THE ROLE OF THE PROFESSIONAL ACCOUNTANTS IN THE GLOBAL FINANCIAL CRISIS: THE CASE OF NIGERIA

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Abstract
The deplorable state of the Nigerian economy following the recent global financial crisis calls for research attention. The crisis which has led to many other crises including corporate failures cannot be divorced from inadequacies and inaccuracies in the financial records kept by the concerned organizations. In view of the fact that professional accountants are those saddled with the responsibility of keeping these financial records, the purpose of the study is to examine the role of the professional accountants in the global financial crisis from the Nigerian stakeholders’ perspective. The study relied on primary data collected with the use of a well-structured close-ended questionnaire from five stakeholder groups; the professional accountants in practice, the investors and the financial analysts. ANOVA and Chi-square test of goodness of fit were used to analyze the data. The study found that stakeholders perceived earnings management activities of accountants and non-independence of auditors as largely responsible for corporate collapses in Nigeria. No significant differences were found between the perceptions of the five stakeholder groups on the roles of accountants in the crisis. The study concluded that indeed some accountants have failed in their duties. Stakeholders however perceived that the profession has responded to this problem by mapping out a variety of strategies to guide against future reoccurrence.

Key Words: Financial Crisis, Professional accountants, Auditor independence, Earnings management.

1.0 Introduction:
One of the fundamental concepts in accounting (going-concern concept) states that, a business entity is expected to carry out its operations in perpetuity (Igben, 1999). This concept appears to have lost its relevance in many local and multi-national organizations as they have been forced to close down. Edward (2009) linked the recent complete winding up of some business entities to the fast-and-loose mortgage lending in the United States of America (USA) which blew into a perilous global crisis of confidence that has revealed both the scale and limitation of globalization. Stock market also went into a confusing state as stock prices fell beyond imagination. These paved way for global retrenchment of employees with unemployment rate going up. The financial crisis has been described as the most serious financial crisis since the 1929 Wall Street crash (Chossudousky, 2008).

Different views expressed by professionals and analysts have revealed that there are several causes of this crisis (McCann, 2009). For instance, Edwards (2009) noted that the cause of the downturn cannot be primarily put down to the short warnings of mortgage backed-securities but to a number of factors.
Regardless of who to blame, Bunting (2009) opined that, the crisis was unquestionably exacerbated by corporate governance failure. There have been significant ethical failures across a broad spectrum of business activities. With scandals like Madoff, Stanford and Satyam, providing examples, Bunting opined that, these corporate failures were as a result of ethical failures, which are among principal contributors to global financial crisis.

The questions raised by investors as well as other stakeholders of both national and multinational companies have been “where were the professional accountants that were put in charge of the organizations’ financial records?” “Are the external auditors as well as audit committees not supposed to have seen those illegal business transactions and/or operations and alerted the public ahead of time?” (Fiakpa et al, 2008). It also appears that several professional standards (local and international) and legal control measures to ensure going-concern of business entities have failed. Moreover, there has been indication that the accounting professionals that are expected to be ethically fair, independent and objective in carrying out their functions have failed (Wade, 2009). These questions and arguments arising as a result of the series of corporate scandals are indications that perception of accounting and auditing profession has become an issue. This perception is important as it has the potential to erode the confidence in the integrity of the financial reporting system which capital market participants require (Pany & Reckers, 1988).

The interests of various stakeholders in different organizations are being determined by the position of their periodic financial reports, therefore, credibility and reliability of financial information is fundamental to investment (Evbodaghe, 2009). Through financial reports, numerous decisions about an entity including investing and financing decisions are made. Pandey (2004) stated that, potential investors depend on the information provided in the audited financial report to determine whether to have stakes in the business or not. The intending creditors also depend on the liquidity and profitability of the company, determined through the audited financial statement to assess the credit-worthiness of the company. Governments assess companies to tax through the same report (Odewale, 2004). Evbodaghe opined that, expansion of the business that paves way for more employment opportunities and leads to individual financial prosperity also depends partly on the reported profit. However, in a situation where the ‘yardstick’ for taking business decision is misleading, the consequence is that any decision made out of it will also be erroneous and misleading.

The focus of this study therefore is to evaluate the roles of professional accountants in the recent global financial crisis from the perspective of Nigerian stakeholders and the challenge this situation has posed to the accounting profession generally. The outcome of this study is expected to be of immense benefit to professional accountants and their bodies, and regulators in formulating policies to address the problem of crisis of confidence based on empirical data. The entire stakeholders of business organizations and researchers interested in further study in this area will also benefit from the outcome of the study. The rest of the paper consists of four sections. The next section (section 2) discusses the relevant theories and the prior arguments in earlier studies on the accountants’ role and based on these the section presents the propositions that were formulated and tested in the study. The methodology of the research, including the sources of data and analytical tools used is presented in Section 3; the results of analysis are presented and discussed in section 4 and the final section presents the conclusion which also incorporated some recommendations emanating from the research.
2.0 Theoretical framework and development of the study’s propositions:
The global financial crisis that began in July, 2007 in United States of America (USA) has been attributed to different causes including the lose role of some professional accountants (McCann, 2009). However, Udemezue (2008) opined that, occupational interests, social needs, dictates of regulatory frameworks and constraints of the International Federation of Accountants (IFAC) affect the professional choices of any accountant with the Nigerian accountants perceiving personal values as having a greater influence on their attitudes towards their work than the desire for job satisfaction.

As far back as the early 1970’s, a prominent accountant was linked to the Watergate scandal (History of Accounting). In 1980s, globalization and deregulation brought new challenges which have left the investing public wondering about the role of the accountant. To raise huge amount of money, companies turned away from traditional bank loans toward more complex, and often riskier forms of financing (Morris, 2008) resulting in savings-and-loan crisis. Executives’ pay also became tied to performance therefore, clients had a personal stake in making sure their auditors squeezed out the best result they could (Edward, 2009).

In 2002, the world witnessed in shock the demise of the once respected audit firm, Arthur Andersen as a result of issues bordering on high level corporate frauds perpetrated by management with the connivance of the auditors. Attempts to cover up these activities led to the firm being criminally charged with document shredding activities. At the domestic front in Nigeria in 2006, Cadbury (Nig.) Plc’s limited financial resources were found to have been scandalously mismanaged by the Managing Director and some of the Directors who are professional accountants and covered up by their firm of auditors. Similar cases of management fraud and material misstatements in financial statements not reported by auditors were also exposed in banks including Trade Bank, Hallmark bank, All States Trust Bank and other sectors of the economy. More recently, Managing Directors of three banks were relieved of their positions in CBN’s attempt to prevent total collapse of the banks and thereby aggravate the effects of the global financial crisis. This situation poses a major concern about the credibility of the accounting and audit function.

2.1 Agency theory
Going by the agency theory, agent assumes special duty of trust to his principal. According to Hendriksen and Breda (2001)

“Given that the principal will always be interested in the outcome generated by their agents, agency theory provides the underpinning for an important role for accounting (professionals) in providing information after an event: a so-called post-decisional role. This role is always associated with the stewardship role of accounting in which an agent, (accountant) reports to a principal on the events of the past period” (p.207).

Accountants as agents are expected to focus their attention on the outcome of their professional duties while playing their roles in business and in practice with regards to necessary statutory and regulatory demands rather than pursuing personal interest (Edwin and Carmelita, 2007). Professional accountants (whether in business or practice) as agents to their employers, (the principal) are obliged to play some vital roles in the interest of their principal. Thus, the fact that professional accountants have more information about the entity than their principal does not give them a free hand to use the information for their selfish benefit at the expense of their principal. The accountant’s decisions and actions will often produce a result which will impact not only on the corporate entity but also on the economy of the nation(s) as a whole. The consequence of such actions is assumed to be capable of spreading very fast even across borders from one country to another {Contagion issues} (Sheriffdeen, 2009). The increasing global integration in business transactions generally as well as accounting functions like auditing in
particular in both developed and developing countries have paved way for easy spread of any choice of business and professional activities, Sheriffdeen further noted. Examples of contagion activities identified by him include, herd behaviour, asset-liabilities mismatch, subprime mortgage, margin trade, earning management, cosmetic accounting and audit failure and even wrong application of accounting concepts.

2.2 Prior evidence on the role of Professional Accountants and the Accounting Boards in the global financial crisis.

Udemezue (2008) defined the role of an accountant as, ‘the processor and the custodian of accurate informational organizational activities’ (p.1). There is no question that the international accountancy profession has a unique, critical and practical role to play in building strong and more stable economies around the globe (Evbodaghe, 2009). Evbodaghe further noted that, in order to fully carry out this role, accounting professionals need to continue to enhance confidence in the profession and to build trust, as the profession is empowered by investors’ confidence and trust.

Central features of the recent period of artificial expansion in global economy were gradual corruption and professional failure in America as well as Europe (McCann, 2009). These have spread to other parts of the world due to globalization. McCann further noted that acceptance of the International Accounting Standards (IAS) and their incorporation into local standards in different countries have met the abandonment of the traditional principle of prudence, replaced by the principle of fair value, especially in the assessment of values of balance sheet assets and liabilities. Thus, the following are some of the roles suggested to have been played by the professional accountants in the global financial crisis:

Fair Value Accounting: Ryan, (2008) suggested that, Fair value accounting is a financial reporting approach in which companies are required or permitted to measure and report on an ongoing basis certain assets and liabilities (generally financial instruments) at estimates of the prices they would receive if they were to sell the assets or would pay if they were to be relieved of the liabilities. There are many critics of the fair value accounting in relation to the role it has played in the emergence of the global financial crisis. Many have called for a suspension or substantial reform of fair-value accounting because it is perceived to have contributed to the severity of the 2008 financial crisis (Ryan, 2008). On the other hand, assessing and examining the role of fair value accounting in the financial crisis using descriptive data and empirical evidence, Laux and Leuz (2009) suggested that, “it is unlikely that fair-value accounting contributed to the severity of the financial crisis in a major way, either by increasing banks’ leverage in the boom or by substantially amplifying banks’ problems in the downturn” (p.2). However, the study gave a caveat that its conclusions should not be construed as advocating an extension of fair-value accounting; rather, more research is needed to understand the effects of fair-value accounting in booms and busts to guide efforts to reform the rules. Ryan submitted that, the main issue with fair value accounting is whether firms can and do estimate fair values accurately and without discretion.

Failure of the Accounting Standard Boards: According to Section 290, Code of Ethics for Professional Accountants - Revised, (2006: ii) “the mission of International Federation of Accountants (IFAC) is to serve the public interest, strengthen the worldwide accountancy profession and contribute to the development of strong international economies by establishing and promoting adherence to high-quality professional standards, furthering the international convergence of such standards and speaking out on public interest issues where the profession’s expertise is most relevant”. According to McCann (2009), the former Chief Accountant of the U.S. Securities and Exchange Commission (SEC), Lynn Turner, stated that “Accounting Standards setters ‘deserved an ‘F’ for allowing companies to incorrectly move assets off their balance sheets and for caving in to political pressure to alter rules”. Turner cuffed the IAS Board for bowing to pressure from France’s President Nicolas Sarkozy and other European...
Union leaders by relaxing fair-value accounting rules and added that, IASB has not shown that it can develop high quality standard without political interference’.

**Earnings Management:** Earnings are the profits of a company. Investors and analysts look at earnings in order to take their investment decision. Ability of a company to generate profit in the future plays a very important role in determining a stock's price. It determines the attractiveness of a particular company’s stock; companies with poor earnings prospects will have lower share prices than those with good prospects (Pandey, 2004). In McClure’s (2002) opinion, stocks with high-quality earnings are more likely to beat the market than others without such high-quality earnings.

According to Healy and Wahlen (1999), earnings management occurs when management uses judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of a company or influence contractual outcomes that depend on reported accounting numbers. Mintz (2006) similarly argued that earnings management occurs when managers use judgments to purposefully alter operating results to mislead stakeholders into thinking the company is doing better than it really is or to gain a personal advantage. This technique impairs the accuracy, reliability, and transparency of financial reports and can lead to dysfunctional decision making. Earning management usually involves the artificial increase (or decrease) of revenues, profits, or earnings per share figures through aggressive accounting tactics. Aggressive accounting tactics is a form of fraud and differs from reporting error. Earnings management is often considered materially misleading and thus a fraudulent activity (Earnings Management). Mintz further suggested various techniques that can be used as including: prematurely recognizing revenue, deliberately delaying expenses, changing estimates to inflate earnings, and improperly disclosing financial information. It also noted that motivation for earnings management could include the following:

- Meet financial analysts’ estimates of earnings that lead to performance-based compensation;
- Raise the stock price thereby enhancing the value of stock options;
- Smooth net income making it appear that the earnings are increasing at a steady rate.

Although different methods used by managers to smooth earnings can be very complex and confusing, the important thing to remember is that the driving force behind managing earnings is to meet a pre-specified target even when such earning is unattainable, considering current situation of the company. It could therefore be inferred from the above views on earning management that, as a result of strategy and technical (professional) knowledge involved no other person(s) other than the professional accountant that can either understand or carry out earnings management. Since it has negative effects on the going concern of an organisation, this could be argued as one of the roles that professional accountants have played in the onset of the financial crisis.

**Audit Failure:** The term audit is derived from the Latin word ‘audire’ which means ‘to hear’ (Adeniyi, 2004). According to Adeniyi, the origin of audit dates from ancient times when the landowners allowed the tenant farmers to work on their land: whilst, the landowners did not involve in the business of the farming. The landlords relied upon an overseer who ‘listened’ to the accounts of stewardship given by the tenants. At this period, the word audit is described as ‘the independent examination of and expression of opinion on, the financial statement of an enterprise by an appointed auditor in pursuance of that appointment and in compliance with any relevant statutory obligation’ (Adeniyi, 2004, p. 1).

Audit profession is an occupation specifically carried out by the qualified professional accountant (ICAN, 2006). Section 358 (1) of Companies and Allied Maters Act, Cap C20 LFN, 1990 states that, ‘a person shall not be qualified for appointment as an auditor of a company for the purpose of this Act, unless he is a member of a body of accountants in Nigeria established from time to time by an Act. This implies that all the practicing auditors are certified persons or group of persons. Surprisingly, despite the fact that it
has hardly been published, that an auditor has issued qualified or disclaimer and adverse audit reports on an entity’s financial statements, several corporate organizations, both national and multinational have collapsed. Clearly, the public impression of the accounting profession and its conduct of audits had suffered (Evbodaghe, 2009). Failures in mortgage business in America and UK that are generally referred to as the major cause of the recent financial crisis should have been noted on the financial records of these entities by the auditor while appropriate adverse or qualified opinion is made for the consumption of the ‘intended users’. However, the reverse has been the case while many of the companies have collapsed. Audit failure has therefore been pointed out as one of the roles accounting professionals have played in the ‘wake’ of the financial crisis.

Audit failures can arise as a result of a number of factors including auditors’ lack of independence. Independence is a crucial concept that sets auditors apart from the accountancy profession, as their core mission is to certify the (Zhang and Zhang, 2009). Auditor independence can be defined as a reference to the independence of internal or external auditors from parties that might have a financial interest in the business being audited (Financial Times Lexicom, n.d.). Independence involves and requires independence of mind and in appearance. However, Zhang and Zhang further added that the value of auditing depends heavily on the public’s perception of the independence of auditors’ public reports that describe companies’ financial status. According to Ye et al (2006), although auditors are required to maintain their objectivity and independence, there are incentives that might induce auditors to compromise their independence among which are; economic dependence and personal relationships. The value of the auditing profession is based on both their actual and perceived competence and independence. Ye et al suggested further that once the auditor’s independence is questioned by shareholders (and other users of financial reports), the auditor’s role as information intermediary will be impaired. The McDonnel (2012) viewed that lack of independence issue results from the client – firm relationship in terms of revenue that come from clients to whom services are provided. This thereby leads to audit failure which has been perceived one of the causes of the recent global financial crisis.

2.3 Hypotheses
Based on the foregoing theoretical arguments and prior empirical evidence this study proposed and tested the following null hypotheses:

1. Stakeholders do not perceive fair value accounting as contributory to the financial crisis.
2. Stakeholders do not perceive weakness in accounting standards as contributory to the financial crisis.
3. Stakeholders do not perceive earnings management activities as accounting professionals’ contributory role in the financial crisis.
4. Stakeholders do not perceive audit failure as a major contributor in the financial crisis.
5. The various categories of stakeholders of accounting do not differ in their perception of the contributory roles of the Nigerian accountants and relevant standards setting/regulatory bodies to the financial crisis.

3.0 Methodology
This study employed a survey research design. A well-structured close-ended questionnaire was developed to obtain response from the respondents. The targeted population consisted of the accounting professionals (in business, practice and academics), investors and financial analysts. The targeted heterogeneous population is considered appropriate for this study so as to capture the response of both accounting professionals as preparers of accounting information and others as major user categories who are interested in the accuracy of the information provided. A sample was drawn from the targeted
population using stratified and convenience sampling methods. The targeted population was divided into five strata, accounting professionals in business; practice; and academics, investors and financial analysts and convenience sampling was used to obtain a sample of 40 respondents from each stratum drawing from the Nigerian stock exchange trading list and one of the professional accounting bodies’ membership lists. Participants were selected on the basis of their being located in Lagos State. The total sample size was two hundred (200) respondents. Data obtained from the 159 returned copies of the questionnaire were analyzed using descriptive statistics namely the Mean and standard deviation and inferential statistics namely the ANOVA and Chi-Square tests. Statistical analyses were performed at a 0.05 level of significance (α) using Statistical Package for Social Sciences (SPSS) Version17.0.

4.0 Results

4.1 Descriptive Analysis

Descriptive analysis was carried out by obtaining summary measures (Mean and Standard deviation) of the stakeholders’ perception regarding the various roles played by accountants in the corporate collapses which characterized the financial crisis. Mean values between 1.0 and 3.0 were regarded as low perception while values above 3.0 are regarded as high perception (agreement with the proposition). The results as presented in table 1 reveal that stakeholders perceive accountants as contributing to the financial crisis in all but two of the areas cited. Major contribution to the financial crisis as perceived by stakeholders is poor financial record keeping (Mean perception = 4.57). This is followed by the inability of auditors to protect and maintain their independence (Mean perception = 4.4); failure of auditors to render high quality audits which resulted in cases of failure of companies which have only been recently audited and certified (Mean = 3.94). Related to this is the perception that auditors lack independence in carrying out their professional duties (Mean= 3.93) and that accountants use their professional knowledge and skill to purposefully alter operating results to deceive stakeholders (earnings management) (Mean= 3.9). Stakeholders also believe that non – adherence to accounting standards by the accountants is one of the ways by which accountants have contributed to the recent financial crisis (Mean= 3.8). However, respondents did not perceive standards as too weak to ensure high quality professional service (Mean= 2.7). The fair value accounting also appears not to be regarded as a major issue in the financial crisis by Nigerian accounting stakeholders, (Mean= 3.01). The descriptive statistics also suggest that stakeholders believed that steps are being taken in the area of strengthening existing standards (Mean= 3.52).
Table 1: Descriptive Statistics

<table>
<thead>
<tr>
<th>Description</th>
<th>N</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Minimum</th>
<th>Maximum</th>
</tr>
</thead>
<tbody>
<tr>
<td>Poor financial record keeping has been a major cause of corporate failure</td>
<td>158</td>
<td>4.5696</td>
<td>.55714</td>
<td>2.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Many Nigerian auditors cannot be said to be independent in carrying out their duties</td>
<td>155</td>
<td>3.9290</td>
<td>.96099</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Existence of threats to Auditor's independence have led to audit failures and corporate failures</td>
<td>155</td>
<td>4.4000</td>
<td>.65067</td>
<td>2.00</td>
<td>5.00</td>
</tr>
<tr>
<td>External Auditors have certified firms that later collapsed in the past</td>
<td>156</td>
<td>3.9423</td>
<td>.89616</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Accountants to a large extent apply their knowledge and skill in managing earnings reported in financial reports in Nigeria</td>
<td>157</td>
<td>3.8981</td>
<td>.77777</td>
<td>2.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Earnings Management have immensely contributed to Corporate failure</td>
<td>155</td>
<td>3.4400</td>
<td>1.10204</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Nigerian Companies' Financial Reports are devoid of Manipulation of facts and figures</td>
<td>158</td>
<td>2.0949</td>
<td>1.02695</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Some standards are too weak for ensuring corporate continuity</td>
<td>157</td>
<td>2.7134</td>
<td>1.08634</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Fair value accounting has negative effects on corporate going concern</td>
<td>155</td>
<td>3.0129</td>
<td>1.03188</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Some companies have reported profits that were not available in the past 5 years due to application of fair value</td>
<td>157</td>
<td>3.8100</td>
<td>.9480</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Some Accountants do not strictly adhere to standards when preparing financial reports</td>
<td>159</td>
<td>3.8239</td>
<td>.87536</td>
<td>1.00</td>
<td>5.00</td>
</tr>
<tr>
<td>Accounting bodies in Nigeria are doing well in mapping out strategies to guide against the reoccurrence of financial crisis</td>
<td>159</td>
<td>4.0692</td>
<td>.68547</td>
<td>1.00</td>
<td>5.00</td>
</tr>
</tbody>
</table>
Financial crisis has brought about modification of existing standards in Nigeria

<table>
<thead>
<tr>
<th>Questionnaire item</th>
<th>Chi-Square</th>
<th>Asymp. Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some corporate entities have reported profits that were not available in the past 5 years due to application of fair value</td>
<td>152.204a</td>
<td>.000</td>
</tr>
<tr>
<td>Fair value accounting has negative effects on the going concern of corporate entities in Nigeria</td>
<td>50.00b</td>
<td>.000</td>
</tr>
<tr>
<td>DF</td>
<td>4</td>
<td>4</td>
</tr>
</tbody>
</table>

Test of Hypothesis 1:
Ho 1: Stakeholders do not perceive fair value accounting as contributory to the financial crisis.
The result as presented in Table 2 shows χ² statistic = 152.204; and 50.00 at p< α = .005 on the two questionnaire items used for the test, suggesting a rejection of the null hypothesis and the conclusion that Nigerian Stakeholders also consider the application of the concept of fair value accounting as a major contributory factor to the tendency to prepare financial statements that contain misstatements.

Table 2: Chi-Square Test of Stakeholders’ Perception of the contribution of application of fair value accounting to the financial crisis

Test of Hypothesis 2:
Ho 2: Stakeholders do not perceive weaknesses in accounting standards as contributory to the financial crisis.
The result as presented in Table 2 shows χ² statistic = 5.081 at p > α = .005 for perception on weaknesses in standards but χ² statistic= 84.532 at p< α = .005 for perception on non adherence. The calculated Chi square is not only smaller than the tabulated value, it failed to achieve statistical significance p=.347. The null hypothesis could therefore not be rejected. It may be concluded that Nigerian Stakeholders do not perceive weaknesses in accounting standards as a major contributory factor to the tendency to prepare financial statements that contain misstatements.
Table 3: Chi-Square Test of Stakeholders’ Perception of the role of accounting standards in the financial crisis

<table>
<thead>
<tr>
<th>Questionnaire item</th>
<th>Non-adherence to accounting standards contributed to financial crisis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Some standards are weak for ensuring corporate continuity</td>
<td>5.081&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Non-adherence to accounting standards contributed to financial crisis</td>
<td>84.532&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Chi-Square</td>
<td>5.081&lt;sup&gt;a&lt;/sup&gt;</td>
</tr>
<tr>
<td>Df</td>
<td>4</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.347</td>
</tr>
</tbody>
</table>

Test of Hypothesis 3:
Ho 3: Stakeholders do not perceive earnings management activities of the Nigerian accounting professionals as contributory to the financial crisis.
The result of the test of this hypothesis as presented in Table 4 shows $\chi^2$ statistic = 106.108; and 44.667 with significance levels at $p<\alpha = .005$ on the involvement of accountants in earnings management and the role of earnings management in corporate collapses, suggesting a rejection of the null hypothesis and the conclusion that Nigerian Stakeholders perceive earnings management activities of the Nigerian accounting as contributory to the financial crisis.

Table 4: Chi-Square Test of Stakeholders’ Perception of the contributory role of earnings management activities of accountants to Companies Collapse

<table>
<thead>
<tr>
<th>Questionnaire item</th>
<th>Accountants to a large extent apply their knowledge and skill in managing earnings reported in financial reports in Nigeria</th>
<th>Earnings management activities have immensely contributed to the collapse of the corporate entities in Nigeria</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>106.108&lt;sup&gt;a&lt;/sup&gt;</td>
<td>44.667&lt;sup&gt;b&lt;/sup&gt;</td>
</tr>
<tr>
<td>Df</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

Test of Hypothesis 4:
Ho 4: Stakeholders do not perceive audit failure as a major contributor to the financial crisis.
The result of the test of this hypothesis as presented in Table 5 shows $\chi^2$ statistic = 145.935; and 54.433 which are significant at $p<\alpha = .005$ on the existence of threats to auditors’ independence which have prevented them from effectively discharging quality audits; and external auditors known to have certified financial reports of collapsed companies, suggesting a rejection of the null hypothesis and the conclusion that Nigerian stakeholders perceive audit failure as contributory to the financial crisis.
Table 4: Chi-Square Test of Stakeholders’ Perception of the role of audit failure in Corporate Collapses

<table>
<thead>
<tr>
<th>Questionnaire item</th>
<th>Existence of Threats to Auditor independence prevented auditors from effectively discharging their duties</th>
<th>External auditors in Nigeria in Nigeria have certified firms that later collapsed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chi-Square</td>
<td>145.935(^a)</td>
<td>54.433(^b)</td>
</tr>
<tr>
<td>Df</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>Asymp. Sig.</td>
<td>.000</td>
<td>.000</td>
</tr>
</tbody>
</table>

\(a\). 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 31.0.

\(b\). 0 cells (.0%) have expected frequencies less than 5. The minimum expected cell frequency is 31.4.

Test of Hypothesis 5:
Ho 5: There are no significant differences between the perceptions of various categories of stakeholders of accounting on the contributory roles of the Nigerian accounting professionals and relevant standards setting/regulatory bodies to the financial crisis.

The ANOVA results of the test of this hypothesis as presented in Table 6 do not generally support a rejection of the null hypothesis of no significant differences between stakeholders’ perception suggesting that stakeholders including the accounting professionals are agreed that accounting indeed played contributory roles in the financial crisis. With the exception of perceptions regarding fair value accounting and deliberate manipulations of facts and figures in financial statements where categories of respondents differ significantly in their perceptions (\(p < 0.05\)) no significant differences were found in all other measures of perception on the roles played by accounting.

**TABLE 6: ANOVA RESULT OF DIFFERENCES IN PERCEPTION BETWEEN STAKEHOLDER GROUPS ON THE CONTRIBUTORY ROLES OF ACCOUNTING IN THE FINANCIAL CRISIS**

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accountants involve in earnings Management Between Groups</td>
<td>3.359</td>
<td>4</td>
<td>.840</td>
<td>1.403</td>
<td>.236</td>
</tr>
<tr>
<td>Within Groups</td>
<td>91.010</td>
<td>152</td>
<td>.599</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>94.369</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value accounting has negative effect on corporate survival Between Groups</td>
<td>12.391</td>
<td>4</td>
<td>3.098</td>
<td>3.065</td>
<td>.018</td>
</tr>
<tr>
<td>Within Groups</td>
<td>151.583</td>
<td>150</td>
<td>1.011</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>163.974</td>
<td>154</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Companies have reported profits unavailable due to Fair value accounting appl. Between Groups</td>
<td>3.954</td>
<td>4</td>
<td>.988</td>
<td>1.102</td>
<td>.358</td>
</tr>
<tr>
<td>Within Groups</td>
<td>136.314</td>
<td>152</td>
<td>.897</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>182.637</td>
<td>156</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Threats to Auditor’s independence led to corporate failures Between</td>
<td>1.393</td>
<td>4</td>
<td>.348</td>
<td>.818</td>
<td>.515</td>
</tr>
</tbody>
</table>

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Groups
Within Groups 63.807 150 .425
Total 65.200 154

External Auditors have certified firms that later collapsed in the past
Between Groups 1.929 4 .482 .594 .667
Within Groups 122.552 151 .812
Total 124.481 155

Nigerian Companies' Financial Reports are devoid of Manipulation of facts and figures
Between Groups 15.030 4 3.758 3.819 .005
Within Groups 150.546 153 .984
Total 165.576 157

Some standards are weak for corporate continuity
Between Groups 10.226 4 2.556 2.235 .068
Within Groups 173.876 152 1.144
Total 184.102 156

Nigerian Accountants are not Independent in carrying out their duties
Between Groups 6.596 4 1.649 1.824 .127
Within Groups 135.624 150 .904
Total 142.219 154

Some accountants have not adhered to standards when preparing reports
Between Groups 3.853 4 .963 1.265 .286
Within Groups 117.216 154 .761
Total 121.069 158

5.0 Conclusion:
This study attempts to provide empirical evidence on the roles Nigerian stakeholders perceive the accounting professionals to have played in the spate of corporate collapses that have characterized the global financial crisis. The study assessed the perception of different stakeholder groups namely: Professional Accountants in Business Professional Accountants in Practice Professional Accountants in Academics Investors Financial Analysts on specific contributory roles of professional accountants suggested in prior literature. From the evidence obtained, the study established that there is a general perception that professional accountants as well as accounting bodies contributed to the crisis through audit failures arising from lack of independence. The study also found that earnings management and failure to adhere to standards are some of the areas where the accounting professionals have been implicated. It was however found that stakeholders believe that accounting bodies in Nigeria are already responding to this situation by mapping out strategies to prevent reoccurrence of such widespread involvement of accounting in situations that threaten the relevance of the accounting and audit processes. Existing accounting standards are being modified while new standards are being developed. New ethical codes of conducts were also found to be undergoing development. Improved accounting education and
training are being put in place. These are assumed will guide against future reoccurrence of crisis emanating through unethical practices in the financial reporting processes.

This study recommends that stringent disciplinary measures should be put in place to discourage professional accountants from failing to strictly adopt such standards while auditing. Accountants should also be encouraged to publish any abstraction from regulatory and statutory demands found when auditing through any of the mass media. Ethics in accounting should be included in the syllabus of accounting students at all degree levels in the universities to help emphasize its importance to future practitioners. Finally, adoption and practice of fair value accounting should be critically studied and reconsidered by the accounting standards setting boards.

REFERENCES


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### Appendix

#### TABLE 7: FREQUENCIES BASED ON CATEGORIES OF RESPONDENTS SAMPLED

<table>
<thead>
<tr>
<th>Respondent Groups</th>
<th>Frequency</th>
<th>Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Accountants in Business</td>
<td>38</td>
<td>23.9</td>
<td>23.9</td>
</tr>
<tr>
<td>Professional Accountants in Practice</td>
<td>28</td>
<td>17.6</td>
<td>41.5</td>
</tr>
<tr>
<td>Professional Accountants in Academics</td>
<td>22</td>
<td>13.8</td>
<td>55.3</td>
</tr>
<tr>
<td>Investors</td>
<td>37</td>
<td>23.3</td>
<td>78.6</td>
</tr>
<tr>
<td>Financial Analysts</td>
<td>34</td>
<td>21.4</td>
<td>100</td>
</tr>
<tr>
<td>Total</td>
<td>159</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>

### Declaration

We, Alade, M. E. Ajibolade, S. O. and Ogungbade, O. I. declare that this study was carried out by us and the study has never been sent out to any publisher for publication except for this purpose.

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