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Original Research

Investigation of Accounting Ethics Effects on Financial Report Quality & Decision Making: Evidence from Kabul-based Logistic Corporations

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Abstract

This study examines accounting ethics' impact on financial report quality and decision-making Kabul based logistic corporations in Afghanistan. Accounting ethics is such an important aspect of the field since accounting ethics is a matter of rules and values. Accounting ethics is mainly an area of applied ethics and is part of corporate ethics and human ethics, financial reporting consistency is a mindset, not a collection of particular activities. For making a decision, a good manager needs to be practical but confident when executing it. Unfortunately, some know-how, at the right moment, to switch from realism to optimism. There for the study examines the effect of accounting ethics on financial report quality and decision making. Totally 30 valid questionnaires, which were collected through Google Form, were analyzed by SPSS 24. To examine the suggested hypotheses, correlation analysis, and linear regression analysis were employed. For examining the reliability of adopted scales, Cronbach's Alpha was used. The study results demonstrated that accounting ethics significantly positively impact financial report quality and decision-making in Kabul-based logistic corporations. This study's findings fill the gap in Afghanistan's accounting literature by empirically investigating accounting ethics' impact on financial report quality and decision-making Kabul based logistic corporations.

Keywords: Accounting Ethics, Financial Report Quality, Decision Making, Afghanistan

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Introduction

Few financial scandals are the product of methodological mistakes than judgment errors (Brooks & Dunn, 2004). Where there has been a lack of commitment to the ethical and professional standards of honesty, integrity, objectivity, due consideration, and loyalty to the public interest before one's interests (Parker, 2005a). There are important financial implications for the collapse of major corporations (Elias, 2004). This causes a trust crisis for investors, employees, and the public (Earley & Kelly, 2004).

A significant ethical problem that challenges the skilled accountant in today's world is an increased understanding of the public interest. In the Code of Ethics for Professional Accountants, the obligation to represent society and the public is known as the "public interest" as:… the skilled accountant's collective well-being of the society of individuals and organizations serves consumers, lenders, governments, employers, staff, investors, the business and financial community and others who depend on professional accountants' work (Armstrong, 1987). The notion of public interest, therefore, means that the responsibility of the professional accountant is not limited to the needs of the particular client, the employer, or himself, but of all the stakeholders who depend on the reports which he has prepared and audited (Jackling, Cooper, Leung, & Dellaportas, 2007).

Throughout their technical careers, administrators deal with their accounting systems in all profit and non-profit organizations. Managers often use the accounting system to obtain decision-making details. The accounting system tests success at other times and thus affects their actions. The accounting system is both a source of decision-making knowledge and a part of the decision-making process (Zimmerman, 2011).

The internal accounting system is an essential component of a corporation's information system, including budgets, product cost data and current inventories, and periodic financial reports. In certain instances, particularly in small businesses, these accounting reports are the only formalized element of the information system that offers decision-making expertise.

Financial statement users include administrators, stockholders, bondholders, security analysts, vendors, lending agencies, workers, trade unions, regulatory authorities, and the general public. There are stakeholder groups that are internal and external. They use the financial statement to make decisions. For example, potential buyers use financial reports to determine whether to purchase the stock. Suppliers use financial reports to determine whether to sell goods on credit to a customer. When bargaining for jobs, labor unions use financial information to help assess their criteria. The financial reports will be used by management to assess the company's profitability. There is a demand for financial reports, and consumers think that the reports assist them in decision-making. Users also consult conflicting sources of knowledge, such as new pay contracts and economic releases, in addition to financial reports (Gibson, 2012).

Accountants have been held in high regard traditionally. For example, the accounting profession was ranked second only to the clergy as having the highest ethical standards by a survey of over one thousand influential individuals in the industry, education, and

government. It is the obligation of any person who becomes an accountant to maintain the profession's high standards, regardless of the area of accounting in which the individual participates (Alnasser, Shaban, & Al-Zubi, 2014b).

According to Info Clipper, there are about 1000 corporations based in Kabul, which operate in the fields of services, merchandising, manufacturing, and hybrid businesses(Clipper, 2021). The ethical commitment affects how it conducts its business(Jones, 1991; Loe, Ferrell, & Mansfield, 2000). Higher ethical standards could have stopped accounting fraud or tampering from occurring on as broad a scale as we have seen in the last decade. Due to the importance of accounting ethics, financial report quality, and decision making in the research, we will examine the effect of accounting ethics on financial report quality and decision making based in Kabul corporations of Afghanistan to fill the gap in the literature and help further researchers for future researches and investigations. To the best of our knowledge, there has been no such research in the context of Afghanistan.

Literature Review

Accounting Ethics

Philip (1998)identified that ethics is the widely agreed code of conduct formulated in businesses, particularly in the accounting and finance sectors, to promote good ethical practice. It is possible to describe ethical accounting practices as basic standards that professional accountants must comply with within the execution of their professional duties. Rest concluded that four psychological mechanisms arise from ethical action: (1) moral sensitivity (recognition), (2) moral judgment (reasoning), (3) moral concentration (motivation), and (4) moral essence (action) (Mintz & Morris, 2008).

The history of accounting ethics started in 1494. Shortly after creating the International Federation of Accountants (IFAC), the organization launched a twelve-point (12) agenda to direct its members' activities. One of the agendas to which its members could subscribe was the code of ethics. This code of ethics applied to private and public sector accountants practicing the economy, which can also be extended to the quasi or hybrid economy sector (Musa, 2019). Accounting ethics; in the sense of accounting, ethical problems have long existed, but researchers did not pay much attention to accounting ethics until the mid-late 1980s, when, for example, the American Accounting Association (AAA) initiated the annual AAA Ethics Research Symposium (Bampton & Cowton, 2013).

Accounting ethics is such an important aspect of the field since accounting ethics is a matter of rules and values. Accounting ethics is mainly an area of applied ethics and is part of corporate ethics and human ethics. The analysis of moral principles and decisions related to accounting or the ethical limits within which accounting needs to remain is to preserve honest and precise, complete and succinct reporting as the organization's and shareholders' most important feature. This is why organizations such as the ICAN, ACCA, AICPA, FASB, and SEC have been set up to ensure that accounting principles and ethics are upheld to a greater degree and that complete information is given to the readers of the financial statements that will help well-considered decisions and comparisons. Different theories from utilitarian theory (Bentham, 1984), expected

behavior theory (Ajzen, 1991), reasoned action theory (Fishbein & Ajzen, 1967), agency theory (Jensen & Mackling, 1976), stakeholder theory (Freeman, 1984), and resource dependence theory (Freeman, 1984) were subject to accounting ethics and corporate governance characteristics (Salancik & Pfeffer, 1978).

Accounting ethics is primarily referred to as applied ethics and highly emphasizes human and business ethics, decisions, moral values, and accounting use. In general, appropriate practice and a high level of professionalism are the key ethical drivers of accounting. Ethical accountability within the corporate world is not comprehensive. According to Micewski and Troy (2007), the ethical responsibility within the business world is not holistic but lies under the particular context of ethical behavior. Several businesses in the world have adopted ethical problems, which raise the potential for conflict of interest. Infringement of ethical laws within corporate finance practice typically harms an entity's credibility, customer satisfaction levels, and the trust of investors in the business by financial mistakes.

Accountants' role in the timely and reliable financial reports preparation is of major importance to investors, managers, and other senior management officials in decision-making. Adherence to ethics in accounting also helps ensure that internal control processes are consistent with requirements. Accountants can also identify and quantify the misuse of money, investigate and undertake tasks that can enhance policy development, and detect fraud in an organization (Elias, 2002). Not only can unethical practices degrade an individual's integrity and credibility, but also the business, raising the risk of illegal activity that could contribute to a reduction in profit levels (Sims, 2003).

Financial Report Quality

Financial reporting consistency is a mindset, not a collection of particular activities (Miller, 2002). Financial reporting is how the user of accounting information exchanges information on the company's activities. Financial reporting consistency is a feature of the quality of accounting standards and the standards' related regulatory compliance. The consistency of financial reporting can be influenced by three factors: the decision of standard setters, the accounting system used by management, and the judgment and estimates of management in applying the chosen substitutes. Regulation is, therefore, an important tool for improving the consistency of financial reporting, the absence of which would make the best accounting principles incapable of providing different users with accurate and reliable accounting information (Barde, 2009).

Financial reporting's primary objective is to provide economic entities with high-quality financial reporting information, primarily of a financial nature, useful for economic decision-making. It is critical to have high-quality financial reporting information because it will positively affect expenditure, credit, and similar resource allocation decisions by capital providers and other stakeholders to enhance overall market performance (IASB, 2008).

Recognizing the role of auditing in the process of financial reporting, Antle and Nalebuff (1991)propose that financial statements should be regarded as the audit firm and company management's joint statement. In general, the capacity of the audit feature to

improve the quality of financial reporting depends on both the possibility that the audit will detect a material misstatement or omission (hereinafter auditor competence) and the conduct of the auditor following the detection of a material misstatement (henceforth, auditor-reporting behavior). The financial report's consistency is increased if material misstatements are found and corrected (or revealed). Alternatively, failure to find material misrepresentations or failure to require them to be corrected until a clean audit report is released does not increase the financial report's accuracy.

Despite the existence of the Institute of Management Accountants (IMA) professional ethics guidelines, the Twenty-First Century has experienced a startling and disheartening number of accounting scandals, indicating a major weakness in the management oversight and reporting process. It became clear to organizations in response to these failures that a critical analysis of the relationship between the accounting position and the accounting professional was required. Companies are now re-examining ethics in the accounting profession with a renewed interest in educating and improving employees to reinforce good ethical values and actions (Jaijairam, 2017).

Financial report presentation. Financial statements, generated with the independence aspect and retaining the ethical characteristics needed, reduce mistakes and produce sufficient information for financial statement users (Stice & Stice, 2012). Financial statement consumers depend on the quality, fairness, and truthful representation of financial statements and auditors' views on whether they reflect the organization's fair value (Ronnen, 1996). Auditors and accountants who are accountable for the honesty of a business's financial affairs should use their knowledge of ethics to solve the ethical dilemmas they face while performing their positions. The role of accountants and their relationship with the development of clean and precise financial statements ultimately strengthens the company's credibility concerning investors, creditors, and other users (Vestine, Kule, & Mbabazize, 2016).

Between public and private corporations, the role of financial reporting differs. Although public sector financial results serve the needs of financial markets and information is used to help investment decisions, private companies' core decisions relate to taxation and dividends distribution. Furthermore, small, private companies usually outsource the accounting role (Ojala, Niskanen, Collis, & Pajunen, 2014).

Previous studies indicate that the use of an external accountant to provide accounting services can lead to the loss of management financial information (Everaert, Sarens, & Rommel, 2007) and increased audit demand(Tyrväinen et al., 2014; Zerni, Haapamäki, Järvinen, & Niemi, 2012). Managers respect the accuracy of financial reports regardless of the organization's size since reliable financial information lets them make informed decisions (Jensen & Payne, 2003). Previous studies indicate that when data asymmetries and agency problems are greater, the demand for audit increases, but most of the current audit quality literature focuses on big, listed companies Zerni et al. (2012)describe three notable reasons why the demand for audit may differ in small private companies compared to large listed companies. These discrepancies relate to differences in ownership and governance systems, differences in internal controls' consistency, and the lack of internal resources, outsourcing essential accounting functions by small private companies (Tyrväinen et al., 2014).

Agbejule (2005), financial reporting is the only way corporate managers send their owners and other stakeholders an account of their stewardship. He further argued that financial statements should reveal what resources are obtained and available in simple terms and languages, how they are used and the outcomes generated from such use. Obazee (2005)argues the method of exchange of financial information is financial reporting. Financial reporting is a crucial source of knowledge that managers use to make informed decisions about representing shareholders' interests by using limited resources.

Decision Making

Business is not concerned with accounting. While accounting is involved in all these decisions because it is the financial representation of economic activity, it is about markets, people, and activities (the distribution of goods or services) (Collier, 2015). The flow of capital and information across national boundaries has been encouraged by business internationalization and globalization, with economic power residing in holders of unique knowledge sets. A company and management's location is increasingly irrelevant, and management and accounting are becoming multidisciplinary (Parker, 2005b).

According to Napoleon Bonaparte, nothing is more difficult, and therefore more precious, than deciding. A decision is a choice taken at a time, in a given context, to stimulate acts of variable size and length from more alternatives. It is necessary for the existence and growth of an entity since it is before any action. Financial accounting information allows managers to consider what happened in the past and the company's current position, make apparent incidents that are not perceptible to everyday operations, provide a detailed analysis of the company, and help managers plan for future activities decisions. Financial accounting information must be intangible, valid, reliable, and comparable to be useful for decision-making. The reality of decision-making demonstrates that decisions are made not only in terms of facts and the status quo but also on personal values and representations that influence the world's vision.

Depending on the form and level of decision-making within an organization, it is possible to illustrate multiple decision-making processes: regular, scheduled; repetitive decisions are made following classical systems of reasoning based on logic and optimization; short-term, tactical decisions are based on organizational foundations: specific functioning of the organization, attitudes, and interactions that trigger private decision-making processes; top-level strategic decisions are based on political foundations: power, coercion, agreements between various groups of actors influence decision-making systems.

A company's effectiveness depends heavily on managers' ability to understand and apply concepts, strategies, and current management techniques in market economic circumstances. For businesses to achieve competitive advantages and to resist in a demanding environment, management quality is crucial. In recent years, the previous statement became even more significant as it was shown that the key factor in a company's bankruptcy is a manager's incompetence and mistakes attributable to decision-making errors(Onofrei, 2007). More efficient management, which means competence and sound decisions, is therefore necessary.

When making a decision, a good manager needs to be practical but confident when executing it. Unfortunately, some know-how, at the right moment, to switch from realism to optimism. Any manager needs to have details that will minimize confusion and give him the chance to make the right choices. These criteria imply the need for accounting to generate quality information. Financial accounting information must be intangible, valid, reliable, and comparable to be useful for decision-making. We understand that it relies on the quantity and consistency of information given by the accounting information system to develop the necessary decisions to solve the complex problems of economic and financial activity.

Four distinct psychological mechanisms are involved in ethical decision-making: moral sensitivity, moral judgment, moral motivation/intention, and moral character/action. Rest (1994) defined moral sensitivity (moral awareness) refers to a person's capacity to realize that a situation involves a moral problem. Recognizing a moral dilemma involves the consciousness of the person that his/her acts have the potential to hurt other people and help them. Later research extends this concept, implying that moral sensitivity is the decision-maker's awareness that a situation has moral substance and that a moral viewpoint is also valid (Reynolds, 2006). Moral judgment refers to the formulation and assessment of moral reasoning for potential answers to the moral question. To decide which are ethically sound, this step involves thinking through the possible choices and potential implications. Moral motivation (moral intention) refers to choosing a certain value for a moral decision over another solution. This part of the ethical decision-making process requires committing to the intrinsic principle of choosing. For instance, two solutions to a problem can be understood by an individual, resulting in an increase in personal power and morally correct. In this case, the person's desire to choose the value of morality overpower is moral motivation. Moral courage (moral action) refers to the actions of a person. This aspect is the behavior of the person in the situation. This move requires bravery, commitment, and the willingness to follow through with the moral decision. Though these measures are arranged logically, they are not in a set order. Rest (1994) proposed that each variable is separate and may impact the others. Besides, failure can lead to a failure to make an ethical decision at any stage. A person may have good moral judgment skills, but if they lack moral sensitivity and do not understand a moral problem, they will not start using them (Nikoomaram et al., 2013).

Information on the potential costs and profits of businesses is not readily available but must be calculated by executives. To make these decisions, organizations must acquire and disseminate information. With the necessary skills, decision-making is much simpler. Managers make choices and monitor subordinates who make decisions. In order to perform their work, both managers and accountants must become adequately familiar with cost systems. Accountants (often referred to as controllers) are responsible for developing, enhancing, and running the organization's accounting system, which is an important part of all decision-making and performance management processes. Both managers and accountants must understand the strengths and drawbacks of modern accounting schemes. Internal accounting systems are continually being refined and updated, as are all systems within the company. The duties of accountants include making these changes (Zimmerman, 2011).

Previous research has not differentiated corporate commitment from Financial Report Content for business ethics. Instead, they typically believed that the quality of the financial report is higher for businesses with a higher level of ethical commitment than for businesses with a lower level of ethical commitment or used a financial report quality measure as a proxy for corporate commitment in business ethics (Huang, Louwers, Moffitt, & Zhang, 2008).

Jackling, Philomena & Steven, in their article Professional Accounting Bodies' Perceptions of Ethical issues, Causes of Ethical Failure and Ethics Education, listed the top nine factors that led to ethical failures for accountants based on a survey of 66 members of the IFA International Accountants Federation (Alnasser, Shaban, & Al-Zubi, 2014). The factors include:

1. Self Interest

2. Non-preservation of objectivity and independence

3. Professional improper judgment

4. Inadequate legal awareness

5. Inappropriate leadership and poor culture

6. Failure to resist the challenges of activism

7. The lack of integrity

8. Lack of support from the company and peers

9. Lack of professional body support

Eginiwin and Dike Used a Survey of Some Selected Oil Exploration and Producing Companies in Nigeria; Eginiwin and Dike (2014) explored accounting ethics' influence on financial reporting reliability. In order to proxy for firm financial reporting variables, Return on Investment (ROI), Earning per Share (EPS), and Dividend per Share (DPS) were used. The researcher has identified several primary ethical considerations in accounting that assist in carrying out the study, such as honesty, independence, objectivity, competence, and accountability. One hundred thirty-three copies of the questionnaire were administered to 20 of the sampled oil exploration and producing companies. Data for the research and review were collected from 118 copies of the administered questionnaire returned by the respondents of the 20 companies chosen for the study. The study found that, concerning return on investment (ROI), earnings per share (EPS), and dividends per share, there is a positive relationship between accounting ethics (objectivity) and the consistency of financial reporting (DPS).

Jabbarzadeh Kangarluei and Bayazidi (2010) researched the accounting system; they study the relationship between ethical principles and agency costs. The results showed

that managers and other workers' execution of ethical affairs in Iranian companies raise agencies' costs. The presence of a poor relationship between ethical criteria and the cost of agencies should be carefully considered.

Choi & Pae (2011), explored the influence of business ethics on the standard of financial reporting used by Korean firms. They found that businesses with a higher level of ethical commitment are more conservatively engaged in lower earnings management, disclose earnings, and forecast future cash flows more reliably than those with a lower level of ethical commitment.

This "The perceived relationship between ethical accounting standards and quality of financial reports of Nigerian firms" was evaluated. The hypotheses were checked on the data from the administered questionnaire using the Pairwise Correlation Coefficient. Data analysis showed that the correlation between accounting ethics and the standard of financial reporting is significant. This agrees with the Ogbonna and Appah (2011) findings that the consistency of organizations' financial reporting mainly depends on the accounting profession's ethics. Therefore, concerning the results, the study concludes that high ethical standards are inherent in the actualization of quality financial reporting (Chinedu & Odhuluma).

Mahdi and Mohsen (2011) concluded that professional accounting ethics substantially impacts the quality of financial reporting by looking at the impact of professional accounting ethics on financial reporting quality in Iran by using a 24-item questionnaire with a sample of 205 companies in Iran. In analyzing the influence of professional accounting ethics on the quality of financial reporting, Masoud and Mahbude (2013) found that promoting financial reporting quality can be accomplished by improving professional accounting ethics.

Stewart and Subramaniam (2010) carried out a study on ethical accounting practices and the United Kingdom companies' financial reporting quality. The goal of the study was to determine the motivation for enhancing accountants' credibility and independence. The data was collected from the annual reports of 350 FTSE companies listed on the London Stock Exchange from 2005 to 2009. The multivariate regression analysis outcome showed that accountants' honesty had a substantial positive effect on the consistency of the sample companies' financial reporting. The study also found out that accountants' integrity is critical in enhancing the quality of financial reports they prepare.

Gras, Hernandez, and Lema (2012) conducted a study on accountants' integrity and the banking industry's financial reporting quality in Spain. The purpose of the study was to examine the connection between the honesty of a company's accountants and the quality of its financial reporting. Study's purpose on data obtained by the internal audit directors of Spanish banks. The study found that those banks improved financial reporting quality with more truthful accountants and auditors offering high-quality financial reporting and internal auditors' broad participation in evaluating internal financial reports.

Marjan, Mateja, Anton, and Slavka (2017) investigated the accountants' ethical perceptions from several perspectives: evidence from Slovenia. The research followed the survey form, distributed to accounting professionals with a questionnaire, and

reviewed by a broad sample of 451 accountants. The study of probit regression was used. The findings have shown that the credibility of accountants has statistical and constructive meaning in quality reports. This means that ethical expectations of honesty between internal accountants and those employed in companies acting as external accounting services providers in firms are not strictly governed by profession and are also more susceptible to ethically sensitive scenarios. The research also examined the disparity in ethical perceptions between accountants who have a professional credential and those who do not. The study thinks that those with a credential are harsher than ethically sensitive situations.

Paul (2017) examined the accounting profession's ethics to uphold transparency and provide accurate financial reporting in the United States of America. The researchers adopted a qualitative descriptive research design. To collect primary data, a survey approach was used. Due to its capacity to combine qualitative and quantitative data, a descriptive survey was ideal for this analysis. The research sample was chosen using the basic method of random sampling. Samples of 500 individuals have been chosen. The chosen respondents were contacted to ensure a 100 percent response rate, and questionnaires were presented to them. Since the study focused on financial professionals' views, such as accountants, financial managers, auditors, financial consultants, and other professionals directly involved in the accounting role, only participants from this group were randomly selected. They used the Chi-Square statistical method. The results indicated that the accountant's position depends on the accounting profession's ethics (integrity). Therefore, accountants responsible for generating reliable, succinct, and timely financial reports must follow the highest ethical accountability requirements. Ethical conduct among accounting professionals, however, is not always guaranteed.

Azona (2019) investigated the effects of accounting ethics with regards to its financial reporting Quality in South Sudan. Specifically, the study examined the impact of accountants' honesty on the quality of financial reports among commercial banks in South Sudan. To perform the analysis, a descriptive survey design was used. In the report, the targeted population consisted of 190 accountants spread over the headquarters of 8 commercial banks located in South Sudan. Stratified sampling, including each segment of the population sample, was used. The analysis targeted 129 participants to participate in the study, where questionnaires were used to collect data. The study found that accountants' integrity-based competence had a positive and important impact on the standard of financial reporting.

Yosef (2016) explored the effect of accountant’s integrity on financial report’s quality in India using the annual report of publicly listed commercial banks in Indian for the period of 2010 to 2015. The study observed that IIA India underlined the importance of honesty in accounting and internal auditing practice. The study showed that eligible financial statements were rarely issued by banks that had honest auditors. The study concluded that the competence of accountants positively impacted the consistency of financial reports.

In managing an organization and implementing an internal control system, the accounting information system (AIS) is crucial. A significant topic in accounting and management decision-making concerns the fit of AIS with organizational criteria for

information communication and control. Although the data generated by an accounting information system can be useful in the decision-making process, it is desirable to buy, implement and use such a system when the benefits outweigh its costs. Huber (1990) agrees that the electronic accounting information system facilitates corporate management decision-making. The advantages of the accounting information system can be measured by improving the decision-making process, the quality of accounting information, performance appraisal, internal controls, and transaction facilitation of the business. As far as the above five characteristics are concerned, the efficacy of AIS is of great importance to all businesses.

Ponemon and Nagida (1990) also claim that encouraging decision-making is the main reason why accounting information is created. However, it is appropriate, full, and accurate for financial reporting to be effective, among other requirements. Such qualitative features include that the data must not be unfair or willing to favor one party over the other. Accounting data can have the opportunity for a decision-maker to foresee future behavior. Users' skills should also be tod to recognize similarities and discrepancies between two types of information. It is, therefore, possible to define accurate accounting information as an important pre-requisite for stock market growth. Developed countries do not play with their capital markets and the importance of finance based on the stock market driver of economic growth' ability (Onaolapo & Odetayo, 2012).

According to Harris and Sutton (1995), most researchers agree that cultural, experiential, and individual characteristics influence ethical decisions (Roxas & Stoneback, 2004). Loe, Ferrell, and Mansfield (2000) and Stevens (2008) Reviews of business ethics indicate that more ethical business decisions do not inherently arise from the mere presence of ethics codes.

Ferrell and Gresham (1985), Hunt and Vitell (1986) marketers, developed the ethical decision-making model. The ethical decision-making process is affected by the situation, according to Hunt and Vitell (1986): how the ethical dilemma is interpreted; how alternative ethical actions are perceived; and how the perceived consequences are perceived. One of the variables that influences expectations are the cultural climate. Culture and individual characteristics such as gender affect perceptions and ethical judgment (Roxas & Stoneback, 2004).

Flugrath, Bennie, and Chen (2007) conducted a study on the impact of codes of ethics and experience on auditor's judgment proxy by objectivity in the United States of America using a sample of 112 practicing accountants and a survey design. OLS regression analysis was used in the study. The results indicate that ethics has a positive effect on the quality of professional accountants' judgments. In the sense of greater general knowledge, the study also proposed that the code of ethics (objectivity) contributes to a higher level of decisions (Enofe. Edemenya, & Osunbor, 2015).

Methodology

This study empirically investigates accounting ethics' effect on financial report quality and decision-making based in Kabul Corporation of Afghanistan. The online questionnaire was employed using Google Forms. This survey includes four sections: The

first section was aimed to know the respondents' descriptive characteristics. The remaining sections measured accounting ethics, financial report quality, and decision making through three different scales, as stated in Table 2. The 42-item of accounting ethics and six decision-making scale items were adopted from Alnasser et al. (2014b)to measure the accounting ethic and decision making.

In contrast, the five items of the financial report quality scale were adopted from Enofe, Edemenya, and Osunbor (2015) to measure the financial report's quality. The responses were measured on a 5-Likert scale ranging from 5 to 1(5=Strongly agree, 4=Agree, 3=Neutral, 2=Dis agree, 1=Strongly disagree). From December 16, 2020, the survey was conducted to January 21, 2021, headquarters of corporations located in Kabul through the convenience sampling method. The study emphasized financial professionals' views, such as accountants, financial managers, auditors, financial consultants, and other professionals directly involved in the accounting role regularly. The population consisted of corporations that operate such as services, merchandising, manufacturing, and hybrid businesses based in Kabul, Afghanistan. The sample was restricted to Logistics Corporation based in Kabul, which is around about 100 corporations. Questionnaires were administered through google form to Kabul-based logistic corporations; 30 valid questionnaires are collected and subjected to further analysis using IBM SPSS 24 software package.

Table 1. Adopted Scales

Scales	Items	Sources
Accounting Ethics	42	Alnasser et al. (2014b)
Financial Report Quality	5	Enofe et al. (2015)
Decision Making	6	Alnasser et al. (2014b)

The hypotheses of the study are as follows:

H_1: Accounting ethics has a positive impact on financial report quality

H_2: Accounting ethics has a positive impact on decision making

H_3: Financial report quality has a positive impact on decision making

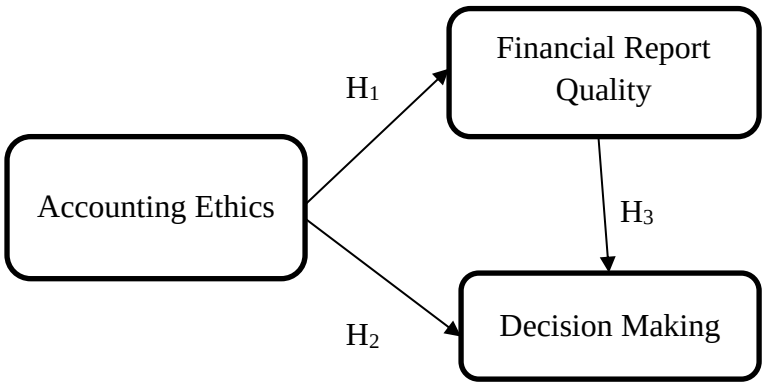

Figure 1. Research model

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Findings

Descriptive Statistics of the Respondents

Table 1 illustrates the descriptive statistics of the research sample. The demographics of the respondents were shown using frequency analysis. As shown in Table 1, gender, age, marital status, educational level, and work experience are the respondents' demographic and social subsets. Characteristics of respondents based on the results of the descriptive analysis revealed that with 20 (66.7%), males were the majority, while female respondents were 10 (33.3 %). Based on age, between 26 and 35 years, the age group was the largest proportion of respondents with 15 (50%), while only 2 (6.7%) were 46 and above years with the minimum percentage. Most of the respondents, 19 (63.3%), were married, while 11 (36.7%) were single. Most of the respondents were 17 (56.7%) under graduated, and 4 (13.3%) Ph.D. have participated in minimum level in the data set. The majority of the respondents, 17 (56.7%), experienced more than six to ten years in the Kabul-based corporation's accounting and finance departments.

Table 1. Descriptive Statistics of the Respondents (n=30)

Demographics	Variables	Frequency	Percentage
Gender	Male	20	66.7
	Female	10	33.3
Age (years)	Below 25	8	26.7
	Between 26 and 35	15	50.0
	Between 36 and 45	5	16.7
	46 and above	2	6.7
Marital Status	Married	19	63.3
	Single	11	36.7
Education Level	Undergraduate	17	56.7
	Master	9	30.0
	Ph.D.	4	13.3
Working Experience (Years)	1-5	5	16.7
	6-10	17	56.7
	11-15	6	20.0
	16 and Above	2	6.7

Reliability Analysis

In order to test the reliability, the internal consistency of the collected data was calculated through Cronbach's Alpha. According to Sekaran & Bougie (2003), a value above 0.70 is considered acceptable. Therefore, the results of Cronbach's Alpha were considered reliable.

Table 2. Cronbach's Alpha of the Adapted Scales (n=30)

Scales	Cronbach's Alpha	N of Items
Accounting Ethics	0.826	42
Financial Reports Quality	0.710	5
Decision Making	0.771	6

Correlation Analysis

As shown in Table 3, the Pearson correlation was conducted to see the relationship between accounting ethics, financial report quality, and decision making. According to Hair, Oritinau, & Bush (2013), the correlation value in the range of 0.61-0.80 is considered strong. The Accounting Ethics is strongly positively correlated to the financial reports' quality, r =0.778, p< 0.001 to compare to decision making, r =0.701, p<0.001. The financial reports quality was also strongly positively correlated to the decision making, r =0.652, p< 0.001.

Table 3. General Mean, Standard Deviation, and Correlations (n=30)

Variables	M	SD	FAQ	DM
Accounting Ethics (AE)	3.234	0.4367	0.778**	0.701**
Financial Reports Quality (FRQ)	3.340	0.6371	-	0.652**
Decision Making (DM)	3.433	0.6956	-	-

Note. ** Correlation is significant at the 0.01 level (2-tailed).

Regression Analysis

As shown in Table 4, the linear regression indicated that accounting ethics significantly predicts financial reporting quality, F= 43.005, p< .001. The R^2 for this equation is 0.606, which means that 60.6% of the financial reporting quality variance was predictable from accounting ethics. Besides, the accounting ethics significantly predicts decision making, F= 26.986, p< .001, the R^2 for this equation is 0.491, which means that 49.1% of the variance in decision making was predictable from accounting ethics. Moreover, the finical reports' quality significantly predicts the decision making, F= 20.703, p< .001. The R^2 for this equation is 0.425, which means that 42.5% of the decision-making variance was predictable from financial reports quality.

Table 4. Linear Regression Results (n=30)

Proposed Path	B	SE	t	F	R^2	Sig.	β
AE→FRQ	1.135	0.173	6.558	43.005	0.606	0.000	0.778
AE→DM	1.116	0.215	5.195	26.986	0.491	0.000	0.701
FRQ→DM	0.712	0.156	4.550	20.703	0.425	0.000	0.652

Discussion and Conclusions

Several studies investigated the impact of various variables on financial quality reporting and decision making such as the Legal Expertise, Audit Committee Industry Expertise, Auditor Quality, Audit Committee Expertise, Number of Audit Committee Chair Positions, Audit Committee Financial Expertise Positions, Informational Issues, Experiences of Audit Partners, Audit Committee (AC) Members, Audit Committee Compensation, Creative Compliance, Moral Intensity, Mood, Increasing Amounts of Accounting Information or Information Load, Affective Reactions, Accounting Information System, Information Management, Individual Differences, Values, Corporate Governance, Age, Educational Level, Working Experience and Gender. Due to the study's significance and widespread findings, we have studied accounting ethics' impact on financial reporting quality and decision-making Kabul based corporations from different prospects.

The terms "ethics" and "morals" include several meanings. Webster's Collegiate Dictionary provides four basic meanings to the term "ethics": the discipline dealing with good and bad and moral duty and obligation; set of moral principles or values; theory or system of moral values; principles of conduct governing an individual or group Ethics; in all its types, is concerned with good or bad, right or wrong. It is either a set of principles held by a person or group or a discipline that studies those ethical principles. This discipline aims to examine and assess human actions and practices(Dictionary, 2021).

Ethical conduct in business has been explored, documented, and examined over the last 30 years, primarily within the management, marketing, and accounting disciplines. The area of accounting ethics has gained considerable interest over the last few years, in tandem with the occurrence of various global accounting scandals. Accounting scandals like Lehman Brothers, Enron, and World.Com abroad and some financial irregularities across the world. Pressure for ethical or moral transparency has increased in the aftermath of Enron, Arthur Andersen, and other similar failures. Generally. Business ethics dilemmas arise from the need to balance economic and social performances(Smith, Davy, & Easterling, 2009). Determining and maintaining the 'right' balance is becoming ever more difficult because today's business organizations operate in an environment characterized by an extraordinary level of difficulty, strong competition, and social responsibilities(Kidwell, Stevens, & Bethke, 1987).

Financial reporting is a way of transmitting information on the activities of the company to investors and creditors. The financial reporting quality is a function of accounting standards' quality and the corresponding regulatory enforcement standards. The quality of financial reporting may be affected by various variables, namely the Standard Setter Decision, the accounting method used by management, and the management judgment and estimates on selected alternatives. Therefore, enforcement is a vital mechanism for improving the quality of financial reporting, the absence of which will make better accounting standards incapable of providing trustable accounting information to different users(Barde, 2009).

Management accounting has, in fact, a long and important history of direct contribution to the planning and control of organizational operations. It is alleged that it

has historically been a broadly focused function working hand-in-glove with management decision-making, with either a major impact on organizational strategy and outcomes(Mishra & Kanti, 2011). Accounting systems are important sources of information for business decision-making. The information provided by the decision-making systems can be grouped into three categories: financial statements, quantitative reports on selected aspects of operations, and truly unique analysis. Information from each class may also be grouped with the information from another class or with information from sources outside the accounting system in the decision-makers set of information. When making a decision, a good manager needs to be practical but confident when executing it. Unfortunately, some know-how, at the right moment, to switch from realism to optimism.

Based on this study's findings, the first, second, and third hypotheses have been accepted. Accounting Ethics is strongly correlated to the financial reports' quality, r =0.778, p< 0.001 to compare to decision making, r =0.701, p<0.001. The financial reports quality was also strongly positively correlated to the decision making, r =0.652, p< 0.001.

The linear regression indicated that accounting ethics significantly predicts financial reporting quality, F= 43.005, p< .001. The R2 for this equation is 0.606, which means that 60.6% of the financial reporting quality variance was predictable from accounting ethics. Besides, the accounting ethics significantly predicts decision making, F= 26.986, p< .001, the R2 for this equation is 0.491, which means that 49.1% of the variance in decision making was predictable from accounting ethics. Moreover, the finical reports' quality significantly predicts the decision making, F= 20.703, p< .001. The R2 for this equation is 0.425, which means that 42.5% of the decision-making variance was predictable from financial reports quality. This finding was similar by previous researchers(Alnasser, Shaban, & Al-Zubi, 2014a; Chinedu & Odhuluma; Choi & Pae, 2011; D'Augusta, Bar-Yosef, & Prencipe, 2016; Eginiwin & Dike, 2014; Ferrell & Gresham, 1985; Harris & Sutton, 1995; Huang, Louwers, Moffitt, & Zhang, 2008; Hunt & Vitell, 1986; Jaijairam, 2017; Loe et al., 2000; Mabil, 2019; Mahdavikhou & Khotanlou, 2011; Mubaraq, 2019; Odar, Jerman, Jamnik, & Kavčič, 2017; Schatzberg & Stevens, 2008; Stewart & Subramaniam, 2010), and (Pflugrath, Martinov-Bennie, & Chen, 2007).

In order to better generalize the results of this study, further research can examine the impact of accounting ethics on financial report quality and decision making and the effect of financial report quality on decision making in different sectors across the country. Besides this, some other impactful variables on financial report quality and decision making such as Legal Expertise, corporate governance, creative compliance, individual differences, values, and educational level can also be examined in the Afghanistan context and

The study also recommended that professional accountants establish more strategies to encourage their members to continue to abide by ethical standards. Professional associations should design training workshops and programs that would encourage their members' integrity to carry out their professional responsibilities. Professional associations should ensure their professional responsibilities. Professional competencies play a major role in the performance of their professional duties, and the system of

professional value must be established. Otherwise, threats will be available to ethical standards.

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