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The Effect of Creative Accounting on Shareholders' Wealth in Listed Companies in Nigeria

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ABSTRACT

Creative accounting is carried out with an objective of making the company appears to be financially stronger or weaker while remaining within the jurisdiction of accounting laws and rules to reflect what the management wants to tell the stakeholders instead of showing the actual position of the company. Due to the increasing level of competition, fear of sustenance in the market, management of companies take advantage of loopholes in accounting standards and other regulations for self-interest. These have caused corporate failures both internationally and locally over the years and the consequences are faced by the users of financial reports. Hence the study was carried out to determine the effect of creative accounting practices on shareholders wealth in listed companies in Nigeria. The quantitative study adopted a survey research design with a target population of 134 staff from ten (10) selected listed companies. Both primary and secondary data were used in this study. For primary data, the data collection instrument was questionnaires while the secondary data was derived from financial reports and related literature. Three hypotheses were formulated and chi-square was used to test and analyzed the hypotheses. Data generated for the study was through the instrumentation of a well- structured 5-point Linkert scale questionnaire. Out of 84 questionnaires that were retrieved, the study findings revealed that income smoothing, tax avoidance and changes in accounting policies have effect on the shareholders wealth in the listed companies in Nigeria. The study recommends that accounting professional bodies should reduce alternative choices of accounting methods and loopholes in rules when preparing financial reports. Government should also make creative accounting a serious criminal case in that any company found guilty will be duly sanctioned after strict scrutiny of financial statements by the independent auditors and forensic accountants.

Keywords: Effect, creative, accounting, shareholders, wealth, banks, Nigeria.

INTRODUCTION

Globally, for users of financial report to make economic decisions, financial reports must provide useful information. This information can only be useful if it fulfills basic qualitative characteristics of financial statements [1]. The International Accounting Standard Board (IASB, 2007 b) Framework emphasizes that relevant financial information should be predictive or confirmatory in nature. This should be such that the financial information of a specific entity will be considered material when its omission influences economic decision of its users [2] [3]. There are several users of financial reports, among other users, shareholders are those who have invested their resources in a company and they are one of the major groups that make use of financial reports. The managers are entrusted to take care and grow the shareholders' wealth. Accountants, who are stewards of shareholders, collaborate with directors in manipulating accounting figures rather than showing a true and fair view of financial accounts [4].

A need therefore arises to identify creative accounting practices, how they are practiced, as well as looking at the effect they have on shareholders' wealth. According to [5] [6], the anticipations of a company becoming reality, a great need to generate trust with an accurate image reinforces a feeling that such a company practicing transparency is safe. The freedom of decisions allowed by most accounting regulatory bodies are characterized by inadequacy of accounting regulations, their heterogeneity and the evolving process of harmonization encourage an increase in creative accounting practices. They also emphasized that creative accounting and fraud are practiced when enterprises face financial difficulties and are motivated by the desire to deceive and keep their records clear and attractive.

[7] looked at creative accounting in both positive and negative light. They opined that creative accounting have positive effect if it enhances the development of accounting practices and negative when it is meant to mislead and defraud investors, creditors, bankers and other users of financial statement. Creative accounting, also called earnings management, aggressive accounting, according to [8] [9] [10] is the manipulation of financial numbers, usually within the letter of the rules of law and standard accounting practices, but deviating from the spirit of those rules and certainly not providing the true and fair view that accounts are supposed to. [11] [12] identified creative accounting practices to include: recognizing premature or fictitious revenue, aggressive capitalization and extended amortization policies, misreported assets and liabilities, income smoothening, getting creative with income statement and problems with cash flow reporting [13]. They added that managers play this game for rewards as favourable effect on share prices, lower corporate borrowing costs due to an improved credit rating, incentive compensation plans for officers and key employees and or political gains. Beside these, the general economic conditions are also an attracting factor for creative presentation of results.

[14] emphasized the innovative aspects of creative accounting in maneuvering accounting numbers and argued that innovation is an essential part of creative accounting practices. The managers are entrusted to take care and grow the shareholders" wealth. [20] [21], explains that information asymmetry creates agency conflict between management and shareholders as explained the agency theory.

In some cases, these fraudulent acts such as, income smoothing, tax avoidance, earnings management, aggressive accounting, big bath accounting, window dressing etc. are not done with the intention to deceive the investors but they inevitably affect the shareholders wealth either negatively or positively [22]. These practices will disappear only with the fading of their primary causes. The accounting regulators in charge of limiting practices of creative accounting should consider circumstances that allow its practices. There are people who are trying to minimize the impact on the system set up despite the number of standards and frameworks set up by the accounting profession [23].

Practices of creative accounting has facilitated many companies beyond financial crises than put them into crisis. The fault when emerged lies with the user of the financial information at it extreme. Studies carried out internationally and locally indicate the existence of creative accounting in companies. [24] [25] [26] studied creative accounting practices in the Turkish government specifically in the public sector. These practices manifested in hidden debts affecting International Monetary Fund's stabilization programme forecasts.

In Nigeria the creative accounting practices are prevalent and attributed to bad corporate governance. [27] [28] studied strategies used by accountants in Nigeria to practice creative accounting and found out that they use profit eroding mechanisms which lead to drastic consequences like corporate scandals and collapse both international and local as in the case of WorldCom and Enron. In Nigeria, Companies still over-report their financial statements to meet targets and please ever demanding shareholders. This highlights the existence of creative accounting occurrence. According to [29] [30] [31], this trend has now more than ever ensured that financial statements are sternly scrutinized. Most companies use creative accounting practices abusively.

This study established the effect of creative accounting practices on shareholders" wealth of companies listed at the Nigerian Stock Exchange.

Statement of the Problem

Accounting arose from the need to have a clear figurative situation of everything happening economically and financially in a company, which offered at the beginning prestige and trust of users of accounting information and states the fate of the stakeholders. Again, Nigeria joined the nations of the world to adopt International Financial Reporting Standards (IFRS), aimed among other things to promote financial information transparency but current accounting practices allow a degree of choice of policies and professional judgment in determining the methods of measurement, criteria for recognition, and even the definition of the accounting entity [32]. But over time, creative accounting practices have prevailed because of loopholes created by the accounting rules that are often exploited by managers to generate undeserved and undue benefits [33]. The numerous corporate failures therefore are indication of lapses in the corporate accounting information disclosure practices among corporations.

On analysis in attempt by many researchers in Nigeria to unravel the problem of creative accounting, it is noted that most of the standards that are being set for the audit or accounting have been eroded and mostly have effect on the users of financial statement because of the misrepresentation of figures and wrongly usage of accounting methods in reporting items like depreciation, tax, dividend payout, etc [34]. All these practices have a great effect on both the future and existing investors who have invested or may want to invest in a particular company that is listed in the country. With total reliance on the financial report the investors make investment not knowing that barely all the figures are manipulated based on interest [35]. Even regulators of accounting profession in Nigeria seem to be silent on the issue of creative accounting yet it is widely practiced among many companies in the country [36].

Preparers of financial statements and Auditors who are also obligated to the organizations they serve, their profession, the public and themselves to maintain the highest standards of ethical behavior also find it difficult to discover all these manipulations and misrepresentation of figures in the financial report [37]. In some organizations, management derive joy in taking advantage on the discretions that exist in accounting rules to source for equity, avoid tax and even keeping the company more profitable not minding the implications on the shareholders [38]. With this practice, users of accounting information are being misled and this constitutes a threat to corporate investment and growth and can lead to failure or collapse of company like in the case of African Petroleum PLC in 2001 and Cadbury Nigeria PLC in 2006 which showed that the financial statements of the company did not fairly represent the company's financial position. A number of transactions, including substantial loans were omitted from the financial statements [39]. This fact was discovered when a thorough audit was carried out in preparation for privatizing the company and these companies were listed in Nigerian stock Exchange [40].

To fill the identified research gap, this study was carried out to assist majorly the shareholders and other stakeholders of companies listed at Nigerian Stock Exchange by investigating the effect of creative accounting on the shareholders' wealth so that they will have the prior knowledge of this practices before making decisions that involve high rate of risks.

Research Objectives

The major purpose of this research is to establish the effect of creative accounting practices on shareholders' wealth of companies listed in Nigeria. Specifically, this study aims to achieve the following objectives:

1. To ascertain the effect of Income smoothing on shareholders' wealth in listed companies in Nigeria.
2. To ascertain the effect of tax avoidance on shareholders' wealth in listed companies in

Nigeria.

3. To ascertain the effect of changes in accounting policies on shareholders' wealth in the listed companies in Nigeria.

Research Questions

i. What is the effect of Income smoothing on shareholders' wealth in listed companies in Nigeria?

ii. What is the effect of tax avoidance on shareholders' wealth in listed companies in Nigeria?

ii. What is the effect of changes in accounting policies on shareholders' wealth in the listed companies in Nigeria?

Research Hypothesis

1) Hoi; Income smoothing has no effect on shareholders' wealth in listed companies in Nigeria.

2) H02: Tax avoidance has no effect on shareholders' wealth in listed companies in Nigeria.

3) H03: Changes in accounting policies have no effect on shareholders' wealth in the listed companies in Nigeria.

METHODOLOGY

Research Design

Research design guides the researcher in collecting, analyzing and interpreting data [41] [42]. Quantitative method of research was adopted for this research while, survey research design was employed for primary data. Survey design entails selecting a few respondents from a population with an aim of generalizing the results to the entire population. This is done because it is not possible to study all the subjects or items in the population in this context [43]. This design will assist the researcher to validly generalize the findings using the sample drawn from the population and will ensure that the data collected and analyzed addresses the objectives of the study.

Population of the study

The target population of this study is 134 staff from 10 selected deposit banks in which are listed in Nigerian in Stock Exchange and also operating within the territorial boundary of Uyo, Akwa Ibom State but have branches across the country. These 134 staff include only managers/assistance managers, accountants and internal auditors for the study. And the selected companies for the study include the following:

Company Name	Sector
1) Access Bank Plc	Financial Services
2) Diamond Bank Plc	Financial Services
3) Eco Bank Plc	Financial Services
4) Fidelity Bank Plc	Financial Services
5) First Bank Plc	Financial Services
6) First City Monument Bank Plc	Financial Services
7) Guarantee Trust Bank Plc	Financial Services
8) Sterling Bank Plc	Financial Services
9) Union Bank Plc	Financial Services
10) United Bank For Africa Plc	Financial Services

Selection of sampling/sampling technique

In this study, purposive a sampling method was applied. This is to get key informants (accountants, internal auditors and managers/assistance). This is due to the information they hold by virtue of the positions they hold in the companies A sample constitute selected members of class of the group(population) to be interviewed as a part of a whole. Random sampling technique and Taro Yamani's formula were used to determine the sample size of the population.

Taro Yamane's formula

$$\frac{N}{1 + N(e)^2}$$

where;
n= sample

N= Popular
e= level of Significance or error = 0.05 or 5%
DF= Degree of Freedom (r-l)(c-l)

$$n = \frac{134}{1 + 134(0.05)^2}$$

$$n = \frac{134}{1 + 0.335}$$

$$n = \frac{134}{1.335} = 100.37$$

Sample size = 100

The unit of study was managers, accountants and internal auditors who act as agents for shareholders. The researcher administered 100 questionnaires to managers/assistances, accountants and auditors of the companies

Method of Data Collection

The study used both primary and secondary data. The main method of data collection was use of structured questionnaires as the primary source of data. The primary data was collected, organized and coded for processing to generate tallies from every response per question. The researcher also used secondary data available from, journals, newspapers, textbooks, websites and financial data available in the companies' annual reports,

Validation of the instrument

Validity is stated as the extent to which an instrument measures what it is invented to measure to facilitate the process of solving the research problem by the researcher [44] [45]. It was ensured through presenting the research tools to the supervisors, who determined whether the instruments represented the concept under study.

Reliability of the instrument

Reliability deals with the accuracy and precision of a measurement procedure. It is a partial contributor to validity since a tool of measurement may be reliable without being valid. To ensure reliability, the researcher studied the secondary data from the corporate financial reports before the actual research.

Data Analysis Technique

On completion of data collection through questionnaire from the respondents (Accountants, Internal Auditors and Managers), which was designed in closed ended questions using five response linkert-scale(strongly agree, agree, disagree, strongly disagree, and undecided). Furthermore, data were checked for completeness after which they were coded. Data was grouped and arranged according to particular research questions. The data were then presented and analyzed using tables, frequencies, and percentages. The researcher adopted Chi- square to test the hypothesis and analysed hypothesis.

The Chi-square formula adopted is represented as:

$$X^2 = \frac{\sum(O - E)^2}{E}$$

Where;
X^2=*chi — square*
E = Expected Frequency
O = Observed Frequency

The degree of freedom is gotten from the rows and columns of a contingency table. It is given by the number of rows minus one, multiplied by the columns minus one.

DF = (R — 1)(C— 1) or n-1 as the case may be. The hypothesis will be at the 95% level of confidence that is 5% error limit which is 0.05.

Expected Frequency is gotten by dividing the sample size with the number of cells

E=n/k

Where,
n = the size of sample
k - the number of cells

Decision rule:

If the calculated chi-square value (X^2) is greater than the value from the chi-square distribution table(Xj), then reject HO which is the null hypothesis and accept Hl which is the alternative hypothesis. But if the chi-square distribution table value is greater than the calculated value, then reject Hl which is the alternative hypothesis and accept HO which is the null hypothesis.

DATA PRESENTATION

The main objective of this study was to examine the effects of creative accounting on shareholders wealth on listed Companies in Nigeria using ten(10) selected listed deposit money banks for the study.

Table 1 Distribution of questionnaires

Questionnaires	Number	Percentage %
Questionnaires	84	84
Questionnaires	16	16
Total	100	100

Source: Field Survey (2018)

Table 1 shows that out 100 questionnaires distributed to the respondents,84 were duly returned representing 84% while 16 questionnaires representing 16% were not returned. Hence, 84% were analyzed.

Table 2 Distribution of by banks

Banks	**Number of respondents**	**Percentage %**
Access Bank Plc	9	1,1
Diamond Bank Plc	8	9.5
Eco Bank Plc	8	9.5
Fidelity Bank Plc	7	8
First Bank Plc	10	12
First City Monument Bank Plc	8	9.5
Guarantee Trust Bank Plc	9	11
Sterling Bank Plc	7	8
Union Bank Plc	8	9.5
United Bank For Africa Plc	10	12
Total	**84**	**100**

Source: Field Survey (2018)

Table.2 above shows that out of questionnaires retrieved from the respondents in 10 selected banks, 11% representing 9 respondents were from Access bank Plc, 9.5% representing 8 respondents were from Diamond Bank Plc, 9.5% representing 8 respondents were from Eco bank Plc, 8% representing 7 respondents were from Fidelity bank Plc, 12% representing 10 respondents were from First Bank Plc, 9.5% representing 8 respondents were from First City Monument Bank Plc, 11% representing 9 respondents were from Guarantee Trust Bank Plc, 8% representing 7 respondents were from Sterling Bank Plc, 9.5% representing 8 respondents were from Union Bank Plc, 12% representing 10 respondents were from United Bank For Africa Plc.

Table 3 Distribution of Respondent by Gender

Options (Sex)	**Number of Respondents**	**Percentage %**
Male	48	57
Female	36	43
Total	**84**	**100**

Source: Field Survey (2018)

Table .3 above shows that out of 84 respondents 48 representing 57% were male while36 representing 43% were female. This implies that were more male respondents in the sample

Table 4. Distribution of Respondents by Marital Status

Options (Status)	Number of Respondents	Percentage %
Married	46	55
Divorced	11	13
Single	27	32
Total	**84**	**100**

Source: Field Survey (2018)

Table 4 above shows that out of 84 respondents, 55% of it representing 46 respondents were married, 13% representing 11 respondents were divorced while 32%representing 27 respondents were single. This implies that were more married respondents in the sample.

Table 5 Qualification of the respondents

Options	Number of Respondents	Percentage %
WAEC		-
NCE/OND	4	5
HND/BSC/Equiv.	45	53
MBA/MSC/Equiv.	27	32
Others	8	10
Total	**84**	**100**

Source: Field Survey (2018)

Table 5 above shows that out of 84 respondents, no respondents was for WAEC, 5% of it representing 4 respondents were NCE/OND holders, 53% representing 45 respondents were HND/BSC/Equiv. holders, 32% representing 27 respondents were MBA/MSC/Equiv. holders while 10% representing 8 respondents were other qualification holders. This implies that were more HND/BSC/Equiv. respondents in the sample.

Table 6 Respondent by position

Options (Position)	Number of Respondents	Percentage %
Managers	28	33
Accountants	27	32
Internal auditors	29	35
Total	**84**	**100**

Source: Field Survey (2018)

Table 6 above shows that out of 84 respondents, 33% of it representing 28 respondents were Managers, 32% representing 27 respondents were Accountants while 35% representing 29 respondents were Internal Auditors. This implies that were more Managers respondents in the sample.

Table 7 Distribution of Respondents by year of service

Options	Number of Respondents	Percentage %
l-5years	13	15
6-10years	36	43
ll-15years	24	29
16years and above	11	13
Total	**84**	**100**

Source: Field Survey (2018)

Table .7 above shows that out of 84 respondents, 15% of it representing 13 respondents fell within l-5years of service, 43% representing 36 respondents fell within 6-10years of service, 29% representing 24 respondents fell within ll-15years of service and 13% representing 11 respondents fell within 16years and above years of service. This implies that were more respondents within the year of service gap of 6-10years in the sample.

Table 8 Frequency distributions of respondents based on the effects of income smoothing on shareholders wealth in the listed companies in Nigeria.

Variables	Financial reporting is true indicators company's operating activities and should provide true information to shareholders about the company's state of affairs.		My organization ploughs back full or part of one financial year profit to another financial year manage profitability.		Management influences the profit to attract compensation.		Investors invest more in my organization when there is a steady growth in profit.		Long term effect of Income smoothing is negative on shareholders wealth.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	35	41.7	23	27.4	15	17.8	30	35.7	14	16.7
A	49	58.3	31	36.9	22	26.2	32	38.1	22	26.2
U	0	0	5	6.0	11	13.1	0	0	14	16.7
D	0	0	17	20.2	23	27.4	14	16.7	19	22.6
SD	0	0	8	9.5	13	15.5	8	9.5	15	17.8
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey (2018)

In attempt to determine whether income smoothing has effect on shareholders wealth in Nigerian listed companies, the table 1.8above shows that 35 respondents strongly agreed that "Financial reporting is true indicators company's operating activities and should provide true information to shareholders about the company's state of affairs.". While 49 of them agreed, none disagreed, strongly disagreed and was indecisive.

The table also shows that 23 respondents strongly agreed that "My organization ploughs back full or part of one financial year profit to another financial year manage profitability." 31 agreed, 5 were indecisive, 17 disagreed, and 8 strongly disagreed.

The table also revealed that 15 respondents strongly agreed that "management influences the profit to attract bonus compensation" 32 agreed, none was indecisive", 22 agreed, 11 were indecisive, 23 disagreed, and 13 strongly disagreed. Also the table shows that 30 respondent strongly agreed that "Investors invest more in my organization when there is a steady growth in profit", 14 disagreed, and 8 strongly disagreed. Finally the table analyzed that 14 respondent strongly agreed that "Long term effect of Income smoothing is negative on shareholders wealth.". 22 agreed, 14 were indecisive, 19 disagreed, and 15 strongly disagreed.

Table 9 Frequency distribution of respondents based on the effects of taxes avoidance on shareholders wealth in the listed companies in Nigeria.

Variables	The loopholes in legal regulatory framework of Nigerian Tax System promote Tax avoidance and encourage creative accounting practices in listed		Tax management depends on firms' profitability		Management in a bid to reduce tax liability manipulates the financial reports.		Meeting external expectations by listed companies tends to promote creative accounting by encouraging tax avoidance in Nigeria		Tax avoidance has a negative effect on shareholders wealth.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	19	22.6	16	19.0	15	17.8	23	27.4	19	22.6
A	25	29.7	29	34.5	22	26.2	29	34.5	31	36.9
U	8	9.5	6	7.1	6	7.1	0	0	o	3.6
D	23	27.4	19	22.6	23	27.4	17	20.2	17	20.2
SD	9	10.7	14	16.7	18	21.4	15	17.9	14	16.7
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey (2018)

In order to establish the effect tax avoidance on shareholders wealth in the listed companies in Nigeria, the table above shows that 19 respondents strongly agreed that "the loopholes in legal regulatory framework of Nigerian Tax System promote Tax avoidance and encourage creative accounting practices in listed companies". 25 agreed, 8 were indecisive, 23 disagreed, and 9 strongly disagreed.

The table also shows that 16 respondents strongly agreed that "Tax management depends on firms' profitability". 29 agreed, 6 were indecisive, 19 disagreed, and 14 strongly disagreed.

The table also revealed that 15 respondents strongly agreed that "Management in a bid to reduce tax liability manipulates the financial reports", 22 agreed, 6 were indecisive, 23 disagreed, and 18 strongly disagreed.

Also the table shows that 23 respondent strongly agreed that "Meeting external expectations by listed companies tends to promote creative accounting by encouraging tax avoidance in Nigeria". 29 agreed, none was indecisive, 17 disagreed, and 15 strongly disagreed.

Finally the table analyzed that 19 respondent strongly agreed that "Tax avoidance has a negative effect on the shareholders wealth." 31 agreed, 3 were indecisive, 17 disagreed, and 14 strongly disagreed.

Table 10 Frequency distribution of respondents based on the effect changes in accounting policies on shareholders wealth in the listed companies in Nigeria.

Variables	Adoption of any accounting policy for presentation of financial statement by companies is legal depending on the management interest.		Most management of companies donot disclose reasons for Changes in accounting policies by companies in the published financial statements.		The multiplicity of accounting policies and treatments have a negative impact on the credibility of financial reports		The consistency of accounting policies have a positive impact on the earnings per share.		Changes in accounting policies by companies have negative impact on the returns of the shareholders.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	23	27.4	16	19.0	23	27.4	14	16.7	9	10.7
A	43	51.2	22	26.2	29	34.5	25	29.7	23	27.4
U	0	0	0	0	6	7.1	13	15.5	0	0
D	16	19.0	27	32.1	17	20.2	21	25.0	39	46.4
SD	2	2.4	19	22.6	9	10.7	11	13.1	13	15.5
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey (2018)

In order to establish the effect changes in accounting policies on shareholders wealth in the listed companies in Nigeria, the table above shows that 23 respondents strongly agreed that "Adoption of any accounting policy for presentation of financial statement by companies is legal depending on the management interest". 43 agreed, none was indecisive, 16 disagreed, and 2 strongly disagreed.
The table also shows that 16 respondents strongly agreed that "Most management of companies do not disclose reasons for changes in accounting policies by companies in the published financial statements". 22 agreed, none was indecisive, 27 disagreed, and 19 strongly disagreed.

The table also revealed that 23 respondents strongly agreed that "The multiplicity of accounting policies and treatments have a negative impact on the credibility of financial reports", 29 agreed, 6 were indecisive, 17 disagreed, and 9 strongly disagreed.
Also the table shows that 14 respondent strongly agreed that "The consistency of accounting policies have a positive impact on the earnings per share", 25 agreed, 13 were indecisive, 21 disagreed, and 11 strongly disagreed.
Finally the table analyzed that 9 respondent strongly agreed that "Changes in accounting policies by companies have negative impact on the returns of the shareholders." 23 agreed, 0 was indecisive, 39

disagreed, and 13 strongly disagreed.

Test of hypothesis

Test of hypothesis one (Ho_1)

Hop Income smoothing has no effect on shareholders' wealth in listed companies in Nigeria.

Hu: Income smoothing has effect on shareholders' wealth in listed companies in Nigeria.

Table 11 Frequency Distribution Table for Ho_1

Variables	Financial reporting is true indicators company's operating activities and should provide true information to shareholders about the company's state of affairs.		My organization ploughs back full or part of one financial year profit to another financial year manage profitability.		Management influences the profit to attract compensation.		Investors invest more when there is a steady growth in profit.		Long term effect of Income smoothing is negative on shareholders wealth.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	35	41.7	23	27.4	15	17.8	30	35.7	14	16.7
A	49	58.3	31	36.9	22	26.2	32	38.1	22	26.2
U	0	0	5	6.0	11	13.1	0	0	14	16.7
D	0	0	17	20.2	23	27.4	14	16.7	19	22.6
SD	0	0	8	9.5	13	15.5	8	9.5	15	17.8
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey (2018)

Table 12 Contingency table for Ho

Variables	Financial reporting is true indicators company's operating activities should and provide true information to shareholders about the company's state of affairs.		My organization ploughs back full or part of one financial year profit to another financial year manage profitability.		Management influences the profit to attract compensation.		Investors invest more when there is a steady growth in profit.		Long term effect of Income smoothing is negative on shareholders wealth.	
	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected
SA	35	16.8	23	16.8	15	16.8	30	16.8	14	16.8
A	49	16.8	31	16.8	22	16.8	32	16.8	22	16.8
U	0	16.8	5	16.8	11	16.8	0	16.8	14	16.8
D	0	16.8	17	16.8	23	16.8	14	16.8	19	16.8
SD	0	16.8	8	16.8	13	16.8	8	16.8	15	16.8
Total	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**

Source: Field survey 2018

Table 13 Calculation of Chi Square Value

Row, Column	Oi	Ei	oi-ei	$(oi\text{-}ei)^2$	$(oi\text{-}ei)^2/ei$
1,1	35	16.8	18.2	331.2	19.7
1,2	23	16.8	6.2	38.4	2.3
1,3	15	16.8	-1.8	3.24	0.2
1,4	30	16.8	13.2	174.2	10.4
1,5	14	16.8	-2.8	7.84	0.5
2,1	49	16.8	32.2	1036.8	61.7
2,2	31	16.8	14.2	201.6	12.0
2,3	22	16.8	5.2	27.0	1.6
2,4	32	16.8	15.2	231.0	13.8
2,5	22	16.8	5.2	27.0	1.6
3,1	0	16.8	-16.8	282.2	16.8
3,2	5	16.8	-11.8	139.2	8.3
3,3	11	16.8	-5.8	33.7	2.0
3,4	0	16.8	-16.8	282.2	16.8
3,5	14	16.8	-2.8	7.84	0.5
4,1	0	16.8	-16.8	282.2	16.8
4,2	17	16.8	0.2	0	0
4,3	23	16.8	6.2	38.4	2.3
4,4	14	16.8	-2.8	7.84	0.5
4,5	19	16.8	2.2	4.84	0.3
5,1	0	16.8	-16.8	282.2	16.8
5,2	8	16.8	-8.8	77.4	4.6
5,3	13	16.8	-3.8	14.4	0.9
5,4	8	16.8	-8.8	77.4	4.6
5,5	15	16.8	-1.8	3.24	0.2
Sum	**420**	**420**	**0**	**3353.34**	**215.2**

Source: Field survey 2018

Table 14 Frequency Distribution Table for $H0_2$

Variables	The loopholes in legal regulatory framework of Nigerian Tax System promote Tax avoidance and encourage creative accounting practices in listed companies.		Tax management depends on firms' profitability		Management in a bid to reduce tax liability manipulates the financial reports.		Meeting external expectation by listed companies tends to promote creative accounting by encouraging tax avoidance in Nigeria		Tax avoidance has a negative effect on the shareholders wealth.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	19	22.6	16	19.0	15	17.8	23	27.4	19	22.6
A	25	29.7	29	34.5	22	26.2	29	34.5	31	36.9
U	8	9.5	6	7.1	6	7.1	0	0	0*J*	3.6
D	23	27.4	19	22.6	23	27.4	17	20.2	17	20.2
SD	9	10.7	14	16.7	18	21.4	15	17.9	14	16.7
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey 2018

Table 15 Contingency table for Ho$_2$

Variables	The loopholes in legal regulatory framework of Nigerian Tax System promote Tax avoidance and encourage creative accounting practices in listed companies.		Tax management depends on firms' profitability		Management in a bid to reduce tax liability manipulates the financial reports.		Meeting external expectation by listed companies tends to promote creative accounting by encouraging tax avoidance in Nigeria		Tax avoidance has a negative effect on the shareholders wealth.	
	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected
SA	19	16.8	16	16.8	15	16.8	23	16.8	19	16.8
A	25	16.8	29	16.8	22	16.8	29	16.8	31	16.8
U	8	16.8	6	16.8	6	16.8	0	16.8	n 3	16.8
D	23	16.8	19	16.8	23	16.8	17	16.8	17	16.8
SD	9	16.8	14	16.8	18	16.8	15	16.8	14	16.8
Total	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**

Source: Field survey 2018

Table 16 Calculation of Chi Square Value

Row, Column	Oi	Ei	oi-ei	$(oi-ei)^2$	$(oi-ei)^2/ei$
1,1	19	16.8	2.2	4.8	0.3
1,2	16	16.8	-0.8	0.6	0
1,3	15	16.8	-1.8	3.2	0.2
1,4	23	16.8	6.2	38.4	2.3
1,5	19	16.8	2.2	4.8	0.3
2,1	25	16.8	8.2	67.2	4.0
2,2	29	16.8	12.2	148.8	8.9
2,3	22	16.8	5.2	27.0	1.6
2,4	29	16.8	12.2	148.8	8.9
2,5	31	16.8	14.2	201.6	12.0
3,1	8	16.8	-8.8	77.4	4.6
3,2	6	16.8	-10.8	116.6	6.9
3,3	6	16.8	-10.8	116.6	6.9
3,4	0	16.8	-16.8	242.2	14.4
3,5	3	16.8	-13.8	190.4	11.3
4,1	23	16.8	6.2	38.4	2.3
4,2	19	16.8	2.2	4.8	0.3
4,3	23	16.8	6.2	38.4	2.3
4,4	17	16.8	0.2	0	0
4,5	17	16.8	0.2	0	0
5,1	9	16.8	-7.8	60.8	3.6
5,2	14	16.8	-2.8	7.8	0.5
5,3	18	16.8	1.2	1.4	0.1
5,4	15	16.8	-1.8	3.2	0.2
5,5	14	16.8	-2.8	7.8	0.5
Sum	**420**	**420**	**0**	**1551**	**92.4**

Source: Field survey 2018

Table 17 Frequency Distribution Table for H03

Variables	Adoption of any accounting policy for presentation of financial statement by companies is legal depending on the management interest.		Most management of companies do not disclose reasons for changes in accounting policies by companies in the published financial		The multiplicity of accounting policies and treatments have a negative impact on the credibility of financial reports		The consistency of accounting policies has a positive impact on the earnings per share.		Changes in accounting policies by companies have negative impact on the returns of the shareholders.	
	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%	Observed Frequency	%
SA	23	27.4	16	19.0	23	27.4	14	16.7	9	10.7
A	43	51.2	22	26.2	29	34.5	25	29.7	23	27.4
U	0	0	0	0	6	7.1	13	15.5	0	0
D	16	19.0	27	32.1	17	20.2	21	25.0	39	46.4
SD	2	2.4	19	22.6	9	10.7	11	13.1	13	15.5
Total	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**	**84**	**100**

Source: Field Survey (2018)

Table 18 Contingency table for H03

Variables	Adoption of any accounting policy for presentation of financial statement by companies is legal depending on the management interest.		Most management of companies do not disclose reasons for changes in accounting policies by companies in the published financial statements.		The multiplicity of accounting policies and treatments have a negative impact on the credibility of financial reports		The consistency of accounting policies has a positive impact on the earnings per share.		Changes in accounting policies by companies have negative impact on the returns of the shareholders.	
	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected	Observed	Expected
SA	23	16.8	16	16.8	23	16.8	14	16.8	9	16.8
A	43	16.8	22	16.8	29	16.8	25	16.8	23	16.8
U	0	16.8	0	16.8	6	16.8	13	16.8	0	16.8
D	16	16.8	27	16.8	17	16.8	21	16.8	39	16.8
SD	2	16.8	19	16.8	9	16.8	11	16.8	13	16.8
Total	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**	**84**

Source: Field Survey 2018

Table 19 Calculation of Chi Square Value

Row, Column	Oi	Ei	oi-ei	$(oi-ei)^2$	$(oi-ei)^2/ei$
1,1	23	16.8	6.2	38.4	2.3
1,2	16	16.8	-0.8	0.6	0
1,3	23	16.8	6.2	38.4	2.3
1,4	14	16.8	-2.8	7.8	0.5
1,5	9	16.8	-7.8	60.8	3.6
2,1	43	16.8	26,2.	686.4	40.9
2,2	22	16.8	5.2	27.0	1.6
2,3	29	16.8	12.2	148.8	8.9
2,4	25	16.8	8.2	67.2	4.0
2,5	23	16.8	6.2	38.4	2.3
3,1	0	16.8	-16.8	282.2	16.8
3,2	0	16.8	-16.8	282.2	16.8
3,3	6	16.8	-10.8	116.6	6.9
3,4	13	16.8	-3.8	14.4	0.9
3,5	0	16.8	-16.8	282.2	16.8
4,1	16	16.8	-0.8	0.6	0
4,2	27	16.8	10.2	104.0	6.2
4,3	17	16.8	0.2	0	0
4,4	21	16.8	4.2	17.6	1.0
4,5	39	16.8	22.2	492.8	29.3
5,1	2	16.8	-14.8	219.0	13.0
5,2	19	16.8	2.2	4.8	0.3
5,3	9	16.8	-7.8	60.8	3.6
5,4	11	16.8	-5.8	33.6	2
5,5	13	16.8	-3.8	14.4	0.9
Sum	420	420	0	3039	180.9

Degree of freedom (5-l) (5-1)=16

SUMMARY

The study was aimed at determining the effect of creative accounting on shareholders wealth. From the information gotten from the retrieved questionnaires based on the specific objectives of the study. It was found that income smoothing has effect on shareholders wealth and it was also seen that management does this is done when they want a steady growth in profit to increase shareholders wealth.

It was also found that tax avoidance has effect on shareholders wealth but this act is done when companies want to reduce its tax liability. This implies that a high rate of tax avoidance reduces shareholders wealth.

It further showed that changes in

accounting policies have effect on shareholders wealth. Companies adopt income increasing accounting policies to increase earnings per share in order to attract investors and also deceive other users of financial reports. These policies though might increases shareholders wealth but place shareholders on high risk.

CONCLUSION

In conclusion, Creative accounting is the cooking of the books, cosmetic accounting or managing of earnings, creative accounting implies that the entity takes advantage of the existing loopholes in the rules, and their flexibility to prepare and publish embellished financial statements. This is possible because management has the discretion to choose accounting principles in preparing financial statements. Although not illegal, creative accounting indicates that managers are under financial pressure to seek solutions without questioning regarding their ethical actions. Companies indulge in this act when the have they to achieve a particular goal. They used profit eroding mechanisms to deceive the users of financial reports.

Creative accounting offers a formidable challenge of the accounting profession which when carried to extreme negativity has cast aspersion on the credibility of accounting principles and standards. Management uses it to increase or decrease profits in company's favourable environment and effect on market price of the shares of the companies, tax liability of the company. Example Company can show higher or lower profit by capitalizing expenses and Research & Development expenses or changing depreciation method from straight line to diminishing method and FIFO to LIFO method in case of Inventory

Creative Accounting practices in a long term can lead a company into crises as history shown in case of Enron and World.com cases. This creative accounting can be minimized by Corporate Governance and fixing ethical behaviour of Auditors.

RECOMMENDATIONS

This work recommends that to reduce high rate of creative accounting practices in Nigerian listed company which will improve financial reporting quality and also increase the faith of investors in company's financial report. Corporate governance can play a big role in which independent directors can be chosen by the shareholders which works upon the mangers activities and keep eyes on managers' activities. Because financial reporting is true indicators company's operating activities and should provide true information to shareholders about the company's state of affairs. So that investors can take decision to invest in company or not. In that area, independent auditors and Forensic accountants can be employed to check the state of affairs of the company and give true and quality information to the shareholders and stakeholders like creditors bank etc. they should work without any pressure of the management.

Accounting professional bodies that set standards should reduce the alternative choices of accounting treatment in accounting standards. If management is not given discretion to choose any accounting method suit to its interest in presenting financial reports, creative accounting practices will reduce. Other ways are Amending Companies Act and enforcing strong regulation on ethical conducts of companies.

Furthermore, Government should make it a serious criminal act and any company found guilty should be punished very severely so that other companies can take precautions.

Suggestions for further research

The scope of the current study was limited to the responses of managers and accountants from selected listed companies in Nigeria. Future research could expand other employees who could be practicing creative accounting.

Also, creative accounting practices may emerge in the future due to changes in regulations, managerial policy and new technologies. Researchers must continue their efforts to identify such emerging issues.

Further research on the effects of creative accounting on the growth of Nigerian's economy may also be critical in extending this research. This is because creative accounting just like any concept has its advantages and disadvantages. However, there seems to be more negative effects than the benefits of creative accounting.

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