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CREATIVE ACCOUNTING PRACTICES AND FINANCIAL PERFORMANCE OF LISTED MANUFACTURING COMPANIES IN NIGERIA

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ABSTRACT:

This study examined the relationship between creative accounting practices and reported financial performance of listed manufacturing companies in Nigeria, and the extent creative accounting practices proxied by related party transactions (RPT), impacts on financial performance measured with return on assets 'ROA,) and return on equity (ROE,). Five year financial data from 2018 to 2022 often companies listed on the Nigerian Stock Exchange group (NSE) were extracted using the stratified and simple random sampling techniques. The study used secondary sources of data extracted from the published financial statements and accounts of the sampled companies. Data analysis techniques used in this study included descriptive statistics, the ordinary least square (OLS,) regression techniques using the Statistical Package for the Social Sciences (SPSS) version 22.0 statistical software. The results obtained revealed that RPT has positive and significant relationship with ROA. In relation to ROE, the results revealed that RPT has a negative and significant impact on ROE. The coefficient of determination as revealed from the combined impact of the independent variable shows that 99.9% of the variation in the dependent variables is explained by the independent variables while the remaining 0.1% is attributable to other factors. The exposition from the data analysis clearly points to the fact that listed manufacturing companies in Nigeria use creative accounting practices to manipulate earnings or profits in order to achieve management desire to present impressive financial performance of the entity. The work concluded that the desire to showcase impressive picture of corporate financial performance often breaches professional ethics in financial reporting The study recommends a more stringent regulatory regime with effective enforcement mechanisms to ensure compliance with International Financial Reporting Standard and Auditing standards in order to reduce creative accounting practices. The introduction of punitive measures could also assist in curbing the act of creative accounting amongst Nigerian companies.

KEYWORDS:

Creative accounting practices Financial performance, return on asset, return on equity, related party transactions

Introduction

Accounting is generally referred to as the language of business. As the language of business. it is a process by which data relating to economic activities of a business organization arc recorded, classified, selected, measured, interpreted and communicated to internal and external users for analysis and interpretation. Agboh (2007) stated, that the American Institute of Certified Public Accountant defined accounting as the art of recording, classifying and summarizing in terms ofmoney, transactions and events that are in part at least of financial character and interpreting the result thereof. Irrespective of how accounting is defined, it can be deduced that the basic objective of accounting information (financial reports) is to provide information about a business entity that is useful to a wide range of users in making economic decisions. What has become worrisome, however, is that the validity of this objective is being questioned by many users of accounting information because of the probable effects of creative accounting on information contents of such reports. The basic questions, therefore, are what happened that confidence in publicly available financial information has weakened globally? What is responsible to the fact that reliance on accounting information has become a recipe for corporate disaster? Who is the architect of the massive global financial scandals and corporate collapses? Why should companies go under after presenting beautiful results of their operations to users? Did the management of such failed business organizations lie in the reports presented to the users? Why could auditors not discover such colossal financial misrepresentation before issuing the unqualified audit opinion? 'true and fair' in all material respects. The answers to these question rest largely on the practice of Creative Accounting by business organizations. According to Wikipedia (2008), creative accounting is known in accounting nomenclature as creativeaccounting in United Kingdom (UK), Earnings management United State of America (USA), Aggressive, Innovative, Cosmetic and Deceptive Accounting.Osaze (2008) opined that creative Accounting is the manipulation of moral accounting and financial statements by moving accounts around, changing their locations and subheads, redefining accounts and even inflating accounts in order to present an attractive or unattractive picture of the state of financial health of business entity. According to Association of Certified Chartered Accountant (ACCA) learning media (2012), the victims of creative accounting practice include: employees, lenders, suppliers, customers, government and public. These studies, however, used only small samples drawn for short period of time through the primary sources of data collection method. They did not investigate the relationship between creative accounting practices and financial performance manufacturing firms. Considering a plethora of the harmonized financial reporting standards as is applicable in Nigerian company's robust reported financial performance and the subsequent collapse of most companies, this study empirically examines the impact of creative accounting practices on the financial performance of listed manufacturing companies in Nigeria.

Statement of the Problem

In August 13. 2009, the Chief Executive Officers (CEOs) of Oceanic, Intercontinental, Skye, Afri and Fin Banks were sacked and arrested for various creative accounting practices. Particularly loan worth N252 billion was granted to these banks under related party transaction by the former Central Bank of Nigeria (CBN) Governor Soludo. The loan was reported assets with the intention of being brought back as bad debt. The banks still presented strong a healthy financial statements. (Saharareporters. com why and howl 2009). WLI (2002) stated ii weak corporate governance, poor regulatory and enforcement agencies, and restatement financial reports are the signaling effects of most twenty-first century corporate collapses. The Financial Reporting Council of Nigeria (FRCN), formerly called the Nigerian Accounting Standards Board (NASB) ordered African Petroleum (AP), Cadbury and Dixon salt (all defunct) to issue a restatement of their financial reports. Unilever in 2003 restated the provisions of unfounded retirement benefit as N407.206 million and not N337.692 million as earlier reported.

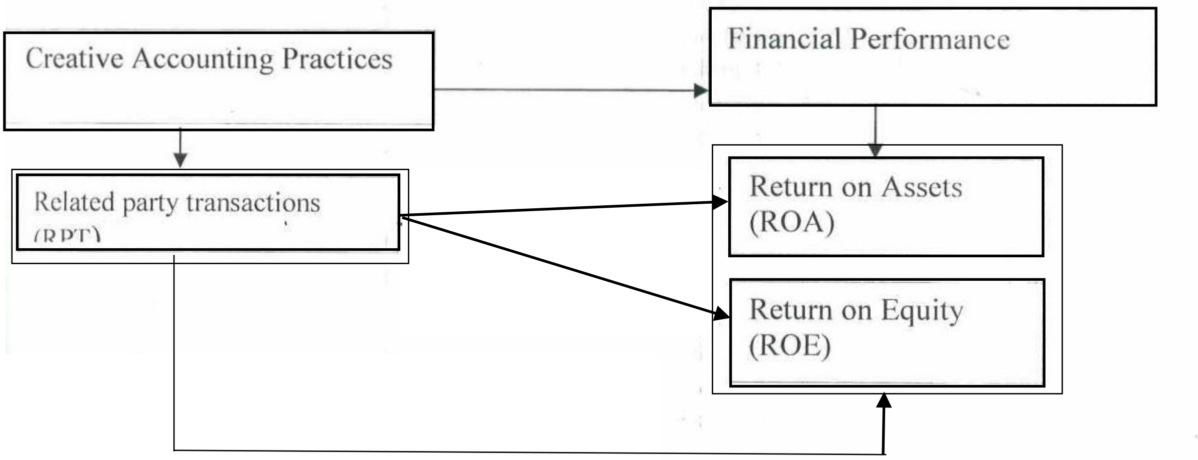
Restatement is an acknowledgement of reporting manipulation. It indicates financial reporting failure and it is a breach in firms' internal control system, a show of weak corporate governance and a loss of confidence in the firm's earnings (Palmrose and Scholz, 2004). Restatements have material adverse effect on firm's valuation and reported profits (Palmrose and Seholz. 2004). Consequently, the FRCN has stipulated stiff penalties and fines on erring companies and their auditor. In spite of the negative consequences of creative accounting practices. Sulton (2000) and Gramlick, McAnally and Thoma (2001) justified reasons why manager manipulate accounting numbers to include reduction in taxes, higher share prices, decrease in regulatory burden. increase in profit-based bonuses, lower borrowing costs, improvement in credit quality, lower cost of equity capital and reduction in share-price volatility among others. Given these institutional factors, the result of the study may not be similar to those found for developed countries. The presence of empirical research work that examined the relationship between creative accounting practices and financial performance of listed manufacturing companies in Nigeria is record few. Most studies in Nigeria such as (Osisiorna and Enahoro, 2016, Shehu and Abubakar, 2014, and Osemene, 2014) did not focus on manufacturing sector. It is this gap that his research intends to fill. Specifically, the study adopts and modified the model of Ibanichuka and Ihendinihu (2012) for predicting the relationship between firm financial performance and creative accounting practices by employing related party transactions (RPT), as variable for measuring creative accounting practices thereby examining the impact as applicable to our local environment.

Aim and Objectives of the Study

The objective of this study is to ascertain the degree of association between creative accounting practices and financial performance of listed manufacturing companies in Nigeria. The specific objectives of the study are to:

i. Examine the relationship between related party transactions and return on assets.
ii. Ascertain the impact of related party transactions on return on equity.

Fig 1. Creative Accounting Practices and Financial Performance Study Variables Conceptual Framework



Source: Conceptualized by the researcher (2023)

Research Questions

The following research questions were raised to address the specific objectives of the study:

i. What is the relationship between related party transactions and return on assets?
ii. How do related party transactions impact on return on equity?

Statement of Hypotheses

The Following null hypotheses were postulated in order to accomplish the specific objectives of the study.

H_{o1}: Related party transactions do not significantly affect return on assets.
H_{o2}: Related party transactions do not significantly affect return on equity

Theoretical Framework

Agency Theory

According to Revsine (1991), the agency theory and the positive accounting theory provide management the leeway to seek loopholes in financial reporting standards and to adjust accounting numbers as far as practicable. Under the agency theory, the relationship between management and shareholders is viewed as PRINCIPAL-AGENT arrangement. Manager despite being hired as the agents of shareholders, put their own self-interest ahead of the interest of shareholders prompted by the asymmetric nature of financial information and the separation of ownership and control in a corporation (Berk, 2021).

Positive Accounting Theory

The positive accounting theory (PAT) is concerned with predicting actions such as the choicesaccounting policies by firms on how firms will respond to proposed new accounting standards PAT takes the view that firms will conduct themselves in the way that maximizes their own best interests. Managers do not always do what is best for shareholders but what will be the more beneficial to their organization. PAT emphasizes that an organization's choice of accounting policies is motivated by keeping contact cost down.

Concept of Creative Accounting

The concept of Creative Accounting is generally described as a purposeful intervention by management in the earnings determination process, usually to satisfy selfish objectives. This process is clearly seen in the following definitions. Akenbor and Ibanichuka (2012) describe creative accounting as accepted accounting techniques which permit corporations to report financial results that may not accurately portray the substance of their business activity. For instance, a creative accountant has opportunity to err on the side of caution or optimism in estimating the useful life of an asset. It is a negative creation designed to prepare the financial statements in response to management requirement regarding company's financial position and performance. Ghosh (2020) defined creative accounting as the transformation of accounting figures from what they actually are to what the preparer desires by taking advantage of their knowledge about accounting rules.

Forms of Creative Accounting Practices

Schipper (2019) and Angahar (2012) identified the following creative accounting practices.

Recognizing Premature Revenue

Mulford (2022) stated that revenue is recognized prematurely over a legitimate sale in a period prior to thesale or service transaction. Revenue recognized for goods that have been ordered hut have not been received at (he time of recognition would be considered to be premature.

Recognizing Fictitious Revenue

Fictitious revenue is revenue recognized for a non-existent sale or service transaction. Some number of cover-up activities on the part of management is designed to support the reporting of non-existent results. Examples are fictitious documents, backdating valid agreements, keeping accounts off the books and selling goods to self owned warehouses.

When to Recognize Revenue (IAS 18)

According to IAS 18, revenue is generally recognized when:

i. The product or service has been provided to the buyer
ii. The buyer has recognized his liability to pay for the goods or services provided
iii. The buyer has indicated his willingness to hand over cash or other assets in settlement of his liability
iv. The monetary value of the goods or services has been established

Disclosure: The following items should be disclosed

i. The accounting policies adopted for the recognition of revenue, including the methods used to determine the stage of completion of transaction involving the rendering of services.
ii. The amount of each significant category of revenue recognized during the period including revenue arising from the sale of goods, the rendering of services, interest, royalties and dividends.
iii. The amount of revenue arising from exchanges of goods or services included in each significant category of revenue.

Objectives of Corporate Creative Accounting

Management of corporate companies seeks opportunities to manipulate accounting reports of businesses for various objectives such as:

i. **Tax Reduction Purposes:** Creative accounting may be used for tax reduction purposes (Sutton. 2000). Taxation may be a failure in creative accounting in circumstances where taxable income is determined by the accounting numbers.

ii. **Information Perspective:** Schipper (2019) considers the information perspective as underpinning creative accounting phenomenon. This is because accounting disclosures have information content that possess value to stakeholders by providing useful signals. Managers may choose to exploit their privileged positions for private gain due to information asymmetry.

iii. **Complex Business Environment:** Davidson (2018) argues that the complex business environment, measuring pressures on companies during economic turbulence often make managers to improve the bottom-line figure.

iv. **Increase investors' Confidence:** Heyworth (2013) observed that creative accounting may arise because companies are willing to report stable earnings and psychological expectations due to changes in anticipated income to investors.

v. Avoid Violation of Debt Covenants: Sweeney (2014) reported that companies which are near violation of debt covenants are two to three times more likely to make incomeincreasing accounting policy changes than others.

Financial Performance

Return on Assets (ROA)

Return on Assets is the, profits derived as a proportion of and directly attributable to cost a bookvalue of an asset, net of depreciation. Many business managers and owners use the term in ageneral sense as a means of assessing the merit of an investment of business decision from theaccounting stand point. The formula for calculating Return on Assets is shown thus:

$$\text{Return on Assets (ROA)} = \frac{\text{Profit After Tax}}{\text{Total Assets}}$$

The total assets have been financed from the pool of funds supplied by creditors and owners. Inmeasuring the return on assets, the intention is to judge the objective in using the pool of funds. The return on assets is a useful measure of the profitability of all financial resources invested inthe firm's assets.

Return on Equity

According to Ross, Westerfield and Jaffe (1996), Return on Equity is a measure of howshareholders money fared during the year. They further opined that ROE is the true accounting measure of performance. Helfert (1991) called this ratio the return on net worth and observedthat it is the most common ratio used for measuring the return on the owners investment. Thereturn is calculated to the profitability of the owners' investment (Pandey, 2005). It relates profitsto equity and is given as net profit divided by shareholders Equity. The ratio must he comparedwith those of other companies in the same industry to give a relative performance of the firm andits strength in attracting future investment. The earnings of a satisfactory return is the mostdesirable objective of every business. The ratio of net profit to owners' equity reflects the extent to which this objective has been accomplished. This ratio is of great interest to prospectiveshareholders and management. Return on Equity (ROE) is expressed mathematically thus:

$$\text{Return on Equity (ROE)} = \frac{\text{Profit After Tax}}{\text{Shareholders' Equity}}$$

Empirical Review

Several studies have investigated the subject of creative accounting practices and financialperformance of listed companies all over the world. Imhofe (2003), Girouxy (2006) and Valduxy(2010) research studies investigated the empirical relationship between corporate governance andcreative accounting practices of manufacturing business firms in Asia. The results showed thatcorporate governance intertwined with diffuse ownership structure and a dependent audit committee framework as drivers of financial reporting manipulations. Jonas (2005) research study found that income smoothing can be explained with proxies for information asymmetry. The research contributed to the field by testing for income smoothing with cross- sectional data using discretionary accruals from small privatized firms. The results further showed that incomesmoothing is more pervasive in private and smaller firms. Osahon (2002) research studyindicated a positive relationship between creative accounting and the market value of banks shares. The research revealed that most investors are not able to see through the financial illusion of creative accounting. Ibanichuka and Ihendinihu (2012) examined reasons for creative accounting practices and whether there is any relationship between creative accounting and firm financial performance reporting in Nigeria, and to what extent do these practices impact on or influence financial performance reporting, with dividend payout as proxy, of banks and insurance firms. The empirical results of the study revealed that creative accounting practices are positively associated with firm financial performance reporting; particularly, these techniques significantly impact on. Dividend Payout (proxy for profitability) though with minimal influence on liquidity needs.

Methodology

Research Design

This study adopts the correlational research design. This research design is useful in examining the relationship that exists between variables. It is an approach that is particularly useful when evaluating the inter-relationship among a number of variables at a particular point in time.

Population for the Study

The target population for this study includes all listed manufacturing companies in Nigeria. However, for effective study this work was conducted on only the listed manufactured companies that have reported annual profits of over two hundred million naira for the past five years and whose financial statement are assessable.

Sample and Sampling Technique

The sample for the study comprises of the following manufacturing companies; Cadbury Nigeria Plc and Dangote Flour Mills Plc. The stratified random sampling technique aided the selection of these companies. This technique involve dividing the population into strata with each stratum having some definite characteristics or features (Onwumere, 2005; Douglas, William and Robert 2002). The choice of these samples was based on the availability of complete data for the period 2018 to 2022.

Method of Data Collection

The method of data collection for this research study was mainly from the secondary sources. Financial data were extracted from the published annual financial reports and accounts of the sampled companies' website under study. The study covers a period of five (5) years from 2018 to 2022.

Data Analysis Technique

Data is usually collected by the researcher in order to predict or make inference about some pre-conceived notion about the population from which the data were collected (Baridam, 2001). The data is analyzed to enable the researcher reach a conclusion. The analytical techniques to he used in this study include descriptive statistical technique and the ordinary least square (OLS) regression technique. The descriptive statistical tool that was employed here are percentages and averages using the Statistical Package for the Social Sciences (SPSS) version 22.0 statistical software.

Model Specification

To capture the nature of the relationships between creative accounting practice and financial performance as stated in the hypotheses, the functional relationship is stated thus.

FP = f(RPT), where FP = ROA, ROE

ROA = f(RPT) 1

ROE = f(RPT) 2

The mathematical model is as specified below:

$ROA = \alpha_0 + \alpha_1 RPT_{i,t}$ 4

$ROE = \beta_0 + \beta_2 STR_{i,t}$ 5

The econometric model is stated thus:

$ROA = \alpha_0 + \alpha_1 RPT_{i,t} + \varepsilon_{i,t}$ 6

$ROE = \beta_0 + \beta_2 STR_{i,t} + \varepsilon_{i,t}$ 7

Where:

ROA is Return on Assets

ROE is Return on Equity

RPT = Related party transactions

α_0, β_0, δ_0 = intercepts

α_1, β_1, δ_1 – α_2, β_2, δ_2 = coefficient

$\varepsilon_{i,t}$ = Error term

Results and Discussion

Data Presentation

The following data presented below are extracted from the annual reports and accounts of sample companies listed on the Nigerian Stock Exchange for period 2013 to 2017.

Table 1

	Cadbury Nigeria Plc			Dangote Flour Mills Plc		
Year	RPT	ROA	ROE	RPT	ROA	ROE
2013	3,921,578,941	0.1374	0.1366	6,635,336,933	-0.0738	-0.1337
2014	6,167,853,301	0.0736	0.1499	14,411,727,717	-0.0771	-0.2642
2015	1,240,348,137	0.0394	0.0344	7,273,624,894	-0.2948	1.2097
2016	3,395,276,588	-0.0117	-0.0260	10,828,695,005	0.1767	0.4083
2017	1,543,253,527	0.0105	0.0225	6,316,868,933	0.0968	0.2795

Source: Annual Reports and Accounts of Cadbury Nigeria Plc

Table 1 revealed an annual reports and account statement of Cadbury Nigeria Plc and Dangote Flour Mills Plc from 2013 to 2017. The specimen above showed a linear up and down movement of return on asset and return on equity with respect to related party transactions (RPT).

Data Analysis

Table 2 Descriptive Statistics

	Minimum	Maximum	Mean	
	Statistic	Statistic	Statistic	Std. Error
ROA	.2500	.7000	.554200	.0785407
ROE	1.3000	1.7700	1.472600	.0817934
RPT	125,000,000,000	356,800,000,000	271,280,000,000	40,334,134,427

Source: Descriptive Statistics Results using SPSS version 22.0

From table 2 above, ROA result is put at an average of 55.42 percent during the period 2013 to2017 under study. This implies that listed manufacturing companies in Nigeria had an average financial performance of 55.42 percent during the period 2013 to 2017 under study. Theminimum financial performance for the period stood at 25 percent while maximum financialperformance for the period was 70 percent. From table 2 above, ROE revealed an average of147.26 percent during the period 2013 to 2017 under study. The implication is that listed manufacturing companies in Nigeria had an average financial performance of 147.26 percent during the period 2013 to 2017 under study. The minimum financial performance for the period stood at 130 percent while maximum financial performance for the period was I 77 percent.

Test of hypotheses

The hypotheses formulated in chapter one of the study were collapsed into the model specified inchapter three for empirical verification of the hypotheses using the Ordinary Least Square (OLS)regression technique. The creative accounting practices (independent variable) measures RPT were regressed on the financial performance (dependent variable) measures ROA and ROE reported in line with the postulated hypotheses. To this end, the analysis of the collapsed data in all three models was performed with the aid of SPSS version 22.0 and results presented as below

Regression Result of Hypothesis 1

Table 4(a) Model Summary b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.999	.996	.0116779

a. Predictors: (Constant), RPT

b. Dependent Variable: ROA

Table 4(b) ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.123	3	.041	301.225	.042[b]
	Residual	.000	1	.000		
	Total	.123	4			

a. Dependent Variable: ROA

b. Predictors: (Constant), RPT

Table 4(c) Coefficients[a]

	Unstandardized Coefficients		Unstandardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
(Constant)	.508	.061			
RPT	1.406	.068	.722	20.597	.031

a. Dependent Variable: ROA

Fitting the coefficients into the regression equation becomes:

ROA = 0.508 + 1.406RPT

Regression Result of Hypothesis 2

Table 5(a) Model Summaryb

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.999[a]	.999	.995	.0132760

a. Predictors: (Constant), RPT

b. Dependent Variable: ROE

Table 5(b) ANOVA[a]

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	.134	3	.045	252.719	.046[b]
Residual	.000	1	.000		
Total	.134	4			

a. Dependent Variable: ROE
b. Predictors: (Constant), RPT

Table 5(c) Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.445	.070		20.777	.031
RPT	-1.701	.078	-.839	-21.919	.029

a, Dependent Variable: ROE

Fitting the coefficients into the regression equation becomes:
ROE = 1.445 – 1.701RPT

Discussion of Findings

Tables 4(a, b and c) above present the results of ROA and RTP. Table 4.2.3 (a) Model Summary, the correlation coefficient (R) of the three independent variables is 0.999. The coefficient of determination (R2) is 0.999 translated in percentage means 99.9 percent which shows that the creative accounting practices measures RPT can predict only 99.9 percent variation in return on assets ROA. The remaining 0.1 percent variation in ROA is attributable to other factors. The Adjusted R^2 is 0.996 adjusted for the numbers of the independent variables in the model is to eliminate any form of error that could result in business.

Table 4(b) - ANOVA gives the overall model result. At F_3,1 degrees of freedom (df), F-test statistics is 30 1.225 and is statistically significant with a p-value of 0.042 which is less than 0.05 level of significance. It reveals that the overall model is significant and best fit that could offer better predictions.

Table 4(c) Coefficients, shows the regression of ROA on RPT which indicates an intercept of 0.508. This denotes that the average level of ROA is 0.508, when RPT arc zero. The impact of RPT on ROA shows that a positive relationship exists between RP1' and ROA as revealed by the coefficient of I .406 with a t-value of 20.597 and a p-value of 0.03 1 which is less than the 0.05 level of significance. Based on the p-value, we do not accept the null hypothesis (I l) which states that related party transactions do not significantly affect return on assets. This implies that related party transactions as one of the proxies of creative accounting practices significantly affect the financial performance of listed manufacturing companies in Nigeria. Tables 5(a, b and c) above present the results of ROE and RPT. Table 5(a) - Model Summary, the correlation coefficient (R) of the three independent variables is 0.999. The coefficient of determination (R^2) is 0.999 translated in percentage means 99.9 percent which shows that the creative accounting practices measures RPT can predict only 99.9 percent variation in return on assets ROE. The remaining 0.1 percent variation in ROE is attributable to other factors. The Adjusted R^2 is 0.995adjusted for the numbers of the independent variables in the model is to eliminate any form oferror that could result in biasness. Table 5(b) — ANOVA gives the overall model result. At $F_{3,}$ 1 degrees of freedom (df), F-test statistics is 252.719 and is statistically significant with a p-valueof 0.046 which is less than 0.05 level of significance. It reveals that the overall model issignificant and best fitthat could offer better predictions. Table 5(c) — Coefficients, shows theregression of ROE on RPT which indicates an intercept of 1.445. This denotes that the average level of ROE is 1.445, when RPT, are zero. The impact of RP'I' on ROE shows that a negativerelationship exists between RPT and ROE as revealed by the coefficient of - I .70 I with a t-valueof -21.919 and a p-value of 0.029 which is less than the 0.05 level of significance. Based oil the p-value, we do not accept the null hypothesis (1102) which states that related party transactions do not significantly affect return on equity. This implies that related party transactions as one of the proxies of creative accounting practices significantly affect return on equity proxy for financial performance oil listed manufacturing companies in Nigeria.

Conclusion

This study explore the relationship between reported company's financial performance with return on assets, return on equity and earnings per share as proxies and three identified creative accounting practices measured by related party transactions, seasonal trading reports and timing of asset transactions in the manufacturing sector of the Nigerian economy. The conclusion of the study is as below: Related party transactions significantly impact on return on assets. It is therefore concluded that listed manufacturing companies in Nigeria use related party transactions to manipulate return on assets. A positive relationship was revealed when related party transactions was regressed on return on assets. it means as related partytransactions increases, return on assets also increases and vice versa. Related party transactions significantly impact on return on equity. The implication is that listed manufacturing companies in Nigeria use relatedparty transactions to manipulate return on equity. A negative relationship was revealed when related party transactions was regressed on return on equity. It shows an increase in related party transactions decreases return on equity and vice versa. Having regard to findings as produced by tile RPT, the study thereby concluded that model ROA f(RPT) has the best fit given that all three independent variables have significant impact on return on asset. Basically, it is evident that creative accounting has significant impact on financial performance of listed manufacturing companies in Nigeria.

Recommendations

In line with the findings of the study, tile following recommendations arc made:

i. The area and extent to which creative accounting practices could he regulated by the supervisory authorities in Nigeria. The Financial Reporting Council of Nigeria in conjunction with Central Bank of Nigeria and other regulatory agencies should sustain the enforcement of compliance with the IFRS, GAAP, CAMA and other financial reporting Act requirements to guarantee an enduring curtailment of creative accounting practices. The appropriate enforcement framework needed to exert compliance bycompanies in the preparation and presentation of financial statements should be put in place by the authorities. It is sacrosanct that where enforcement is weak, creative accounting is encouraged.

ii. Ethical challenges of creative accounting. To address this policy challenges, the study recommends that Accounting Standard Setters/Regulators should consider reducing the range of accounting policy allowed for the same economic transaction.

iii. Punitive measures on those that engage in the practice should be adopted by law courts, accounting bodies and other regulatory agencies to stop the practice to ensure a good quality of financial information.

iv. The introduction of forensic accounting practice that will serve as investigative function and expert witnessing in the Nigerian companies (manufacturing and non-manufacturing concerns).

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