International Journal of Arts, Languages and Business Studies (IJALBS), Vol.2 No.2 August, 2019; pg. 44 - 62

EFFECT OF CREATIVE ACCOUNTING ON SHAREHOLDERS' WEALTH IN BUSINESS ORGANIZATIONS: (A STUDY OF SELECTED BANKS IN DELTA STATE)

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Abstract
This study is motivated by the existence of a deficiency in the financial reporting system in Nigeria, which is the act of creative accounting. The rate at which financial statements of various Nigerian companies are being manipulated is increasing and greatly affects the various stakeholders in one way or the other. This research work focuses on "the effect of creative accounting on shareholders wealth in business organizations". The main objective of this study is to examine the effect of creative accounting on shareholders wealth. Four (4) research questions were raised for the study and four (4) hypotheses were formulated. The survey research design was adopted with a sample size of fifty (50). The questionnaires were instruments used for data collection. The data collected was subjected to simple validity and reliability test. The analysis of data was based on statistical frequency table and simple percentages, while correlation analysis was used to test hypothesis. Some of the findings are that creative accounting affects shareholders wealth and their investment decisions. Also, it has a great impact on the share prices of the business organizations. Based on these findings, it is recommended that only well and legally audited financial statements should be relied on by shareholders in making important decisions. Also, the financial Reporting Council of Nigeria (FRCN) should always ensure good corporate governance and due compliance with accounting standards, framework and other relevant legal statutes in Nigeria.

Keywords: Creative Accounting, Fraud, Financial Statement, Shareholders Wealth, Auditor, Business Organization, True and Fair View and Stock Exchange.

INTRODUCTION

Background to the Study:

The huge economic recession in the current business environment has pushed the management of many organizations into making financial statements look better to attract investors. It is done by manipulating figures and facts in their financial statements using creative accounting otherwise known as financial statement fraud (Anumaka, 2013).

Creative accounting is the manipulation of financial figures and facts in the financial statements, usually within the stipulations of the law and accounting standards but not providing the true and fair view of the company. It is an act of financial fraud involved in the preparation of financial statements. It is a big risk which can incur a very big cost leading to a lot of problems such as loss in the value or wealth of shareholders. Shareholders wealth depicts the value of existing shares in the stock market. It is measured by the market value of the firm's common stock, that is, the price that the stock trades in the market place. The wealth of the shareholders is meant to be maximized or maintained by the business managers in the business organization. But the act of creative accounting tends to pose a big threat to shareholders wealth maximization.

Current accounting practices allow a degree of choice of policies and professional judgments in determining the method of measurement, criteria for recognition and even the definition of the accounting entity. The exercise of this choice could involve a deliberate non-disclosure of information and manipulation of accounting figures, thereby making the business appear more profitable than it really is. With this practice, users of financial statements are many times misled and this constitutes a threat to the maximization of shareholders wealth. This research tries to ascertain and assess the level of effect creative accounting has on shareholders wealth and recommended solutions to such fraud.

Statement of the Problem

A sound financial statement must be faithfully presented, that is, it must show the true economic reality of an organization. All the elements and components of a complete set of financial statement must show a true and fair view and prepared in compliance with required standards. Atimes in accounting practice, these rules and standards are dubiously circumvented and manipulated to provide a desired result in the financial statements even if it does not show a true and fair view. This is termed creative accounting. This act is characterized by dubious complications and use of fraudulent ways of presenting income, assets or liabilities, therefore, going against the rule of "true and fair" view.

There are many reports of price manipulation, profit overstatement and accounts falsification by some dubious stewards to produce a favourable financial statement. This renders the system of financial reporting ineffective. The business failures of the past decade however, have been closely associated with corporate governance failure which involves a number of parties, management, auditors and some investors (Ezeani, 2011). Most of the standards set for the accounting reports have been eroded by the bound of directors and other parties. This act of creative accounting has virtually led to the loss of shareholders fund and the folding up of some companies.

Objective of the Study

The main aim of the study is to examine the effect of creative accounting on shareholders wealth.

Specific objectives of the study are:

1) To establish the relationship between creative accounting and shareholders wealth.
2) To ascertain whether creative accounting practices significantly affect shareholders' investment decisions.
3) To examine the effect of creative accounting on share prices of an organization.
4) To ascertain whether a well-designed framework of accounting regulation will curb creative accounting practice in corporate financial reporting.

Research Questions

In order to activate the above research objectives, the following research questions will be used:

1) Is there significant relationship between creative accounting and shareholders wealth?
2) Does creative accounting practice significantly affect shareholders' investment decisions?
3) Does creative accounting affect share prices of an organization?
4) Will a well-designed framework of accounting regulation curb creative accounting practice in corporate financial reporting?

Research Hypotheses

1) **Ho:** There is no significant relationship between creative accounting and shareholders wealth.
   Hi: There is significant relationship between creative accounting and shareholders wealth.
2) **Ho:** Creative accounting does not affect shareholders' investment decisions.
   Hi: Creative accounting affects shareholders' investment decisions.
3) **Ho:** Creative accounting does not affect share prices of an organization.
   Hi: Creative accounting affects share prices of an organization.
4) **Ho**: A well designed framework of accounting regulation will not curb creative accounting practice in corporate financial reporting.
   Hi: A well designed framework of accounting regulation will curb creative accounting practice in corporate financial reporting.

Significance of the Study

This study will be of great benefit to management of various organizations, policy makers, auditors, shareholders and student researchers. The study will enable managers have an in-depth understanding of the effects and costs of manipulating financial statements. It will also benefit investors, shareholders and the public who may resort to audited financial statements of organizations to take investments decisions. It will also be readily available for academic consumption.

Scope of the Study

The study covers the review and analysis of the effect of creative accounting on only shareholders' wealth and due to time and financial constraints, the research work would be limited to some selected auditors and accountants in five (5) quoted banks in the Nigerian Stock Exchange located in Asaba Delta State.

Limitations of Study

The research study was carried out under a tight schedule. It was undertaken within a short time and was carried out intermittently with lectures and private studies.

There was also a problem of data collection due to reluctance by the respondents to provide information on time.

REVIEW OF RELATED LITERATURE

Conceptual Review

According to critic David Ehrenstein, the term "creative accounting" was first used in 1968 in the film, "The producers by Mel Brooks. In the business world, creative accounting, also referred to as aggressive accounting, is the manipulation of financial numbers, usually within the letter of the law and accounting standards, but very much against their sprint and certainly not providing the "true and fair" view of a company creative accounting is also referred to by the slang phrase "cooking the books", implying that these practices require falsification and omission in the presentation of company financial records. Generally, creative accounting according to Ignacio (2013) is accounting practices that deviate from standard accounting practices.

Creative accounting has led to a number of recent accounting scandals and many proposals for accounting reform that centered on an updated analysis of capital and factors of production that would correctly reflect how value is added Osisioma and Enahoro 2014. Financial statements can be prepared in accordance with the stipulated laws and standards but presents a different desired result. This could occur as a result of choice in the selection and adoption of desired accounting policies. When different policies are adopted, different results are presented. Creativity in such context is like referring to a half glass of water as half-full instead of describing it as half empty. While both statements are factually correct they point different pictures and thus convey different images. Creativity in company accounting may arise wider at least three different financial market conditions. The first is when a company floats its shares to attract investors to subscribe to such shares either at par or at a premium, depending on the financial market evaluation of the company's future prospects. The second is when the company whose shares are already listed in a stock exchange, wants to point an attractive picture of its financial conditions so that the shares may be quoted at a premium. Finally, a company having its shares listed in the stock exchange may declare and pay high dividends based on inflated profits that may boost the image of the company at least in the short run.

Creative accounting has raised ethical issues in recent times as it involves a process whereby accountants use their knowledge of accounting rules to manipulate the figures and facts reported in his accounts of a business as written in the book "The ethics of creative accounting" by Oriel Amat. Unethical considerations in creative accounts have developed to such depths that terms like fraud audit and forensic accounting have gained currency and are becoming new professions. Accounting practitioners and auditors are increasingly required to appear in courts for deposition.

Creativity in accounting, also called aggressive accounting, is the manipulation of financial numbers, usually within the letter of the law and accounting standards, but very much against their spirit and certainty not providing the "true and fair" view of the company. A typical aim of creative accounting will be to inflate profit figures. Some companies may also reduce reported profits in good years to smooth results. Assets and liabilities may also be manipulated, either to remain within limits such as debt covenants or to hide problems. The practice of creative accounting involves diverse techniques and tricks which are the concepts associated with creative accounting. These concepts are explained as follows:

- **Window dressing:** This refers top actions taken or not taken prior to issuing financial statements in order to improve the appearance of the financial statements. Here is an example of window dressing; a company operates throughout the year with a negative balance in its cash account. Since the financial statements report the cash amount appearing in its accounts, the financial statement would report a negative amount of cash. However, the company does not want its December 31 balance sheet to report a negative cash balance, since it will be reviewed by many outsiders. To avoid reporting a negative cash balance, the company does not make the payments for amounts that should be paid between December 26 and December 31. This postponement of payments allows its book amount of cash to temporary be a positive amount. Then on January 2, the company issues cheques for all the amounts that normally would have been paid at the end of December.
- **Income smoothing:** Thus is an accounting technique that is used to level out net income fluctuations from one period to the next. Companies indulge in this practice because investors are generally willing to pay a premium for stocks with steady and predictable earnings streams, compared with stocks whose earnings are subject to wild fluctuations. Examples of income smoothing techniques include deferring revenue during a good year if the following year is expected to be a challenging one, or delaying the recognition of expenses in a difficult year because performance is expected to improve in the near future.
- **Off-balance sheet financing:** This occurs when a company does not include a liability on its balance sheet. It is an accounting term and impacts a company's level of debt and liability. Also, it can be seen as an accounting method whereby companies record certain assets or liabilities in a way that keeps them from appearing on the balance sheet. Examples of off-balance sheet financing are: usage of an assets through an operating lease, selling receivables under certain conditions, providing guarantees or letters of credit or participating in joint ventures or research and development activities.
- **Earnings management:** Earning management is the use of accounting techniques to produce financial reports that present an overly positive view of a company's business activities and financial position. Many accounting rules and principles require company management to make judgments. Earnings management takes advantage of how accounting rules are applied and creates financial statements that inflate earnings, revenue or total assets.
- **Big bath accounting:** It is an accounting techniques whereby a one-time charge is taken against income in order to reduce asses, which results in lower expenses in the future. The write-off removes or reduces the asset from the financial books and results in lower net income for that year. It is a strategy of manipulating a company's income statement to make poor results look even worse to make future results better. It is often implemented in a bad year for a company to enhance the next year's earnings in an artificial manner.

Features of Creative Accounting

Creativity in accounting comes at a time when the true background, figures and results should reach the public. This transforms the actual financial statements to those which the owners would like to achieve as positive and favourable results of the company. Therefore the practice of creative accounting is more rampant in financial accounting than in cost (Management) accounting. Creative accounting is like a tool used in obtaining or preserving the reputation of a company.

Creative accounting aims at inflating profit figures. Some companies may also reduce reported profits in good years to smooth results. Assets and liabilities may also be manipulated, either to remain within limits such as debt covenants or to hide problems. Typical creative accounting tricks include off balance sheet financing, over optimistic revenue recognition and the use of exaggerated non-recurring items. Other creative accounting techniques adopted by the directors are window dressing And earnings management. Window dressing improves the appearance of the financial statements and earnings management presents a favourable economic performance of a company.

The practice of creative accounting provides misleading financial statements and negatively affects the decisions and actions of the stakeholders. This therefore, conflicts with "fair representation" which is one of the fundamental qualities of financial statements.

Creativity in accounting is the transformation of actual financial accounting figures to desired accounting figures. The act of creative accounting involves cooking books of accounting record to produce favorable and inviting results that would be pleasing to the users of accounting information. It is a deliberate dampening of fluctuations about some level of earnings considered being normal for the firm. With the intention of manipulating financial statements, actions are taken by the management to affect reported income and which provides no true economic advantage to the organization and may in fact, in the long-run, be detrimental to the company.

Creative accounting involves the repetitive selection of accounting measurement or reporting rules in a particular pattern, the effect of which is to report a stream of income with a smaller variation from trend than would otherwise have appeared. Curative accounting can be equated with disclosure management in a sense of a purposeful intervention in the financial reporting process. Many terms can be used to describe the practices of changing the facts and figures in financial statements, e.g. cooking the books, aggressive accounting, massaging the numbers, window dressing, earnings management, etc.

The Reasons for Creative Accounting

There are several reasons (motivations) that have been identified in stimulating the behaviour of creative accounting in an organization. These are proven by various researches being done in the past.

Firstly, the significant motivator for creative accounting is to report a decrease in business income to lower the tax paid. Secondly, to enable the company's performance appear better in future, company will maximize the reported loss to make bad loss in that year. This is called "big bath" accounting for the purpose in smoothing the income. Thirdly, to provide positive view on expectations, securities valuation and reduction on risk for analysts in anticipated capital market transactions and maintain firm's performance in analyst's expectation.

Other motivations or reasons are to manipulate profit in order to match the reported income to profit forecasts and to distract attention from negative news by boosting company's profit figure through change in accounting policies. This makes the company to face less risk and gain more benefit in the aspect of raising fund, takeover bids as well as prevent takeover by other company.

Creative accounting is needed also to maintain or promote the share prices and create a good profit growth. To gain benefit from inside knowledge, director of the company engage in creative accounting to postpone the release of certain information to the market. People use creative accounting in getting personal incentives, bonuses and other payments based on the financial performance of the company.

When a company expects a bad loss, it tends to capitalize on his actual big loss by reporting an increased loss. This tendency of maximizing the reported annual loss is done to make the performance of company in future years more lucrative and progressive. The accountants call this concept "big bath". A creative accountant can utilize the concept of creative accounting to hold and enhance a company's share price. It would be shown to the world that as the apparent level of borrowing is declining, the company is observing less exposure to risk as well as increasing trend in profits.

This will support the company in multiple strategic dimensions such as to issue new shares for raising the capital, to offer its own shares in buyout bids, and to resist acquisition and takeover by other corporate entities. In conditions of insider dealing, the company directors create delay in releasing information for the market so that they can improve their chance to gain from insider knowledge.

The practice of Creative Accounting capitalizes on the existing accounting loopholes to portray a false image of the company. Financial statements are manipulated to produce a desired result even if they do not fairly

represent the real and true state of affairs of the company. Therefore, it distorts the importance of information as it destroys the true and fair view status of the company.
The real causes of creative accounting lie in conflicts of interest among different interest groups (stakeholders). The shareholders, management, employees, government, etc. all have a stake in a company but creative accounting puts one group or two to advantageous position at the expense of others. Earnings Per share (EPS), the only number to which investors often go wrong by paying too much attention, can be boosted by the stroke of an accountant's creative pen (Osisioma and Enahoro, 2014).
There are companies listed on the stock exchange which show inflated profit and better financial position in their creative accounting statements to attract investors. This creation of accounts just misleads and creates confusion; some companies' prospects may not always depict the reality of the financial positions of the listed companies, processes adopted for created accounting statements may hold not untrue hopes to investors for a shorter period but cannot continue to succeed for a longer period; ultimately, the concerned companies listed in the stock exchange collapse and the investors lose confidence in them and stock market.

Impact of Creative Accounting
Creative accounting which can be interchangeably used with terms like fraudulent accounting or deceptive accounting is accounting practice that may follow the rules of standard accounting practices, but deviate certainly from what these standards stand for or are meant for accomplishing. The creative accountants used several techniques and strategies in giving false information to stakeholders. The two types of information disclosed are: Verbal Information and Numerical Information. They are considered to be a part of the strategies which regard manipulations connected to presentation of financial information.
The deceptive act includes in creative accounting influences and deceives the stakeholders in making their business decisions concerning the organization. Auditors' ethical judgment is formed by the provisions of code, organizational places governing ethics and individuals own moral agency. Ethical judgment is fundamental to auditors in forming opinion whether financial statements fairly presents the financial position, results of operations and cash flows of an entity and it is distinct from compliance with statements of GAAP Accruals are preferred method for manipulation of accounting information because they are difficult to trace directly. Management can manipulate the timing of the reorganization of a transaction. The three dimensions of auditor's evaluation of the quality of financial reporting contained in the scenario reporting practices (understability, relevance and reliability) are:

Firstly, this finding seems to support that quality assurance has come to be regarded as that the ethical principles section of the code has little impact on professional practice modeled in the formative mode.
This research article provides insights into the attitudes of auditors when they assess creative accounting practices and secondly, identifies that relevance and reliability are more important than understandability in assessing the quality of financial information.
Thirdly, the findings of this study was that auditors perceive that meeting analysis and management targets, the maximization of remuneration and a lack of corporate governance are factors that influence the use of aggressive accounting by management. However, auditors attitude towards creative accounting were not associated with the existence of these factors and in the last point, research model find negative relationship between experience and auditors attitudes towards creative accounting, indicating that the more experienced an auditor is, the likely it is that he/she will agree with management's creative accounting choices.
A census (exhaustive) of the techniques used in creative accounting and their relevant impacts on the financial statements:

1. Tangible assets: "subjective depreciation" of assets creates proper field or creative accounting of management estimates that recoverable value is lower than net values accounting assets are considered impaired for difference. The result will be affected by recording a depreciation expenses. This has an impact on the income statement as depreciation is changed as an expense.
2. Goodwill: Goodwill increases b underestimation of assets purchases capitalization and depreciation of goodwill during its useful life have influence and impact on the outcomes of further coming year.

3. Depreciation: Option for depreciation method had impact on the profit and loss during useful economic life of an asset. Thus, a different method of depreciation has different impact on outcome. An option on different useful life leads to different expenditures.
4. Inventories: The inventory provides sufficient opportunities of creative accounting and subjectivism. The under estimation or over estimation of stock has an impact not only on the financial statement of current year but also on the following year.
5. Provisions for liabilities and changes: A proactive provision (increase and decrease thereof) is an effective tool for "leveling outcome". Establishment of provisions in those years where the profit results lead to decrease, while the resumption of the provisions in the income years in which the registers deficit increase leads to the result.
6. Construction contracts: Choosing between the two methods of accounting for construction contracts have the following impact on the profit and loss; under the completed contracts, the result will be recognized after the completion of construct, while in method bases on percentage of definitive result will be staggered over time, throughout the progress of the contract switching from one method to another method also impact on profit and loss account.

Mechanisms that have an impact on the balance sheet will be listed in the following table:
Table 1: Creative accounting that Impact on the Balance Sheet

Elements	Mechanisms	Impact on balance sheet
Tangible assets	Lease-back: the sale of fixed assets, followed by taking then in the immediate location	- Improvement revolving fund - Improve cash
Tangible assets and equity	Revaluation of tangible assets	- Increased asset value (increase in depreciation expenses) - Increased equity
Minority interests	Inserting in equity, debt or between the two alternatives	- Change indebtedness and equity
Loans	In substance defeasance arrangement by which the transferred assets to a trust, which incorporates the same time and management of debt.	- Reduced rate of indebtedness - Increase rate of financial autonomy - Increases financial profitability
Customer claims	Discounting of ticket orders	- Reducing the need for working capital - Increased treasury
	Assignment of clams from pool of claims	- Slights decrease of capital (from the difference between price and value of transaction). - Decreased need for working capital - Increased treasury

Source: Cosmin, L.I., 2010

Control and Avoidance of Creative Accounting

Creative accounting is an unethical behavior. It can lead to suspicion, audits by the government in cases of fraud, and the dissolution of a company. This section will discuss the necessary steps to take in preventing and controlling creative accounting.

- There should be only one book keeping/accounting system in the organization. When there are different accounting systems, creativity in accounting can be promoted.
- There should be a hired internal auditor in the organization. The internal auditor checks up the books of account internally to reduce waste and ensure efficiency.

- The company's accountants, clerks and book keepers should take a certain amount of ethics courses each year. It promotes ethical behavior amongst them.
- Adequate and reliable internal control should be installed in the company to reduce the risk of creative accounting.
- An internal check list should be created. These are the checks and balances that will make a company's books look honest and scrupulous in the eyes of any outside agency. The checklist should include regular internal auditors. It should also create a way in which whistle blowers on creative accounting will not lose their jobs.
- Punitive sanctions should be devised for any known creative accountant.
- Harmonization of financial reporting and adoption of the globally mandatory international financial Reporting Standards (IFRS).

One of the identified ways through which accountants should avoid creative accounting is to ensure his ability to prepare a sound financial statement that is fraud free, and to ensure proper accountability, transparency and due process. The accountants should render stewardship activities that will meet up with expectations of his principals, shareholders, potential stakeholders and management boards and as well as accounting standards. However, any attempt not to comply with the laid down financial principles, rules and regulation would have great effect on his profession.

Nigerian accountants should have sound general education that enables then understand the other financial areas of business and to interact better with other functional staff of the organization. In addition, he requires basic and specific accounting knowledge upon which to build on the technical accounting skills.

The accountants should not indulge in the production of improper books of accounts, incomplete records of financial statement, misappropriation of funds, either to over or under state financial statements or misrepresentation in any form at all. Any accountant found in financial frauds should be brought to book to serve as a deterrent to others.

The accountants should ensure that they received the professional and skill training in accounting. There is always the contention that training produces a complete individual. The accountants involved with the preparation and presentation of financial reports must be trained in the act to imbibe the ethics of the profession, rules that are acceptable and the principles that must be observed. Also, the accountant requires continuous on-the-job training to deepen his proficiency especially in the areas of communication skills and Information Communication Technology (ICT)

The accountants, like every other worker require a conducive and enabling work environment that would facilitate optimum performance. But the situation on ground indicates lack of basic facilities for efficient accounting service delivery. A person who has given express or implied authority for another to as an agent on his or her behalf is called a principal while on the other hand, a person who is employed with or for thud purpose of putting his employer (the principal) into legal relationship with the third parties is known as an agent.

Also, creative accounting can be controlled and avoided when regular reviews are conducted by the management; regular reviewing of the books of account helps in developing and understanding of current operational revenue and expenses, and to deter creative accounting.

If a bad apple knows regular reviews are being conducted, they are less likely to try something. Other parties such as professional accountants external to the organization or fellow directors can support the management in ensuring an efficient review of accounting activities. Internal control checklist can be devised covering areas such as transactions, revenue and calculations.

The risk of creative accounting can be minimized when the accounting system existing in an organization is verified. Using only one accounting system across a business will decrease the likelihood of intentional creativity or unintentional errors, especially if several people can review a definitive set of figures rather than two or more separate books. Also, the management should ensure that accounting software and application packages such as Quick Bolos, Sage 50, Microsoft Excel and other accounting software can be easily accessed internally and by external accountants.

Creative accounting can be reduced or relatively minimized if ethical culture is fostered and imbibed in the employee, especially those involved in the preparation and presentation of financial statements. Accountants should be aware of the laws, ethics and proper procedures surrounding your book keeping and accounting practices. It helps if you have material ready for them to read and a clear process to follow. If you take ethics seriously, they are likely to as well.

Finally, it is harder to cook the books with two parties overseeing the numbers and information, so accounting tasks and activities can be delegated or outsources to people who will be accountable to one another. An example is when an internal staff member reporting to external accountant, though the management could still review the books probably once in a while.

Empirical Review

The following are some of the previous works by eminent scholars on the effect of creative accounting on shareholders' wealth. In 2013, Sen and Inanga carried out a study in Bangladesh through qualitative research design on creative accounting practices. They found out that creative accounting include; concealing financial risk, circumventing borrowing restrictions, boosting reported profits, minimizing reported losses, manipulating key ratios used in market analysis and enhancing management performance. After further studies, they also discovered that if creative accounting is practiced by an organization, there is plenty of scope of maneuvering and manipulation of accounting information. Such manipulation might leave the shareholders, public and the government absolutely confused as to what is and what is net real and true in connection with a published set of accounting statements.

Amat (2012) carried out a study in Europe using a survey research on ethical challenge as regards to creativity in accounting. His study showed that accountants accept the ethical challenge in that creative accounting raises need to be aware of the scope for both abuse of accounting policy, choice and manipulation for transactions. Based on his study, Amat characterized ethical issues in accounting by positing that accounting regulations share many features with systems of law.

Velayutham, S. (2013) in a survey of 1500 accountants in Australia, found that creative accounting as an ethical issue ranks above tax evasion. This research showed that the rate of creative accounting practices supercedes tax evasion. In 2012, Merchant and Rockness in a survey research study investigated the motives for creative accounting and found that explicit self-interest motivated creative accounting. Also, they found that accountants are more critical of abuse of accounting rules than of manipulation of transaction.

Mulford and Comiskey, (2012) in their survey research carried out a study in U.S.A found evidence of creative accounting by firms which they traced to conflict of interest amongst different groups that the accountant wants to serve. Accounts are therefore prepared to serve the particular group the accountant so wishes.

Ignacio (2013) carried out an observational research in the United Kingdom (UK) on creative accounting. He tried to explore the environment of creative accounting in the UK, focusing on the motivations and constraints on such practices by examining the accounting practices of two UK companies which issued creative financial instruments. He found out that creative accounting is influenced by two key motivators: stakeholder contract and performance indicators.

Theoretical Framework

The theoretical framework for the understanding of the accounting manipulation practices among others is underpinned by Agency Theory and Information Theory.

Agency Theory

This theory is a supposition that explains the relationship between principals and agents in business. Agency theory is concerned with resolving problems that can exist in agency relationships due to unaligned goals or different aversion levels to risk. According to Li, Hongxia 2011, it is suggested that the manipulation of this theory is that the owners of the business are concerned that managers' interest are not in congruence with their own and that managers will act in ways that will prevent profit maximization and potentially threaten

the company's existence, then owners must believe that such managers have a great deal of control over the firm. In other to show the appropriateness of their conduct, managers will emphasize their role in positive outcomes and maximize their role in negative outcomes To the extent that one would expect the Enron Scandal to be on the minds of most top management teams. One might expect to find this effect regardless of firm characteristics.
The agency theory purports that the interest of the directors might differ from the interest of the shareholders of the company. This conflict of interest might give rise to the production of financial reports that favour the interest of the directors rather than producing a true and fair financial statement. This is an act of creative accounting as financial statements and reports are manipulated to suit the desires of the directors (serving as agents). This creates a solid relationship between the agency theory and creative accounting practices.

Information Theory

The information theory perspective according to Ball, Ray (2013) is a key element underpinning the study of the creature accounting phenomenon. A conflict is created by the information asymmetry that exists in corporate structures between a privileged management and a more remote body of stakeholders. The implication of this theory is that managers may choose to exploit their privileged position for private gains by managing financial reporting disclosure in their own favour. With this, the practice of creative accounting comes in, and a desired financial report will be produced and presented.
The information perspective assumes that accounting disclosures have information content that possesses value to stakeholders in providing useful signals. It may be difficult or impossible for individual stakeholders to discern the fact and the effect of accounting manipulation, because of an insufficient personal skill, indifference or an unwillingness to engage in detailed analysis.

DESIGN OF THE STUDY AND METHODOLOGY

This study adopted survey research design because it best serves to answer the questions and the purposes of the study.
The survey research is one in which a group of people or items is studied by collecting and analyzing data from only a few people or items considered to be representative of the entire group. In other words, only a part of the population is studied and findings from this are expected to be generalized to the entire population. Thus, in this study, data are collected from quoted banks in the Nigerian Stock Exchange.

Area of the Study

Area of a study can be defined as the physical location in which research is being carried out. It comprises of various aspects of a geographical region and its inhabitants. The area of this study comprises of five (5) quoted banks in the Nigerian Stock Exchange located in Delta State.
The selected banks are highlighted below with their specific locations:

- Guarantee Trust Bank located at Nnebuisi Road
- Access Bank Plc located at Nnebuisi Road
- Fidelity Bank Plc located Okpanam Road
- First Bank Plc located at Okpanam Road
- Eco Bank Plc located at Nnebuisi Road

The Banks were selected because they were the closest accessible banks to the researcher.

Population of the Study

Population can be seen as a complete set of elements (persons or objects) that possess some common characteristics which the sample intends to represent.
The population of this study is 150 Auditors and Accountants in the selected banks in Delta State. Emphasis was placed on staff knowledge and information concerning the subject of the study.

Sample and sampling Techniques

The sampling technique used in the study was simple random sampling technique. This method was chosen because it gives the subjects in the population equal chance of being selected. A sample size of fifty (50) was used. These 50 auditors and accountants were selected at random from the five (5) quoted banks in Delta State as shown below:

Banks	**Sample No**
Guarantee Trust Bank	10
Access Bank Plc	10
Fidelity Bank Plc	10
First Bank Plc	10
Eco Bank Plc	10
Total	**50**

Instruments for Data Collection

This refers to the instrument used in the collection of research data. In this research, the instrument used was questionnaire. The questionnaire was divided into two (2) sections "A" and "B". Section "A" sought to collect information on the respondents' personal data while section "B" sought to collect information on the effect of creative accounting on shareholders wealth.

Administration of the Instruments

The researcher personally administered the questionnaires being the research instrument to the target respondents of the selected banks. This was done to ensure that each respondent gets a copy of the questionnaire.

Also, the respondents were given instructions on how to complete the questionnaire for possible collection of data for analysis. All 50 copies of the distributed questionnaires were completed and retrieved personally by the researcher.

Method of Data Analysis

The responses obtained from respondents who are the selected auditors and accountants form the data. Data analysis describes the use of statistical tools in the analysis of data. It helps in evaluating the statement of the hypothesis. For the purpose of this research work, data analysis is done in form of percentages and tables. The statistical tool used to measure the strength of the relationship between the hypothetical variables is the Pearson Product Moment Coefficient of correlation.

The formular is:

$$r = \frac{n(\sum xy) - (\sum x)(\sum y)}{\sqrt{(n(\sum x^2) - (\sum x)^2)(n(\sum y^2) - (\sum y)^2}}$$

Where:

X: are the responses in the questionnaire

Y: Is the frequency of the responses

N: is the number of the respondents' variable.

PRESENTATION AND ANALYSIS OF DATA

Presentation of Data

The aim of this section is to carefully present the data generated from retrieved questionnaires so as to analyze the research questions from the questionnaires. As earlier stated, simple percentage method of data analysis was used in a tabular form.

The totals of 50 questionnaires administered were retrieved, indicating 100% response rate.

Data Analysis
Analysis of Respondents Demography
Distribution by Gender

Gender	**Frequency**	**Percentage (%)**
Male	27	54
Female	23	46
Total	**50**	**100**

Source: Researcher's field survey, 2018

The above table shows that 27 respondents representing 54% are male while 23 respondents representing 46% are female. However, the number of male respondents is slightly higher than the number of female respondents.

Age Distribution of the Respondents

Age	**Number of Respondents**	**Percentage (%)**
21 – 30	5	10%
31 – 40	23	46%
41 – 50	14	28%
51 and above	8	16%
Total	**50**	**100%**

Source: Researcher's Field survey, 2018

The above table represents the distribution of the age of the respondents. It revealed that out of the 50 respondents, 5 persons which represent 10% fall between 21-30 years of age; 23 respondents representing 46% fall between 31-40 years of age; 14 respondents representing 28% fall between the ages of 41-50; while 8 respondents representing 16% are 51 years of age and above.

Educational Qualification of Respondents

Qualification	**Number of Respondents**	**Percentage**
OND	7	14%
HND	26	52%
B.Sc.	13	26%
M.Sc.	4	8%
Total	**50**	**100%**

Source: Researcher's field survey, 2018

The table above shows the educational qualifications of the respondents. It indicates that 7 persons which represents 14% of the respondents are OND holders; 26 persons which represents 52% are HND holders; 13 respondents representing 26% are B.Sc. holders, while only 4 person representing 8% of them have masters qualification.

Years of work experience of the respondents

Work Experience	**Number of Respondents**	**Percentage**
0-9	6	12%
10 – 19	22	44%
20 – 29	13	26%
30 and above	9	18%
Total	**50**	**100%**

Source: Researcher's field survey, 2018

The table above shows the years of working experience of the respondents, 12% of the respondents have 0-10 years of experience, 44% have 11 – 19 years of experience, 26% have 20 – 29 years of experience and 18% of the respondents have working experience of 30 years and above.

ANALYSIS OF RESEARCH QUESTIONS

Research Question 1:

Is there significant relationship between creative accounting and shareholders wealth?

Relationship between creative accounting and shareholders wealth

SN	Questions/Items	Yes	No	No Idea	Total
1	Is there significant relationship between creative accounting and shareholders wealth?	38 76%	10 20%	2 4%	50 100%
2	Creative accounting practices do falsely increase the shareholders wealth	38 76%	7 14%	5 10%	50 100%
3	Creative accounting practices gives shareholders access to modified accounting information.	41 82%	7 14%	2 4%	50 100%
4	Creative accounting practices transform the actual financial statements to those which the owners would like to achieve as positive and favourable results of the company.	41 82%	7 14%	2 4%	50 100%
5	Creative accounting mislead the inventors in the business on the ways and method to choose.	39 78%	7 14%	4 8%	50 100%

Source: Researcher's field survey, 2018

Research Question 2:

Does creative accounting practice significantly affect shareholders' investment decisions?

Relationship between creative accounting and shareholders' investment decisions

SN	Questions/Items	Yes	No	No Idea	Total
1.	Does creative accounting practice significantly affect shareholders' investment decisions?	45 90%	5 10%	- -	50 100%
2.	There is a relationship between creative accounting practices and shareholders' investment decisions.	41 82%	7 14%	2 4%	50 100%
3.	Creative accounting gives shareholders more interest to invest with optimism not knowing the manipulative intention.	41 82%	7 14%	2 4%	50 100%
4..	Creative accounting practices allow presentation of inaccurate financial statement to the shareholders fraudulently drawing in more investors.	41 82%	6 12%	3 6%	50 100%
5.	Creative accounting practices enable investors not to ascertain the level of risks of their investment decisions.	39 78%	7 14%	4 8%	50 100%

Source: Researcher's field survey, 2018

Research Question 3:
Does creative accounting affect share prices of an organization?

Relationship between creative accounting practices and share prices of an organization

SN	Questions/Items	Yes	No	No Idea	Total
1.	Does creative accounting affect share prices of an organization?	38 76%	9 18%	3 6%	50 100%
2.	There is relationship between creative accounting practices and share prices of an organization.	39 78%	7 14%	4 8%	50 100%
3.	Creative accounting practices provide the shareholders with inaccurate account subsequently after investment.	41 82%	6 12%	3 6%	50 100%
4.	There is relationship between creative accounting practices and shareholders' dividends.	41 82%	7 14%	2 4%	50 100%
5.	Creative accounting practices do not enable investors to ascertain the level of risks of their investment decision	38 76%	9 18%	3 6%	50 100%

Source: Researcher's field survey, 2018

Research Question 4:
Will a well designed framework of accounting regulation curb creative accounting practices in corporate financial reporting?

The possibility of a well designed framework of accounting regulation to curb creative accounting

SN	Questions/Items	Yes	No	No Idea	Total
1.	Will a well designed framework of accounting regulation curb creative accounting practices in corporate financial reporting?	41 82%	7 14%	2 4%	50 100%
2.	There is need for an approved framework of accounting practices to reduce creativity in accounting practices in corporate financial reporting.	41 82%	7 14%	2 4%	50 100%
3.	There is need for stakeholders in the industry to rise up to the issue of curbing creative accounting practices to ensure transparency.	39 78%	7 14%	4 8%	50 100%
4.	Curbing creative accounting practices will prevent its long term damaging consequences.	39 78%	7 14%	4 8%	50 100%
5.	The intervention of the Financial Reporting Council of Nigeria will help curb the excesses and manipulations by creative accountants	38 76%	9 18%	3 6%	50 100%

Source: Researcher's field survey, 2018

Test of Hypotheses
This section of the chapter is aimed at testing the 4 hypotheses posed to determine whether to accept or reject the null hypothesis of the research work. The research in this study formulated four (4) hypotheses that will be tested using the correlation Analysis method in other to improve the validity of the research question.

Hypothesis One:
Ho: There is no significant relationship between creative accounting and shareholders wealth.

Hi: There is significant relationship between creative accounting and shareholders wealth.

Testing hypothesis on the relationship between creative accounting and shareholders wealth

Response	X	Y	XY	X^2	Y^2
Yes	3	38	114	9	1444
No	2	10	20	4	100
No Idea	1	2	2	1	4
Total	**6**	**50**	**136**	**14**	**1548**

Source: Researcher's field survey, 2018

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2)(n\sum y^2 - (\sum y)^2)}}$$

$$r = \frac{3(136) - (6)(50)}{\sqrt{(3(14) - (6)^2)(3(1548) - (50)^2)}}$$

$$= \frac{408 - 300}{\sqrt{(6)(2144)}}$$

$$= \frac{108}{\sqrt{12,864}} = \frac{108}{113.42}$$

$$r = 0.95$$

Decision:

Since the coefficient of correlation (0.95) is closer to +1, it shows that it has a strong correlation; we therefore reject the null hypothesis and accept the alternative hypothesis which concludes that there is significant relationship between creative accounting and shareholders' wealth.

Hypothesis Two:

Ho: Creative accounting does not affect shareholders' investment decisions.

Hi: Creative accounting affects shareholders' investment decisions.

Testing Hypothesis on the relationship between creative accounting and shareholders' investment

Response	X	Y	XY	X^2	Y^2
Yes	3	45	135	9	2,025
No	2	5	10	4	25
No Idea	1	-	0	1	0
Total	**6**	**50**	**145**	**14**	**2050**

Source: Researcher's field survey, 2018

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2)\ (n\sum y^2 - (\sum y)^2)}}$$

$$r = \frac{3\ (145) - (6)\ (50)}{\sqrt{(3\ (14) - (6)^2)\ (3(2050) - (50)^2)}}$$

$$= \frac{435 - 300}{\sqrt{(6)\ (3650)}}$$

$$= \frac{135}{\sqrt{21{,}900}} = \frac{135}{147.99}$$

$$r = 0.91$$

Decision:
Since the coefficient of correlation (0.91) is closer to +1, it shows that it has a strong correlation; we therefore reject the null hypothesis and accept the alternative hypothesis which concludes that creative accounting affects shareholders' investment decisions.

Hypothesis Three:
Ho: Creative accounting does not affect the share prices of an organization
Hi: Creative accounting affects the share prices of an organization.

Testing hypothesis on the relationship between creative accounting and share prices of an organization.

Response	**X**	**Y**	**XY**	**X^2**	**Y^2**
Yes	3	39	117	9	1521
No	2	10	20	4	100
No Idea	1	1	1	1	1
Total	**6**	**50**	**138**	**14**	**1622**

Source: Researcher's field survey, 2018

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2)\ (n\sum y^2 - (\sum y)^2)}}$$

$$r = \frac{3\ (138) - (6)\ (50)}{\sqrt{(3\ (14) - (6)^2)\ (3(1622) - (50)^2)}}$$

$$= \frac{414 \quad - 300}{\sqrt{(6)\ (2366)}}$$

$$= \frac{114}{\sqrt{14,196}} = \frac{114}{119.15}$$

$$r = 0.96$$

Decision:
Since the coefficient of correlation (0.96) is closer to +1, it shows that it has a strong correlation; we therefore reject the null hypothesis and accept the alternative hypothesis which concludes that creative accounting affects the share prices of an organization.

Hypothesis Four:
Ho: A well designed framework of accounting regulation will not curb creative accounting practice in corporate financial reporting.
Hi: A well designed framework of accounting regulation will curb creative accounting practice in corporate financial reporting.

Testing hypothesis on the possibility of a well designed framework of accounting regulation to curb the practice of creative accounting

Response	X	Y	XY	X^2	Y^2
Yes	3	42	126	9	1764
No	2	-	0	4	0
No Idea	1	8	8	1	64
Total	**6**	**50**	**134**	**14**	**1828**

Source: Researcher's field survey, 2018

$$r = \frac{n\sum xy - \sum x \sum y}{\sqrt{n\sum x^2 - (\sum x)^2) (n\sum y^2 - (\sum y)^2)}}$$

$$r = \frac{3 (134) - (6) (50)}{\sqrt{(3 (14) - (6)^2) (3(1828) - (50)^2)}}$$

$$= \frac{402 \quad - 300}{\sqrt{(6) (2984)}}$$

$$= \frac{102}{\sqrt{17,904}} = \frac{102}{133.8}$$

$$r = 0.76$$

Decision:

Since the coefficient of correlation (0.76) is closer to +1, it shows that it has a strong correlation; we therefore reject the null hypothesis and accept the alternative hypothesis which concludes that a well-designed framework of accounting regulation will curb the practice of creative accounting in corporate financial reporting.

Discussions on Findings

Based on the research, the following findings were made:

i) There is a significant relationship between creative accounting and shareholders' wealth.
ii) Creative accounting affects shareholders' investment decisions.
iii) Creative accounting affects the share prices of an organization.
iv) A well-designed framework of accounting regulation will curb the practice of creative accounting in corporate financial reporting.

This is based on the decision rule in which the co-efficient of correlation is close to +1, which shows that strong correlation exists.

SUMMARY OF FINDINGS

In this section, attempt will be made to summarize some of the important findings that have been made on the subject matter of this research work. The main aim of this exercise is to give a brief conclusion and make a list of suggested recommendations that the researcher considers appropriate in solving the problems of this study. This will subsequently be extended by stating few broader topics and techniques for further studies and improvement on the topic of this research work.

In the research work, the aim was to examine the effect of creative accounting on shareholders' wealth in business organizations and to provide answers to the questions in section one. The following are the research findings in accordance with the research questions; reference was also drawn from the data analysis.

i) The practice of creative accounting gives shareholders access to false financial reports.
ii) Creative accounting practices mislead the investors in the business in decision making.
iii) A significant relationship exists between creative accounting and shareholders wealth.
iv) Creative accounting gives shareholders more interest to invest with optimism not knowing the manipulative intention
v) Share prices of an organization are greatly affected as a result of creative accounting.
vi) A well designed regulation on accounting practice can reduce the rate of creative accounting.

Conclusion

Based on the results obtained from this study, the researcher made the following conclusions:

i) A significant relationship exists between creative accounting and shareholders wealth.
ii) Creative accounting practices do significantly affect shareholders' investment decisions.
iii) Creative accounting practice also has effect on the share prices of an organization.
iv) A well designed framework of accounting regulations will curb creative accounting practice in corporate financial reporting.

Recommendations

From the results and the conclusions drawn from this study, the researcher made the following recommendations:

i) The practice of creative accounting should be reduced or completely eradicated through a well-designed framework of accounting regulations and standards.
ii) Shareholders should only use audited financial statements in making material and significant business decisions.
iii) There is need to carry out this same study with larger number of respondents to enhance the accuracy of the findings.

iv) The government should control the practice of creative accounting by organizations to protect the shareholders from fraud through the Financial Reporting Council of Nigeria (FRCN).

Suggestion for Further Studies

- The Nature, techniques and prevention of creative accounting: Empirical evidence from Nigeria.
- Creative Accounting and Option of Total Quality Accounting in Nigeria.

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