indicator influenced financial reporting to a high and very high extent. The results found in respect influence of the timeliness of the disclosures is consistent with a wide range of available literature review on the theme including studies by Khan (2015), Laschewski and Nasev (2018) and Frankel, Kalay, and Sadka (2017) amongst others. The timeliness of the disclosures are key in the financial

reporting as the shareholders and other stakeholder rely on financial disclosure provided by the firms(Vidhi & Divya, 2013).

The study further used corruption as a measure for integrity and the study results in Table 4.6 revealed that corruption had a significant relationship with financial reporting aspects. These results are attributable to 66.1% of the respondents who had cumulatively indicated that to a high extent and very high extent that corruption affected financial reporting. The corruption influences the financial reporting quality due its ability to compromise the objectivity of the accountant. The use of supporting documents as an indicator for integrity was also examined and the manner in which it effect financial reporting. The results presented in Table 4.6 showed that use of supporting documents had a statistically significant relationship with financial reporting at 5% level of significance. These results are further illustrated by a small percentage of respondents at 1.8% and 14.3% of the respondents who indicated that use of supporting documents affected financial reporting to a very small extent and small extent respectively. The use of supporting documents is key in enhancing the integrity of the financial reporting aspects.

The extent to which application of the accounting principles affected financial reporting was examined in the study and the results presented in Table 4.6. The results revealed that accounting principles had a statistically significant relationship with financial reporting at 5% level of significance. This was illustrated by a majority of the respondents indicating that application of the accounting principles influenced financial reporting to a high extent at 66.1%. The role of the application of accounting principles on the financial reporting aspects was examined by Lemus, (2014) in a study seeking to compare the Generally Accepted Accounting Principles to International Financial Reporting Standards (IFRS). The study indicate the need for the accountant to be well versed with the accounting standards to applied in order to materially use the principles in the right manner.

#### **4.8 Effect of Confidentiality on Financial Reporting**

The effect of confidentiality on the financial reporting was examined using five indicators that is security of accounting data, sharing of accounting information, accessibility of accounting data, number of handlers of accounting data, and storage of accounting data. The results were displayed in Table 4.7 as shown below.

**Table 4.7; Descriptive Statistics of Confidentiality**

	VSE Freq. N %	SE Freq. N %	ME Freq. N %	HE Freq. N %	VHE Freq. N %	$\chi^2$	P Value
Security of accounting data	6 10.7%	6 10.7%	3 5.4%	35 62.5%	6 10.7%	10.847	<0.05
Sharing of accounting information	3 5.4%	8 14.3%	2 3.6%	30 53.6%	13 23.2%	13.583	<0.05
Accessibility of accounting data	2 3.6%	7 12.5%	1 1.8%	40 71.4%	6 10.7%	14.466	<0.05
Number of handlers of accounting data	5 8.9%	5 8.9%	8 14.3%	33 58.9%	5 8.9%	10.752	<0.05
Storage of accounting data	5 8.9%	6 10.7%	0 0.0%	41 73.2%	4 7.1%	10.817	<0.05

**Key:** VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent, VHE=Very High Extent

The extent in which the security of accounting data influenced financial reporting had a majority of the respondents indicating to a high extent at 62.5% and a further 10.7% of the respondents indicating to a very high extent. The results in Table 4.7 further indicated that security of the accounting data had a statistically significant relationship on the financial reporting. The need for securing of the accounting data is noted by Yan (2016) who noted the need of segregation of duties amongst the accounting staff. Lim (2013) notes that the use of computer systems can be used to enhance security of accounting data through restricting the accounting information to given authorized personnel. The observations by Lim (2013) are in tandem with the findings by Hossin and Ayedh (2016) who noted that the need to use information systems in order to enhance the security of the accounting information.

In respect to the extent in which sharing of accounting information influenced financial reporting, the study results found that there was a statistically significant relationship between the two variables at 5% level of significance. This was due to a p value of less than 0.05. These results were attributed to a high percentage of 53.6% of the respondents indicating that the sharing of the accounting information influenced financial reporting to a high extent. The results of this study in respect to the sharing of accounting information was consistent with the study undertaken in Uganda by Mzuzu (2016) in respect to Kampala city which indicated that there were guidelines put in place to guide the sharing of accounting information between different parties in the organizations.

The role of accessibility of the accounting data was examined in relation to financial reporting aspects. The results of Table 4.7 indicated that accessibility of the accounting data had a statistically significant relationship with financial reporting at 5% level of significance due to a p value of less than 0.05. These results were further illustrated by a huge majority of the respondents at 71.4% of the respondents indicating that accessibility of the accounting data affected financial reporting to a high extent. This is in comparison to 3.6%, 12.5%, 1.8% and 10.7% of the respondents indicating that accessibility of the accounting data influenced financial reporting at very small extent, small extent, moderate extent, and very high extent respectively. The importance of accessibility of the accounting data to the financial reporting aspects that was found in this study is consistent with the findings of Das (2015) in their study based in Bangladesh. In this context, Das (2015) notes that the access to relevant accounting information enhances financial reporting quality.

The number of the persons handling the accounting data was examined in respect to its effect on the financial reporting aspects. The study results as illustrated in Table 4.7 showed that the number of persons handling accounting data had a statistically significant influence on the financial reporting of the listed firms. This can be evidenced by a cumulative percentage of 67.8% of the respondents who indicated that number of persons handling the accounting data influenced the financial reporting to a high extent and very high extent. The number of persons handling accounting data having a statistically significant relationship with financial reporting aspects can be attributed to the presence of controls to enhance data integrity. The storage of the accounting data was also used a latent indicator of confidentiality and the results presented in Table 4.7. The study results presented indicated that storage of the accounting data had a statistically significant relationship with financial reporting at 5% level of significance. These results can further be evidenced by the frequency distributions in which a cumulative percentage of 80.3% of the respondents indicated that the storage of accounting data influenced the financial reporting to a high extent and very high extent.

#### **4.9 Financial Reporting**

The financial reporting of the study was examined using five metrics that is transparency of financial reporting, understandability of financial reports, reliability

of financial reports, relevance of financial reports, and comparability of financial reports. The results of financial reporting were provided in Table 4.8 below.

**Table 4.8; Descriptive Statistics of Financial Reporting**

	VSE Freq. N %	SE Freq. N %	ME Freq. N %	HE Freq. N %	VHE Freq. N %
Transparency of financial reporting	7 12.5%	4 7.1%	1 1.8%	40 71.4%	4 7.1%
Understand ability of financial reports	6 10.7%	9 16.1%	4 7.1%	26 46.4%	11 19.6%
Reliability of financial reports	3 5.4%	8 14.3%	2 3.6%	36 64.3%	7 12.5%
Relevance of financial reports	2 3.6%	5 8.9%	6 10.7%	37 66.1%	6 10.7%
Comparability of financial reports	1 1.8%	11 19.6%	1 1.8%	38 67.9%	5 8.9%

**Key:**VSE=Very Small Extent, SE=Small Extent, ME=Moderate Extent, HE=High Extent, VHE=Very High Extent

The transparency of the financial reporting is key in firms across the globe. In respect to the transparency of the financial reporting in listed firms in Kenya the study results revealed that a majority of the respondents at 71.4% indicated that to a high extent there was transparency with the financial report in the listed firms. This is compared to 12.5%, 7.1%, 1.8%, and 7.1% of the respondents who indicated that that there transparency of the financial reporting to a very small extent, small extent, moderate extent, high extent and very high extent respectively. Several studies have documented the importance of transparency in financial reporting (Klinsukhon, 2016;Vokshi & Asllanaj, 2019;Hosseini & Malgharni, 2016;Ibrahim, 2017). In the study based in Thailand, Klinsukhon (2016) documents various importance of the transparency in financial reporting including enhancing the use of the financial information statements for decision making by diverse stakeholders of the company. The financial reports should therefore be accurate in order to them to be useful by the intended audience. The views of Klinsukhon (2016) are consistent with those of Ibrahim (2017) who also notes that the main purpose of transparency in financial reporting is for the economic decision making.

The results displayed in Table 4.8 indicated that a cumulative percentage of 66% of the respondents indicated that the under stability of the financial reporting was to a

high and very high extent. On the other hand, 10.7%, 16.1%, and 7.1% of the respondents indicated presence of under stability of financial reporting to a very small extent, small extent and moderate extent respectively. The understandability of the financial reports have been examined by diverse scholars across the globe (Boons, 2018;Umobong, 2016;Nagendrakumar, 2017;Avi, 2018). According to Boons (2018) the understandability of the financial reports as the clarity of the financial reporting in order to enable ease of extracting required financial information by users. These views by Boons (2018) are further collaborated by Avi (2018) in a study based in Italy. In this context, Avi (2018) indicates that for the financial information to be understandable then it must have the financial information classified, characterized and presented in a clear and concise way.

The extent in which the financial reports were reliable was also examined and the results presented in Table 4.8. The results indicated that 5.4%, 14.3%, 3.6%, 64.3%, and 12.5% of the respondents indicated that the financial reports were reliable to a very small extent, small extent, moderate extent, high extent and very high extent respectively for the listed firms. The theme of reliability of the financial reports have been examined by diverse scholars across the world (Nattawut & Sirilak, 2018;Evana & Dewi, 2017;Mbobo & Ekpo, 2016;Bozzolan, 2017). Nattawut and Sirilak, (2018) in their study in Thailand note that the financial reliability is important to the financial decision making. The study further found that financial reporting reliability relates to aspects such as predictive value of financial reports, confirmative values of financial reports, completeness of the financial information, neutrality, free from error, and verifiability of the financial information. The views by Nattawut and Sirilak, (2018) further collaborated the findings of Evana and Dewi, (2017) on the constituents of the financial reports reliability aspects. In this context, Evana and Dewi (2017) noted that the components of the reliable financial reports included representational faithfulness, substance over form, neutrality, prudence, and completeness. The study also noted that the financial reliability was key in decision making aspects.

The results for the relevance of the financial reports results indicated that a majority of the respondents at 66.1% indicated that the financial reports for the listed firms were relevant to a high extent. This is compared to 3.6%, 8.9%, 10.7%, and 10.7% of the respondents who indicated that the financial reports were relevant to a very small

extent, small extent, moderate extent, and very high extent respectively. The role of relevance of financial reporting as a measure of financial reporting quality is prevalent in the accounting literature. The theme has been examined by scholars such as Nguyen (2016), Mbobo and Ekpo (2016), Mohammed, Abubakar, and Danrim, (2016) and Aderemi, Isiauwe, Adetiloye, and Eriabie (2017). According to Nguyen (2016), the relevance of the financial reporting relates to the power of the financial report to affect the users' decisions. Unlike Nattawut and Sirilak, (2018) who used the predictive and confirmative values of the financial reports to measure financial reports reliability, Nguyen (2016) used these measures for financial reports relevance. This view is further supported by Mbobo and Ekpo (2016) in their study based in Nigeria. In this context, Mbobo and Ekpo (2016) note that the predictive value of the financial reports is a key component of the relevance of these reports. The study further notes that this predictive capacity is measured using the extent to which annual reports provide forward-looking statements; whether the annual reports disclose information in terms of business opportunities and risks; and whether the company uses fair value.

In respect to the comparability of the financial reports, a majority of 67.9% of the respondents indicated that the financial reports of the listed firms were comparable. A further 8.9% of the respondents indicated that the financial reports were comparable to a very high extent. The theme of financial reports comparability has also been examined by scholars in diverse countries including Okolie and Nosa (2014), Adebayo (2017), Monari (2015) and Kasim (2015). According to Okolie and Nosa (2014) the comparability of the financial reports is having of enough characteristics within the financial statements in order to make the comparability of these statements possible. This is achieved through use of consistent set of accounting principles, definitions, assumptions, data processing and measurement, techniques, classifications of data and reporting intervals are applied (Okolie & Nosa, 2014). The importance of the comparability of the financial reports is to ensure that there is better financial investment decisions and optimal resources allocation.

#### **4.10 Correlation Analysis**

The correlation analysis was used to examine the association between the independent variables (objectivity, professional competence, integrity, and confidentiality) on the dependent variable (financial reporting). The results of the correlation analysis are displayed in Table 4.9 Correlation Analysis.

**Table 4.9; Correlation Analysis**

	<b>Objectivity</b>	<b>Professional Competence</b>	<b>Integrity</b>	<b>Confidentiality</b>
Pearson Correlation	.578**	.387**	.513**	.488**
Financial Reporting Sig. (2-tailed)	.000	.003	.000	.002
N	56	56	56	56

The results indicated that the correlation between objectivity and financial reporting had a correlation coefficient of 0.578 that was statistically significant at 5% level of significance. The study results were similar to those by Voss (2018) in a study in Europe further lists aspects that may interfere with objectivity of the accounting process such as external pressures such as subordinate staff, managerial team, pressures to hide past mistakes in accounting, lack of independence and fear of losing job. These aspects could also further negatively affect the financial reporting aspects. In respect to the effect of the professional competence on the financial reporting, the results in table 4.9 reveal that a statistically and positive relationship between competence and financial reporting a correlation coefficient of 0.387. These findings are in agreement with those by Santana, Rathke, Lourenço, and Dalmácio (2014) who noted that professional competences in accounting improved the financial reporting of firms in Latin America.

The study results in revealed that in respect to effect of the integrity and financial reporting, there was a positive and statistically significant relationship with a correlation coefficient of 0.513. This study's results on integrity are consistent with other scholars' empirical findings. In this context, Sukmono (2015) noted that integrity of the accounting and finance personnel affected the quality of financial reporting. In respect to this, increase in integrity in accounting resulted to high quality financial statements. The results of the correlation influence between confidentiality and financial reporting found a correlation coefficient of 0.488 that was statistically significant. The results were similar to those of other studies. In a study in Montenegro, Todorovi (2018) sought to find out the effect of adherence to code of ethics in accounting on financial reporting of listed companies. The study similarly revealed that confidentiality of accounting data had a positive and significant relationship with the quality of financial reporting of listed firms. The study further



recommended training in data management to accountants in order to enhance the confidentiality aspects of accounting information. These findings are consistent with the findings by Salami, Sanni and Uthman (2018) who found out that there was statistically significant effects between confidentiality of accounting information and quality of financial reporting.

#### 4.11 Regression Analysis

The study undertook a multiple linear regression analysis with a view of explaining the effect of objectivity, professional competence, integrity and confidentiality on the financial reporting of the listed firms. The linear regression analysis is ideal in this study as the likert-based questions measuring the variables as latent variables was transformed into composite variables that are continuous in nature. The study was interested in five set of results that is linear regression correlation coefficient (R), coefficient of determination (R Square), F statistics of ANOVA, beta coefficients of the variables, and the t statistics that was used as the test statistic for hypothesis testing. The results are presented in three tables that is Table 4.10 below.

**Table 4.10; Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.795a	.632	.603	.12638

a. Predictors: (Constant), Confidentiality, Professional competence, Objectivity, Integrity

The results displayed in Table 4.10 shows that the achieved multiple linear regression correlation coefficient (R) was 0.795. According to Quinn and Keough (2002), the multiple linear regression correlation provides the correlation between the observed values of the dependent variable (financial reporting) and the predicted values of the dependent variable (financial reporting). The achieved value of 0.795 indicates that there was a positive correlation between the observed and the predicted values of the financial reporting. The correlation was also moderately strong going by the proximity of 0.795 relative to 1 which is the perfect correlation score. The results indicating moderate strength of the correlation and positive correlation are good for the study. The results in Table 4.10 further revealed that the achieved coefficient of determination (R Square) was 0.632. According to Howell (2010), the coefficient of determination checks on the variability in the dependent variable that can be attributed to the cumulative effect of the independent variables. In this context, the coefficient of

determination of this study examines the variability in the financial reporting that is attributable to the cumulative effect of confidentiality, professional competence, objectivity, and integrity. The achieved score of 0.632 indicates that 63.2% of the variability in the financial reporting was a result of the cumulative effect of confidentiality, professional competence, objectivity, and integrity. On the other hand, 36.2% of the variability in the financial reporting was as a result of other variables not in this specific model. The study notes that the confidentiality, professional competence, objectivity, and integrity account for a large portion of the variability of the financial reporting as the variability is more than half (50%) of the variability of the financial reporting.

The one-way Analysis of Variance results were also extracted during the multiple linear regression analysis. The results are presented in Table 4.11 below.

**Table 4.11; ANOVAa**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.397	4	.349	21.871	.001b
	Residual	.815	51	.016		
	Total	2.212	55			

a. Dependent Variable: Financial Reporting

b. Predictors: (Constant), Confidentiality, Professional competence, Objectivity, Integrity

The one-way ANOVA was used in this study for the purpose of testing on whether the regression model had predictive capacity of dependent variable using the independent variables. It thus checks on whether the regression model was good fit for data. The study used the F statistic as a test statistic to check on whether the regression model was good fit for data. In this context, Gujarati (2003) indicates that at 5% level of significance, the p value method can be used to test the good fit of data by testing the hypothesis  $H_0: R=0$ , and with a decision being made to reject the stated null hypothesis if the achieved p value is less than 0.05. In the context of this study, the achieved p value is 0.001 and it being less than 0.05 led to the conclusion to reject the null hypothesis and conclude that the regression analysis is a good fit for data.

The beta coefficients of the independent variables that are objectivity, professional competence, integrity, and confidentiality were examined and presented in **Table 4.12**. The t statistics associated with the independent variables were also presented in **Table 4.12**.

**Table 4.12;** Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	.728	.338		2.154	.036
1 Objectivity	.264	.049	.476	5.363	.000
Professional competence	.263	.046	.500	5.680	.000
Integrity	.299	.046	.621	6.551	.000
Confidentiality	.228	.040	.057	4.700	.000

a. Dependent Variable: Financial Reporting

According to Loehlin (2013), the beta coefficient of the independent variables are used to demonstrate the increase in the dependent variable that is associated with a unit increase in the independent variable. In this context, the study results as revealed in **Table 4.12** showed that the achieved beta coefficients for objectivity, professional competence, integrity and confidentiality had beta coefficients of 0.264, 0.263, 0.299, and 0.228 respectively. This led to the stating of the regression equation as follows;

$$Y = 0.728 + 0.264X_1 + 0.263X_2 + 0.299X_3 + 0.228X_4 + 0.12638$$

where  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$  is objectivity, professional competence, integrity and confidentiality respectively.

The positive beta coefficients of all the variables indicated that increases in the respective independent variables were associated with increases in the dependent variable with the remainders of the variables kept constant. The results thus indicate that a unit increase in objectivity is associated with 0.264 increases in financial reporting with the other variables held constant. On the other hand, a unit increase in the professional competence is associated with 0.263 increases in financial reporting with the other variables kept constant. The study further revealed that a unit increase in integrity led to a 0.299 increase in financial reporting with the other variables kept constant. Finally, a unit increase in confidentiality is associated with a 0.228 increase

in financial reporting with the other variables kept constant. The analysis of the beta coefficients showed that integrity at 0.299 had the highest effect on the financial reporting followed by objectivity, professional competence and confidentiality in that order.

The t statistics were used as the test statistics for hypothesis testing for the hypotheses set in this study. In this context, Gujarati (2003) indicates that at 5% level of significance, the p value method can be used to test the statistical significance of the effects between each independent variable and dependent variable with a decision being made to reject the stated null hypothesis if the achieved p value is less than 0.05.

The first null hypothesis sought to examine the influence of objectivity on the financial reporting and was stated as follows;

**H<sub>01</sub>:** There is no statistically significant effect of objectivity on financial reporting of listed firms in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>01</sub>**). The study thus notes that objectivity is statistically associated with financial reporting of listed firms in Kenya. These results were found to empirically and supported by other scholars such as Todorovi (2018), Voss (2018), and Enofe (2015) amongst others. In this context, a study by Todorovi (2018) seeking to establish the code of ethics of accountants in Irish companies revealed that the accountants did not obey the principle of objectivity due to conflict of interest between the obedience of ethical standards of accounting and the interest of the organization of attracting investment from shareholders. This influences financial reporting in a negative way.

The second null hypothesis sought to examine the influence of professional competence on the financial reporting and was stated as follows;

**H<sub>02</sub>:** There is no statistically significant effect of professional competence on financial reporting of listed firms in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>02</sub>**). The study thus notes that professional competence is statistically associated with financial reporting of listed firms in Kenya. These results are consistent and empirically supported by scholars such as Agwor and Okafor (2018), Abbott, Daugherty, Parker, and Peters (2016), and Al-Shaer, Salama, and Toms (2017) amongst others. In Nigerian context, Agwor and Okafor (2018) found that there was a statistically significant effects between the professional competence of accounting staff and the financial reporting. In respect to this, the study noted that an increase in professional competence in accounting improved the financial reporting

The third null hypothesis sought to examine the influence of integrity on the financial reporting and was stated as follows;

**H<sub>03</sub>**: There is no statistically significant effect of integrity on financial reporting of listed firms in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis (**H<sub>03</sub>**). The study thus notes that integrity is statistically associated with financial reporting of listed firms in Kenya. The results were similar to other studies that examined the theme. Focusing on county governments in Central region of Kenya, Nderitu (2018) study indicated that integrity in accounting process improved the transparency and accountability of financial reporting. The study concluded that there was statistically significant effects between integrity in accounting proves and the quality of financial reporting. Vidhi and Divya (2013) concur to this by establishing a positive effect between accounting integrity and financial reporting.

The fourth hypothesis sought to examine the influence of confidentiality on the financial reporting and was stated as follows;

**H<sub>04</sub>**: There is no statistically significant effect of confidentiality on financial reporting of listed firms in Kenya

The achieved p value of 0.001 being less than 0.05 led to the rejection of the null hypothesis ( $H_{04}$ ). The study thus notes that confidentiality is statistically associated with financial reporting of listed firms in Kenya. These results are empirically similar to those found by other studies. In a study undertaken in Nigerian commercial banks, Oboh and Ajibolade (2017) concluded that confidentiality of accounting information improved on the quality of financial reporting. Similar to Oboh and Ajibolade (2017), Akenbor and Tennyson (2014) in a study at rivers state capital in Nigeria had found that confidentiality of accounting information was statistically related to the quality of financial reporting. The study had recommended enhancement of accounting information security. In Uganda, Mzuzu (2016) study found that adherence to confidentiality requirement of accounting information had a positive relationship with the quality of financial reporting. In respect to this, the study noted that where the confidentiality of accounting information was adhered to, the transparent and reliability as well as understandability of financial reporting improved of small business in Kampala City.

## CHAPTER FIVE

### SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5.1 Introduction

This is the last chapter of the study that examined the summary of the findings, conclusions and recommendations of the study. The study has sought to examine the effects of ethical accounting practices on financial reporting with a survey of the listed firms in Kenya. To achieve the objectives of the study, the effect of objectivity, professional competence, integrity, and confidentiality on the financial reporting of the listed firms in Kenya was examined.

#### 5.2 Summary of Findings

The study was examined in respect to the objectives of the study.

##### 5.2.1 Effect of Objectivity on Financial Reporting of Listed Firms

The role of objectivity on the financial reporting was examined using a set of five indicators that is accounting prejudice, accounting impartiality, conflicts of interests in accounting, accounting independence and goal orientation in accounting. Accounting prejudice distribution had a statistically significant effect on the financial reporting. In respect to the accounting impartiality, a statistically significant effect was observed between the indicator and the financial reporting. The study noted that objectivity should be observed in the drawing of the financial reports. Similarly, conflict of interest was found to have a statistically significant effect on financial reporting. This was attributed to the conflict of interest having the capacity to effect the financial reporting through compromising the integrity and objectivity of the accountants drawing financial reports.

The study further noted that conflict of interest between management and shareholders may lead to manipulation of financial reports such as earning management reports. The accounting independence was found to have a statistically significant effect on the financial reporting. The study noted that accounting personnel must maintain independence in both fact and appearances in all circumstances to enable them discharge their duties in a professional manner and in an objective manner. The goal orientation of the financial reporting was found to have an effect on the financial reporting aspects. The study noted that when financial reports are goal oriented towards judging an investment on the basis of the yields achieved in the

immediate following years then some companies may employ creative accounting in order to regulate the attitude of the investors towards the company. These practices have the effect of compromising the integrity of the financial reports.

### **5.2.2 Effect of Professional Competence on Financial Reporting**

The role of professional competence on the financial reporting was examined using five indicators that is working experience of accountants, training of accountants, accuracy of accountants, hardworking and efficiency of accounts, and skill sets of accountants. The roles of the working experience of accountants were found to have a statistically significant effect on financial reporting. The study noted that accountants with the firms must have professional experience to deal with arising accounting matters when drawing financial reports. There is thus a need for staff involved in the drawing of financial reports to have accounting experience as a as a certified public accountant, auditor, chief financial officer, financial controller, or accounting officer in the financial reporting aspects. The study results revealed that training of accountants had a statistically significant effect on financial reporting. The study indicated that there is need for the accountants to be trained on the accounting standards and to be continually knowledgeable on the development of these standards in order to improve on the financial reporting quality.

The study further revealed that accuracy of the accountants on the financial reporting had a statistically significant effect on financial reporting. The extent in which the hardworking and efficiency of accountants influenced the financial reporting was also examined in the study. The results indicated that this indicator had a statistically significant effect on financial reporting. The skills set of the accountants had a statistically significant influence on the financial reports of the listed firms. The study further noted that accountants should have adequately developed skills in order for them to comprehend the international accounting standards and any new enacted standards in order to improve on their financial reports.

### **5.2.3 Effect of Integrity on Financial Reporting**

The integrity effect on the financial reporting was examined using five indicators that are correctness of amounts presented, timeliness of disclosures, corruptions, use of support documents, and application of accounting principles. The effect of the correctness of amounts presented as an indicator of the integrity was found to have a statistically significant effect.



The timeliness of the disclosure as an indicator of integrity had a majority of the respondents indicating to a high extent in respect to the effect of the indicator on the financial reporting. The timeliness of the disclosures is key in the financial reporting as the shareholders and other stakeholder rely on financial disclosure provided by the firms. The study found that corruption influences the financial reporting quality due its ability to compromise the objectivity of the accountant. The use of supporting documents as an indicator for integrity was also examined and the manner in which it effect financial reporting. The results showed that use of supporting documents had a statistically significant effect on financial reporting. The use of supporting documents is key in enhancing the integrity of the financial reporting aspects. The extent to which application of the accounting principles influenced financial reporting had the results revealing that accounting principles had a statistically significant effects on financial reporting.

#### **5.2.4 Effect of Confidentiality on Financial Reporting**

The effect of confidentiality on the financial reporting was examined using five indicators that is security of accounting data, sharing of accounting information, accessibility of accounting data, number of handlers of accounting data, and storage of accounting data. The extent in which the security of accounting data influenced financial reporting had a majority of the respondents indicating to a high extent. The study further revealed the need of segregation of duties amongst the accounting staff. The use of computer systems was found to have the capacity to enhance security of accounting data through restricting the accounting information to given authorized personnel. In respect to the extent in which sharing of accounting information affected financial reporting, the study results found that there was a statistically significant effect between the two variables. The study further noted that guidelines should be put in place to guide the sharing of accounting information between different parties in the organizations.

The role of accessibility of the accounting data was examined in relation to financial reporting aspects. The results indicated that accessibility of the accounting data had a statistically significant effect on financial reporting. The study further indicates that the access to relevant accounting information enhances financial reporting quality. The number of persons handling accounting data having a statistically significant effect on financial reporting aspects can be attributed to the presence of controls to

enhance data integrity. The study results presented indicated that storage of the accounting data had a statistically significant effects on financial reporting at 5% level of significance.

### **5.3 Conclusions of the Study**

The study concluded that ethical accounting practices (confidentiality, professional competence, objectivity, and integrity) cumulatively affected variation on the financial reporting to a larger extent. Individually, the study concluded that all the ethical accounting practices had a positive and statistically significant predictive influence on the financial reporting aspects. The study further concluded that the ethical accounting practice with the highest effect on the financial reporting is integrity, followed by objectivity, professional competence and finally confidentiality.

### **5.4 Recommendations of the Study**

The study recommended that the listed firms should observe objectivity in order to improve on the financial reporting of the firms. Amongst the aspects that the firms should observe include elimination of the conflict of interest in the drawing of the financial reports. The study further recommended that the accountants should be professionally competent in order to improve on the financial reporting of the firms. This is due to an increase in professional competence being associated with improvement in the financial reporting. The integrity aspects of the ethical accounting practices should be maintained within the firms in order to improve on the financial reporting aspects. Finally, the listed firms should also enhance the confidentiality of the financial reports while drawing the reports.

### **5.5 Areas for Further Research**

The study recommends that the other aspects of ethical accounting practices should be examined in respect to the financial reporting of both the listed and non-listed firms.

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## **APPENDIX I: CONSENT STATEMENT**

Dear Respondents,

My name is Douglas Paul Kukutia, a Master of Business Administration (Accounting Option) student at Kabarak University. I am undertaking a research entitled “*Effects ethical Accounting Practices on Financial Reporting: A Survey of Listed Firms in Kenya*”.

Kindly do assist me fill the attached questionnaire on the above subject matter. The collected data was used for academic purposes. The researcher will not reveal your identity.

Yours faithfully,

Douglas Paul Kukutia

## APPENDIX II: QUESTIONNAIRE

### EFFECTS OF ETHICAL ACCOUNTING PRACTICES ON FINANCIAL REPORTING: A SURVEY OF LISTED FIRMS IN KENYA

*Participation in this study is voluntary and the information that you provided was kept confidential and only used for academic purposes. Please do not provide your name or any other identifying details in the attached questionnaire for your identity is anonymous in this study.*

**Instruction:** Respond to the questions in this questionnaire is treated as honest as possible and by ticking the choice that best describes your response.

**N/B** All information provided was handed strictly with confidentiality

#### SECTION I: BACKGROUND CHARACTERISTICS

1. What is your highest level of education?

Certificate [ ]      Diploma [ ]      Degree [ ]      Post Graduate [ ]

2. For how long have you serve/worked in the current firm?

1-2 Years [ ]      3-4 years [ ]      5-6 Years [ ]      7 years and above [ ]

#### SECTION II: Objectivity

This part of the questionnaire will sought to examine the effect of objectivity on ethical accounting practices towards financial reporting of listed firms in Kenya. Using the Likert scale whereby; 1= Very Small Extent, 2=Small Extent, 3=Moderate Extent, 4= High Extent, and 5= Very High Extent; please indicate the extent of the following objectivity aspects on ethical accounting practices towards financial reporting in your organization.

No	<i>Rate the extent of objectivity on financial reporting in your organization;</i>	1	2	3	4	5
1.	Accounting prejudice					
2.	Accounting impartiality					
3.	Conflict of interests in accounting					
4.	Accounting independence					
5.	Goal-orientation in accounting					

### SECTION III: PROFESSIONAL COMPETENCES

This part of the questionnaire will sought to examine the effect of professional competence on ethical accounting practices towards financial reporting of listed firms in Kenya. Using the Likert scale whereby; 1= Very Small Extent, 2=Small Extent, 3=Moderate Extent, 4= High Extent, and 5= Very High Extent; please indicate the extent of the following professional competence aspectstowards financial reporting in your organization.

No	<i>Rate the extent of Professional Competence on financial reporting in your organization;</i>	1	2	3	4	5
1.	Working experience of accountants					
2.	Training of accountants					
3.	Accuracy of accountants					
4.	Hardworking and efficiency of accountants					
5.	skill set of accountants					

### SECTION IV: INTEGRITY

This part of the questionnaire will sought to examine the effect of integrity on ethical accounting practices toward financial reporting of listed firms in Kenya. Using the Likert scale whereby; 1= Very Small Extent, 2=Small Extent, 3=Moderate Extent, 4= High Extent, and 5= Very High Extent; please indicate the extent of the following integrity aspects towards financial reportingin your organization.

No	<i>Rate the Extent of Integrity on financial reporting in your organization;</i>	1	2	3	4	5
1.	Correctness of amounts presented					
2.	Timeliness of in disclosure					
3.	Corruption					
4.	Use of Support documents					
5.	Application of accounting principles					

### SECTION V: CONFIDENTAILITY

This part of the questionnaire will sought to examine the effect of confidentiality on ethical accounting practices toward financial reporting of listed firms in Kenya. Using the Likert scale whereby; 1= Very Small Extent, 2=Small Extent, 3=Moderate Extent,

4= High Extent, and 5= Very High Extent; please indicate the extent of the following confidentiality aspects towards financial reporting in your organization.

No	<i>Rate the Extent of Confidentiality on financial reporting in your organization;</i>	1	2	3	4	5
1.	Security of accounting data					
2.	Sharing of accounting information					
3.	Accessibility of accounting data					
4.	Number of handlers of accounting data					
5.	Storage of accounting data					

### **SECTION VI: Financial Reporting**

This part of the questionnaire will sought to determine the level of financial reporting of listed firms in Kenya. Using the Likert scale whereby; 1= Very Small Extent, 2=Small Extent, 3=Moderate Extent, 4= High Extent, and 5= Very High Extent; please indicate the extent of the following financial reporting aspects in your organization.

No	<i>Rate the Extent of Financial reporting in your organization;</i>	1	2	3	4	5
1.	Transparency of financial reporting					
2.	Understand ability of financial reports					
3.	Reliability of financial reports					
4.	Relevance of financial reports					
5.	Comparability of financial reports					

**Thank you for your Participation**



## APPENDIX III: RESEARCH PERMITS

**KABARAK**

Private Bag - 20157  
KABARAK, KENYA  
<http://kabarak.ac.ke/institute-postgraduate-studies/>



**UNIVERSITY**

Tel: 0773 265 999  
E-mail: [directorpostgraduate@kabarak.ac.ke](mailto:directorpostgraduate@kabarak.ac.ke)

### BOARD OF POSTGRADUATE STUDIES

28<sup>th</sup> June, 2019

The Director General  
National Commission for Science, Technology & Innovation (NACOSTI)  
P.O. Box 30623 – 00100  
NAIROBI

Dear Sir/Madam,

**RE: DOUGLAS PAUL KUKUTIA- REG. NO. GMB/NE/2429/05/18**

The above named is a Masters of Business Administration student at Kabarak University in the School Business and Economics. He is carrying out research entitled “*Effects of Ethical Accounting Practices on Financial Reporting ,A Survey of Listed Firms in Kenya*”. He has defended his proposal and has been authorized to proceed with field research.

The information obtained in the course of this research will be used for academic purposes only and will be treated with utmost confidentiality.

Please provide him with a research permit to enable him to undertake his research.

Thank you.

Yours faithfully,



**Dr. Betty Jeruto Tikoko**  
**DIRECTOR, POSTGRADUATE STUDIES**



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#### Kabarak University Moral Code

*As members of Kabarak University family, we purpose at all times and in all places, to set apart in one's heart, Jesus as Lord. (1 Peter 3:15)*



## **THE SCIENCE, TECHNOLOGY AND INNOVATION ACT, 2013**

**The Grant of Research Licenses is guided by the Science,  
Technology and Innovation (Research Licensing) Regulations, 2014.**



**REPUBLIC OF KENYA**

### **CONDITIONS**

- 1. The License is valid for the proposed research, location and specified period.**
- 2. The License and any rights thereunder are non-transferable.**
- 3. The Licensee shall inform the County Governor before commencement of the research.**
- 4. Excavation, filming and collection of specimens are subject to further necessary clearance from relevant Government Agencies.**
- 5. The License does not give authority to transfer research materials.**
- 6. NACOSTI may monitor and evaluate the licensed research project.**
- 7. The Licensee shall submit one hard copy and upload a soft copy of their final report within one year of completion of the research.**
- 8. NACOSTI reserves the right to modify the conditions of the License including cancellation without prior notice.**



**National Commission for Science,  
Technology and Innovation**

**RESEARCH LICENSE**

**National Commission for Science, Technology and Innovation  
P.O. Box 30623 - 00100, Nairobi, Kenya**

**TEL: 020 400 7000, 0713 788787, 0735 404245**

**Email: [dg@nacosti.go.ke](mailto:dg@nacosti.go.ke), [registry@nacosti.go.ke](mailto:registry@nacosti.go.ke)**

**Website: [www.nacosti.go.ke](http://www.nacosti.go.ke)**

**Serial No.A 25723**

**CONDITIONS: see back page**

**THIS IS TO CERTIFY THAT:**

**MR. DOUGLAS PAUL KUKUTIA  
of KABARAK UNIVERSITY, 0-20100**

**NAKURU, has been permitted to conduct  
research in Nairobi County**

**on the topic: EFFECTS OF ETHICAL  
ACCOUNTING PRACTICES ON FINANCIAL  
REPORTING, A SURVEY OF LISTED FIRMS  
IN KENYA**

**for the period ending:  
3rd July, 2020**

**Permit No : NACOSTI/P/19/62876/31762**

**Date Of Issue : 4th July, 2019**

**Fee Received :Ksh 1000**



**Applicant's  
Signature**

**Director General  
National Commission for Science,  
Technology & Innovation**



**NATIONAL COMMISSION FOR SCIENCE,  
TECHNOLOGY AND INNOVATION**

Telephone: +254-20-2213471,  
2241349, 3310571, 2219420  
Fax: +254-20-318245, 318249  
Email: dg@nacosti.go.ke  
Website: www.nacosti.go.ke  
When replying please quote

NACOSTI, Upper Kabete  
Off Waiyaki Way  
P.O. Box 30623-00100  
NAIROBI-KENYA

Ref. No. **NACOSTI/P/19/62876/31762**

Date: **4<sup>th</sup> July 2019**

Douglas Paul Kukutia  
Kabarak University  
Private Bag - 20157  
**KABARAK.**

**RE: RESEARCH AUTHORIZATION**

Following your application for authority to carry out research on *“Effects of ethical accounting practices on financial reporting a survey of listed firms in Kenya.”* I am pleased to inform you that you have been authorized to undertake research in **Nairobi County** for the period ending **3<sup>rd</sup> July, 2020.**

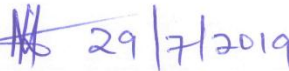
You are advised to report to **the County Commissioner, and the County Director of Education, Nairobi County** before embarking on the research project.

Kindly note that, as an applicant who has been licensed under the Science, Technology and Innovation Act, 2013 to conduct research in Kenya, you shall deposit **a copy** of the final research report to the Commission within **one year** of completion. The soft copy of the same should be submitted through the Online Research Information System.

  
**BONFACE WANYAMA,  
FOR: DIRECTOR-GENERAL/CEO**

Copy to:

The County Commissioner  
Nairobi County.



**COUNTY COMMISSIONER  
NAIROBI COUNTY  
P. O. Box 30124-00100, NBI  
TEL: 341666**

The County Director of Education  
Nairobi County.



Republic of Kenya  
**MINISTRY OF EDUCATION**

**STATE DEPARTMENT OF EARLY LEARNING AND BASIC EDUCATION**

Telegrams: "SCHOOLING", Nairobi  
Telephone: Nairobi 020 2453699  
Email: [rcenairobi@gmail.com](mailto:rcenairobi@gmail.com)  
[cdenairobi@gmail.com](mailto:cdenairobi@gmail.com)

REGIONAL COORDINATOR OF EDUCATION  
NAIROBI REGION  
NYAYO HOUSE  
P.O. Box 74629 – 00200  
NAIROBI

When replying please quote

Ref: RCE/NRB/GEN/VOL.1

DATE: 29<sup>th</sup> July, 2019

Douglas Paul kukutia  
Kabarak University  
Private Bag-20157  
**KABARAK.**

**RE: RESEARCH AUTHORIZATION**

We are in receipt of a letter from the National Commission for Science, Technology and Innovation regarding research authorization in Nairobi County on "*Effects of ethical accounting practices on financial reporting a survey of listed firms in Kenya.*"

This office has no objection and authority is hereby granted for a period ending **3<sup>rd</sup> July, 2020** as indicated in the request letter.

Kindly inform the Sub County Director of Education of the Sub County you intend to visit.

**JAMES KIMOTHO**  
**FOR: REGIONAL COORDINATOR OF EDUCATION**  
**NAIROBI**



Copy to: Director General/CEO  
National Commission for Science, Technology and Innovation  
**NAIROBI**



#### APPENDIX IV: LIST OF LISTED COMPANIES IN 2019

s/no.	Pilot study	Year of Listing	Chief finance officers
1	Eaagads Ltd.	1972	1
2	Kapchorua Tea Co. Ltd.	1972	1
3	Kakuzi	1951	1
4	National Bank of Kenya Ltd.	1994	1
5	Rea Vipingo Plantations Ltd.		1
6	Sasini Ltd.	1965	1
			<b><u>6</u></b>
	<b>Research study</b>		
7	Williamson Tea Kenya Ltd.	1972	1
8	Car & General (K) Ltd.	1950	1
9	Sameer Africa Ltd.	1994	1
10	Marshalls (E.A) Ltd.		1
11	Barclays Bank Ltd.	1986	1
12	CFC Stanbic Holdings Ltd.	1970	1
13	I & M Holdings Ltd.	2013	1
14	Diamond Trust Bank Kenya Ltd	1972	1
15	HF Group Ltd.	1992	1
16	KCB Group Ltd.	1989	1
17	Limuru Tea Co. Ltd.	1967	1
18	NIC Bank Ltd	1971	1
19	Standard Chartered Bank Ltd.	1988	1
20	Equity Group Holdings	2006	1
21	The Co-operative Bank Ltd	2008	1
22	Express Kenya Ltd	1978	1
23	Kenya Airways Ltd.	1996	1
24	Nation Media Group	1973	1
25	Standard Group Ltd.	1953	1
26	TPS Eastern Africa (Serena) Ltd.	1997	1
27	WPP Scan group Ltd.	2006	1
29	Hutchings Biemer Ltd.		1
30	Longhorn Publishers Ltd.	2012	1
31	Atlas Development and Support Services	2014	1
32	Deacons (East Africa) Plc	2016	1
33	Nairobi Business Ventures Ltd.	2016	1
34	Athi River Mining	1997	1
35	Bamburi Cement Ltd.	1970	1
36	Crown Berger Ltd	1992	1
37	E.A Cables Ltd.	1973	1
38	E.A Portland Cement Ltd.	1972	1
39	KenolKobil Ltd.	1959	1
40	Total Kenya Ltd.	1988	1
41	KenGen Ltd.	2006	1
42	Kenya Power & Lighting Co.	1972	1

	Ltd.		
43	Umeme Ltd	2012	1
44	Jubilee Holdings Ltd	1984	1
45	Pan Africa Insurance Holdings Ltd.		1
46	Kenya Re- Insurance Corporation Ltd.	2006	1
47	Liberty Kenya Holdings	2007	1
48	Britam Holdings Ltd.	2011	1
49	CIC Insurance Group Ltd.	2012	1
50	Onlympia Capital Holdings	1974	1
51	Centum Investment Co. Ltd.	1977	1
52	Trans- Century ltd.	2011	1
53	Home Afrika Ltd	2013	1
54	Kurwitu Ventures	2014	1
55	Nairobi Securities Exchange Ltd.	2014	1
56	B.O.C Kenya Ltd	1969	1
57	British American Tobacco Kenya Ltd.	1969	1
58	Carbacid Investments Ltd	1972	1
59	East African Breweries Ltd.	1972	1
60	Mumias Sugar Co. Ltd	2001	1
61	Unga Group Ltd.	1971	1
62	Eveready East Africa Ltd.	2006	1
63	Kenya Orchards Ltd.	1978	1
64	A. Baumann Co. Ltd		1
65	Flame Tree Group Holdings Ltd.	2015	1
66	Safaricom Ltd.	2008	1
67	StanlibFahari I-REIT	2015	1
	<b>Total Population for the Research study</b>		<b><u>61</u></b>
	<b>Totals</b>		<b><u>67</u></b>

**Source:** *Nairobi Securities Exchange (NSE) (2019)*