International Journal of Management, Social Sciences, Peace and Conflict Studies (IJMSSPCS), Vol.4 No.2 June, 2021; p.g. 365 – 379; ISSN: 2682-6135(Print), ISSN: 2682-6127(online)

EFFECT OF CREATIVE ACCOUNTING PRACTICE ON FINANCIAL REPORTING IN NIGERIAN DEPOSIT MONEY BANK

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Abstract

This study examined the effect of creative accounting practice on financial reporting in Nigerian deposit money bank. Specifically, the study intends to: ascertain if a well-designed framework of accounting regulation (IFRS) curbs creative accounting practices in corporate financial reporting in deposit money banks in Nigeria; determine whether income smoothing is the cause of bank distress in Nigeria; examine whether unethical conduct by auditors' influence both accounting policy choice and manipulation of transaction in deposit money banks in Nigeria. Survey research design was adopted. Data were obtained from questionnaires and analyzed with five point likert's scale and the three hypotheses formulated were tested using t-test statistical tool with aid of SPSS statistical package version 20.0. From the analysis, the study found that a well-designed framework of accounting regulation curbs creative accounting practices in corporate financial reporting and contributed to the bank distress in Nigeria. Another finding is that creative accounting practice significantly influenced both accounting policy choice and manipulation of transaction in financial reporting. Based on the findings, the researcher recommends among others that Regulatory agencies in Nigeria should draft rules that minimize the use of Judgment estimation and prediction in the treatment of certain entries in financial reporting, e.g. extra ordinary items. Another recommendation is that the adoption of one set of global financial reporting standards known as international financial reporting standard (IFRS) must be embrace by all operators of accounts or those performing an accounting duty.

Keywords: Creative Accounting, Financial Reporting, Banking Industry, Income smoothing, Auditors, Accounting Regulation.

1.0 Introduction

For corporate governance system to function effectively, financial reporting is a crucial element needed for that. Current accounting practices allow a degree of choice of policies and professional judgment in determining the method of measurement, criteria for recognition, and even the definition of the accounting entity (Akenbor & Ibanichuka, 2012). The exercise of this choice can involve a deliberate non-disclosure of information and manipulation of accounting figures, thereby making the business appear to be more profitable or less profitable for tax purposes and financially stronger than it is supposed to be. With this practice, users of accounting information are being misled and this constitutes a threat to corporate investment and growth (Akenbor & Ibanichuka, 2012).

Creative accounting practice has been on the increase in Nigerian deposit money banks to attract unsuspecting investors, or obtain undeserved accounting based rewards by presenting an exaggerated misleading or deceptive condition of bank financial affairs. It is evident that the extent of window-dressing of banks' Financial Statement in Nigeria has greatly violated all known ethical standards of the accounting and auditing profession (Osazevbaru, 2012).

Creative accounting refers to accounting practices that follows the letter or rules of standard accounting practices but certainly deviate from the spirit of those rules. Creative accounting practices are different from fraudulent practices and thus are not illegal but immoral in terms of misguiding investors. The practices, which are followed in manipulating the books, are duly authorized by accounting system and thus cannot be considered as a violation of any rule or regulations. It is characterized by excessive compliance and the use of novel ways of characterizing income, assets, or liabilities and the intent to influence readers towards the interpretations of desired results.

According to Osisioma and Enahoro (2006), accounting processes and choice of policies resulting from many judgments at the same time are capable of manipulation, which have resulted in creative accounting. The differences which are observed in financial reporting are legitimately prepared from choice of varied accounting policies of the same organization for the same period, has brought about challenges of credibility to accounting (financial statements and reporting). For many years, researchers have debated about creative accounting which is widely used to describe accepted accounting techniques which permit corporations to report financial results that may not accurately portray the substance of their business activities. Accounting processes and choice of policies resulting from many judgments at the same time are capable of manipulation, which have resulted in creative accounting. The differences which are observed in financial reporting are legitimately prepared from choice of varied accounting policies of the same organization for the same period, has brought about challenges of credibility to accounting. There are many reports of price manipulation, profit overstatement, and accounts falsification by some dubious stewards which rendered the 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, board of directors, auditors and some investors (Ezeani, 2010).

Creative accounting is the root cause of a number of accounting scandals and many proposals for accounting reform are focusing on removing such practices (Egolum, Okoye and Eze, 2020). Most business organizations have always been connected with fraud and have always been affected by financial collapses. Recently, accounting scandals like Enron, World Com, Parmalat, Tyco, and so on, have cost not only billions of dollars to the stakeholders but also have damaged the accounting profession as a result of financial misrepresentation. In Nigeria for instance, most banks that collapsed in the late 1990's and early 2000's had fantastic audited results. This of course, became a challenge to the professional bodies whose members were auditors and accountants of such failed banks as society questioned the integrity of such experts. Society believe that accountants and auditors are obligated to the organizations they serve, their profession, the public and themselves to maintain the highest standards of ethical behaviour.

However, communications between entities and shareholders may be deliberately distorted by the activities of financial statement preparers who wish to alter the content of the message being transmitted. What has become worrisome; however, is the fact that many users of accounting information have had disappointing experiences by their reliance on accounting data. Companies have gone into liquidation soon after providing 'beautiful' results of their operations to users.

Creative accounting practices do not provide a "true and fair" view of the Financial Statements, since lot of "crunching" of financial numbers is done, within the purview of applicable laws and prevailing accounting standards (Madan Bhasin, 2016). Recently, the use of creative accounting has become a controversial issue since there are parties, both in favour and against such practices. It is against this background that the researcher tends to examine the effect of creative accounting practice on reporting of financial statement in Nigerian corporate organizations.

Objectives of the Study

The main objective of this study is to examine the effect of creative accounting practice on reporting of financial statement in Nigerian corporate organizations. Specifically, the study aimed at achieving the following:

To ascertain if a well-designed framework of accounting regulation (IFRS) curbs creative accounting practices in corporate financial reporting in deposit money banks in Nigeria.
To determine whether income smoothing is the cause of bank distress in Nigeria.
To examine whether unethical conduct by auditors' influence both accounting policy choice and manipulation of transaction in deposit money banks in Nigeria.

2.0 Review of Related Literature

Conceptual and Overview of Creative Accounting

The term Creative Accounting also called 'deceptive accounting' was first used in 1968 in a film produced by Mel Brooks. According to Okoye and James (2020), Creative accounting is accounting practices that deviate from standard accounting practices. These practices are characterized by excessive compilation and the use of novel ways of increasing income, assets or liabilities. Creative Accounting refers to the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell the stakeholders (Brijesh, 2014).

Mati, Vladu and Cuzdriorean (2012) described Creative accounting as accounting practices that follows the letter or rules of standard accounting practices but certainly deviate from the spirit of those rules. It is also known as impression management in literature. It can be found in corporate annual report under forms of distortion of narratives of numerical and graph manipulation. Creative accounting practices are different from fraudulent practices and thus are neither an illegal nor legal act, only the maximum use of it pushes a company in scandals nor it is immoral in terms of misguiding investors. The practices, which are followed in manipulating the books, are duly authorized by accounting system and thus cannot be considered as a violation of any rule or regulations. According to Bankole, Ukolobi and McDubus (2018), ambition of manipulating figures, more or less appealing is as old as 500 years and Lucas Paciolo had shaped the practices of creative accounting in his book De Arithmetica.

Creative Accounting and International Financial Reporting Standard (IFRS)

Idris, Kehinde, Ajemunigbohun and Gabriel, (2012) explain that this flexibility provides opportunity for manipulation, deceit and misrepresentation. These activities as negatively practiced by the less scrupulous elements of the accounting profession are popularly referred to as creative accounting. According to Price water house Coppers (2015), International Financial Reporting Standards (IFRS) was established by the IASB, to help monitor the preparation of financial statement throughout the world, produce and present high quality, transparent and comparable financial information with the purpose to facilitate in harmonization of accounting standards as a means to minimize the chances of cross border accounting manipulations. Although basic accounting principles such as the accrual basis and the going-concern assumption are widely accepted, the application of these principles in different economic and cultural environment has led to significant differences as to how accountants reports similar transactions. Local differences exist in, for examples, the treatment of goodwill, borrowing costs, measurement of impairment, and the treatment of deferred taxes. For entities that are globally active, these differences in financial reporting requirements create extra complication in terms of preparing, consolidating, interpreting and auditing of financial statements (Sanusi, &Izedonmi, 2014).

Financial statement is the result of the financial accounting process that accumulates, records, analyses, classifies, summarizes, verifies, reports, and interprets the financial data of a business firm, which reflect the financial position, performance and change in financial position of an enterprise (Sharif, &Yeoh, 2014). To produce transparent, timely and reliable financial statements, accounting process should follow “objective” and “consistent” set of rules. Creative accounting as a matter of approach, being recent unpleasant events in the economy, is not objectionable per se. However, when unethical elements make intrusion, the resultant accounting details becomes anything but true and fair. 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 paint different pictures and thus convey different images.

Due to loopholes of accounting regulations, companies could produce accounts which flattered their financial performance. It talks about type of creative accounting like capitalizing interest, brand accounting, methods of depreciation, stock valuation, and accounting standards which prevent the major abuses which used to occur and number of regulations in the form of Financial Reporting Standards (Brijesh, 2014). In order to ensure uniformity in the preparation and presentation of financial accounting reports, Generally Accepted Accounting Practices (GAAP) are prescribed within the accounting profession and the business world by regulatory agencies in the accounting profession: in Nigeria, this includes the Financial Reporting Council of Nigeria formally Nigerian Accounting Standard Board. However, the accounting process and regulatory framework as prescribed by Accounting Standards, Companies and Allied Matters Act (CAMA, 2004), Banks and Other Financial Institutions Act (BOFIA, 2007), leave room for discretional judgments by the accountants. This involves resolving conflicts between competing approaches to the manner in which results of financial events and transactions are presented. Hence, to ascertain if a well-designed framework of accounting regulation (IFRS) curbs creative accounting practices in corporate financial reporting in Nigeria.

Creative Accounting and Accounting Policy Manipulation in Financial Reporting

According to Kelvin (2003) as cited in Ahmed (2017), the directors' (accountants) responsibility is to prepare the annual report and the financial statements in accordance with applicable accounting standards. 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, 2006). Creativity in company accounting may arise under 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 paint 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 through overvaluation of assets, undervaluation of liabilities and change in systems of stock valuation that may boost the image of the company at least in the short run.

Leyira and Okeoma (2017), in their 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 of transactions. He stated that creative accounting was defined as a process through which the accounting professionals use their knowledge in order to manipulate the figures contained in the annual accounts. Although there are misunderstandings regarding the definition of creative accounting, the majority of researchers accept the idea that this stands out through two aspects. The first aspect has in view the use of the accounting professionals' imagination in order to translate those juridical, economic and financial innovations for which there are no normalized accounting solutions at the time of their occurrence. Hence, it also depends on the ethical environment of any firm on how and why management is using creative accounting techniques as a weapon. Some analysts show the dark side of creative accounting practices. The second aspect shows the fact that the adjustments resulting from this financial engineering are initiated according to their incidence on the enterprise's balance sheet and result. Hence, Leyira and Okeoma (2017), used primary data to survey the financial reports of fourteen manufacturing firms over five-year period to find out whether creative accounting and organizational effectiveness has any significant relationship. Using correlation statistics, all the hypotheses were found to be statistically significant and positively correlated. However, the study found weak evidence of a positive correlation between income smoothing, artificial transaction and market share.

Hence, this study is carried out using banking industry in Nigeria to evaluate the effect of income smoothing on the performance of deposit money banks in Nigeria.

Creative accounting and Auditors' unethical Conduct

Auditor responsibility is to audit and report (to identify whether they have been properly prepared and to provide an opinion on whether they show a true and fair view) the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing (Al Momani and Obeidat, 2013). Investigation to what extent auditor is ethically capable of detecting creative accounting practices, and to what extent auditor's ethics can affect the practices of creative accounting show that the independence and integrity of external auditor has a bigger effect for discovering the creative accounting techniques. Ahmed (2017), claims that audits are now used as loss leaders in order to attract other more lucrative business and there is growing concern that the pursuit of commercial objectives has had a detrimental impact on the quality of audit services. However, Syed and Safdar (2011), argue that there is a strategic interaction between auditors and management and that allows management to pick out the economically irrational outcome of behaving ethically even when doing so defies their own financial self-interest.

Unethical considerations in creative accounts have developed to such depths that accounting practitioners and auditors are increasingly required to appear in courts for deposition. According to Shah, Butt and Tariq (2011), during critical situations, a firm can use creative accounting as a weapon which is not that bad, but the firm must exercise some flexibility in its accounting regulations. Kassem (2012) argues that the ethical practices of creative accounting are there, basically to help the external auditors to increase their efficiency and accuracy in finding fraudulent acts.

According to Amat and Gowthorpe, (2010), most setbacks in many companies happen because of unethical conduct. Enron and WorldCom are best examples of such companies where misrepresentation and playing with published figures have jeopardized the credibility and honesty of these companies' management and led to total collapse. Their study had it that Warren Buffett believed that the accounting scandals were committed during the new economy boom of the late 1990s, when confidence was high and exaggerated predictions were being made concerning the future. Nevertheless, Barry Cooper, Robert Grose (2010), argued that the failures of WorldCom, Enron in the US, and Bond Corporation and HH Insurance in Australia were not technical, but rather an ethical failure. They opine that auditors facing changing challenges to provide income smoothing, through complex financial instruments such as derivatives, credit swaps corporate structure and ineffective regulatory mechanisms, must share some of the shame of the blame. Hence, to examine whether unethical conduct by auditors' influence both accounting policy choice and manipulation of transaction in deposit money banks in Nigeria.

Practices of Creative Accounting

Creative accounting is possible due to the fact that international accounting rules give the possibility of making choices regarding recommended accounting treatment and policies. The freedom of choice between these options has generated uncertainty about the consistency and comparability of information for users. In the following we will try to illustrate some creative accounting practices and their impact on the entity's performance.

Creative accounting practices related to inventory are based on accounting treatments regarding the stock assessment recommended by IAS 2 "Inventories" (IFRS, 2011, IAS 2), which are valued by professional accountants' creativity. For example, the result desired by the entity's management, the acquisition costs of inventories will be directed to be included or not in the purchase cost. Following this, the entity acquires goods in the following conditions: purchase cost of goods ₦10,000, transport costs ₦300, revenues from the sale of goods ₦17,000. According to the manager's decision to include or not include the transport costs in the profit and loss account, the results will be presented as follows:

Table 1 Extract from the profit and loss account

Elements	Transport costs included in the cost of goods acquisition	Transport costs excluded from the cost of goods acquisition
Revenues from the sale of Goods	17,000	17,000
Cost of goods sold	10,400	10,100
purchase cost	10,000	10,000
transport expenses -	300	-
handling expenses	100	100
Accounting result	6,600	6,900

Source: Researcher, (2021)

It is noted that where transport costs are included in the acquisition cost, there is a lower result and vice versa. Thus, managers can increase or decrease the result, in accordance with the purpose.

Another possibility to influence the result using the policies related to stocks is considering the possibility to include the borrowing costs in the cost of inventories under IAS 23, "Borrowing Costs"(IFRS, 2011, IAS 23). For example, we start from the fact that an entity has acquired during the year N finished products at the production cost of 10,000, it recorded expenses of ₦20, 000 with the raw materials, expenses with salary and social contributions of

₦1, 200,000, other operating expenses in the amount of ₦8, 000, and expenses with the interest of bank loans in the amount of ₦1, 000, and the turnover recorded was ₦57, 000. The result will be different depending on the entity's management decision to capitalize the interest expense or not. The application of the mentioned accounting treatment has the following impact on the profit and loss account:

Table 2 Extract from the profit and loss account

Elements	Interest is capitalized	Interest is not capitalized
Turnover	57,000	57,000
Variation of stocks	11,000	10,000
Expenses with raw materials	20,000	20,000
Salary and social expenses	12,000	12,000
Other operating expenses	8,000	8,000
Operating result	28,000	27,000
Expenses regarding the interest	-	1,000
Accounting result	28,000	26,000

Source: Researcher, (2021)

Including the interest expense in the cost of inventories distorts the real image of the entity, determining an increase of the result. Creative accounting practices related to tangible assets are based on the accounting policies and treatments related to tangible assets and stipulated in IAS 16 "Tangible assets"(IFRS, 2011, IAS 16).

The standard provides that in case of expenses after commissioning an item of land and tangible nature that has already been recognized, they must be added to the accounting value of asset only when it is estimated that the entity will obtain supplementary future economic benefits compared to the performance originally expected as appropriate. To exemplify we suppose that an entity has an industrial building acquired at the value of ₦6, 000,000, where the depreciated value is ₦3, 000,000. The depreciation method used is linear and the remaining life is 10 years. The entity's management decides at the beginning of N to reassess the immobilization, the fair value being of ₦7, 000,000. Before reevaluation the equity situation was as follows: social capital ₦100, 000,000, revaluation reserves ₦8, 000,000.

2.2 Theoretical Framework

2.2.1 Resource Dependency Theory

Performance on the part of the managers might be affected if shareholders were concerned with whether managers had sufficient control over their firms. Resource dependence concerns more than the external organizations that provide, distribute, finance, and compete with a firm. Although executive decisions have more individual weight than nonexecutive decisions, in aggregate the latter have greater organizational impact. Managers throughout the organization understand their success is tied to customer demand. Managers' careers thrive when customer demand expands. Thus customers are the ultimate resource on which companies depend. Although this seems obvious in terms of revenue, it is actually organizational incentives that make management see customers as a resource. Recently, resource dependence theory has been under scrutiny in several review and meta-analytic studies: Drees &Heugens (2013); Sharif &Yeoh (2014). Which all indicate and discuss the importance of this theory in explaining the actions of organizations, by forming interlocks, alliances, joint ventures, and mergers and acquisitions, in striving to overcome dependencies and improve an organizational autonomy and legitimacy.

2.3 Empirical Review

Okoye and James (2020), empirically examined the impact of creative accounting techniques on firm financial performance. Creative accounting was measured by asset structure (Using Cookies' Jar Reserves), capital structure (Creative Acquisition Accounting), deposit liabilities (Manipulating Inventory), loan structure (Abuse of Materiality Concept). Ex-post facto research design was adopted. Data were collected from Nigeria Security and Exchange Commission on listed deposit money banks in Nigeria from 2008-2018. Descriptive analysis and ordinary least square were adopted for analysis. Findings from the analysis revealed asset structure and equity capital are negatively and insignificantly related to return on asset; Loans and advances is positively and insignificantly related to its returns on assets while Total deposit liabilities is positively and insignificantly related to return on assets. The study concluded that banks asset structure and management in Nigeria has been poor and their assets have not been effectively used to enhance their profitability. Based on the findings, the study upholds that there is need to employ statutory auditor in reducing the effect of creative accounting techniques on the reliability of financial reporting. Again, active corporate governance principles can be used to control the practices of creative accounting by using independent non-executive directors.

Bankole, Ukolobi, and McDubus (2018), studied the effect of creative accounting on shareholders' wealth. Inventory valuation, depreciation policy and debtors ageing schedule were used as proxies for creative accounting. The study reviewed the theories and techniques of creative accounting as well as the determinants of shareholder wealth. Empirical studies on creative accounting were reviewed. So were the scandals caused globally by creative accounting. The study found that frequent changes in inventory valuation and in depreciation policy affect shareholders' wealth. It also found that frequent manipulation of ageing schedule for the purpose of determining bad and doubtful debts provision had no significant effects on shareholders' wealth. The study recommends stricter monitoring of entities to ensure full disclosures of changes in accounting policies with a view to guarding against immoral behaviors.

Al-Dalabih (2017) tried to identify the practice of creative accounting on the Jordanian banking sector. The sample of this study comprised 150 selected from three banks in the northern region of Jordan. A questionnaire survey was designed and distributed to them. A total of

121 copies of questionnaire were retrieved that are valid for statistical analysis formed about 80.7% of overall distributed questionnaires; and copies of the questionnaire have been analyzed using SPSS statistical software. The results of the study indicate that there is a statistical significant relationship between the practice of creative accounting and both the profitability and the size of the Jordanian commercial banks.

Brijesh, (2014), carried out study on Creative Accounting: An Empirical Study from Professional Prospective. The paper assessed the effect of creative accounting on the performance of the company which uses these techniques to manipulate their accounts to show desired results. Different types of creative accounting and parties involved in it and what are the motivation factors so that people are involved in creative accounting techniques were discussed.The analyses involved of different professionals in creative accounting like accountant, lawyers and bankers using correlation coefficient at the 0.05 level significant. The paper found that creative accounting has no effect on the performance of the company.

Sanusi and Izedonmi (2014), empirically investigated on the opinions of experienced staff of commercial banks on creative accounting practices in Nigerian commercial banks. The survey method of research design was adopted and the primary data were employed. Findings revealed that, the major reason for creative accounting practices in Nigerian commercial banks is to boost the market value of shares; users of accounting information are adversely affected by this practice of creative accounting; Streamlining accounting principles and rules to reduce diversities of professional judgment in financial reporting will help minimize creative accounting practices.

Osisioma and Enahoro (2006), sought to find out whether financial accounting information users in Nigeria are aware of creative accounting in the private sector of the economy. They carried out their study in Lagos, through field work questionnaire administered on practicing accountants from randomly selected audit firms. The paper found out that creative accounting has definitely affected information users. Hence in Nigeria it is believed that the practice of creative accounting is constructive to the benefit of the manipulator of accounts. They also found out that the genuinely positive aspect of the corporation is presented in its fullest proportion to the public, while the area of weakness is played down in reporting in anticipation of correcting the weakness. They further revealed that accounting bases, principles and processes should be streamlined to reduce diversities of human judgments on accounting issues.

Osemene, Muritala, and Olawale, (2014), empirically examined the impact of creative accounting on firm performance in Nigeria using econometric analysis method on annual data of seven financial institutions over the period of 2006-2011. The results from levin, chin chun unit root test shows that the all the variables were non-stationary at level. the results from the panel least square shows that non-performing loan is positively related to return on equity and dividend pay-out while gearing ratio and net income before tax is negatively related to both return on equity and dividend pay-out.

Amat and Gowthorpe, (2010), found two categories of manipulative behavior: macro manipulation that is the lobbying of regulators to persuade them to produce regulations that is more favourable to the interest of the preparers of accounts. The paper found this to be pronounced in USA. The second one is the micro manipulation where the accounting figures are doctored to produce a bias view at the entity level. They observed this in large number in Spain. Both forms of behavior are morally reprehensible.

3.0 Research Methodology

A survey design method was adopted in this work because the study involves an investigation of people's opinion or other manifestation through direct questioning. The population of this study covered sixteen branches of six deposit money banks in Nigeria. These banks are; Access bank plc, Diamond bank plc, First bank plc, Fidelity bank plc, UBA and Eco bank Plc. The elements of the population involved 4 key officials in each branch, namely the Managers, Head of operations and Resident internal control officials. The total number of the population is 60. The researcher uses stratified sampling techniques to select the six Deposit money banks in Nigeria. To ensure an effective and reliable data collection, primary data were utilized under this study which involved distribution of copies of Questionnaire. The questionnaire sought to obtain the respondents' opinion on the anticipated effect of creative accounting practices on deposit money banks in Nigeria with special emphasis on accountability, transparency and quality of accounting information. The drafted instrument for data collections was validated using "face validity method" as in Kolawole (2004), the deals with experts' opinion on the face value of the instruments. Test-retest reliability was used to establish the reliability of the instrument.

Method of Data Analysis

Data collected for the study were analyzed by the researcher using five point likert scales. The three hypotheses formulated for the study were tested with t-test with aid of Statistical Package for Social Sciences (SPSS) version 20.0 software package.

Decision rule:

Using SPSS, 5% is considered a normal significance level. The accept/reject criterion was based on the computed t-Value.

If t-value is equal or greater than "Sig" value there is significant interaction effect or significant difference i.e. t-value value ≥ sig value we reject Null and accept alternate hypothesis.

4.0 Data Presentation and Interpretation

Test of Hypothesis one

H_{01}: A well-designed framework of accounting regulation does not curb creative accounting practices in corporate financial reporting of deposit money banks in Nigeria.

One-Sample Statistics

Questions	N	Mean	Std. Deviation	Std. Error Mean
1	5	9.80	9.550	4.271
2	5	9.80	7.396	3.308
3	5	9.80	10.803	4.831
4	5	9.80	9.257	4.140
5	5	9.80	10.780	4.821

One-Sample Test

Questions	Test Value = 0					
	T	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	2.295	4	.083	9.800	-2.06	21.66
2	2.963	4	.041	9.800	.62	18.98
3	2.029	4	.112	9.800	-3.61	23.21
4	2.367	4	.077	9.800	-1.69	21.29
5	2.033	4	.112	9.800	-3.58	23.18

Decision:

From the above one sample t-test table, the outcome from the questions tested shows that the calculated t-values are higher than the table t- values. Since the calculated t-value is 11.687 and the table t-value is 1.812; it means that calculated t-value is greater than the table t-value. We therefore reject null hypothesis and uphold alternative hypothesis which states that a well-designed framework of accounting regulation curbs creative accounting practices in corporate financial reporting.

Test of Hypothesis Two

H$_{02}$: Creative accounting has not contributed to the bank distress in deposit money banks in Nigeria.

One-Sample Statistics

Questions	N	Mean	Std. Deviation	Std. Error Mean
1	5	9.80	4.147	1.855
2	5	9.80	8.871	3.967
3	5	9.80	9.628	4.306
4	5	9.80	8.701	3.891
5	5	9.80	10.354	4.630

One-Sample Test

Questions	Test Value = 0					
	t	Df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	5.284	4	.006	9.800	4.65	14.95
2	2.470	4	.069	9.800	-1.22	20.82
3	2.276	4	.085	9.800	-2.15	21.75
4	2.519	4	.065	9.800	-1.00	20.60
5	2.116	4	.102	9.800	-3.06	22.66

Decision:
From the above one sample t-test table, the outcome from the questions tested shows that the calculated t-values are higher than the table t- values. Since the calculated t-value is 14.665 and the table t-value is 1.812; it means that calculated t-value is greater than the table t-value. We therefore reject null hypothesis and uphold alternative hypothesis which states that creative accounting contributed to the bank distress in Nigeria

Test of Hypothesis three
H_{03}: Creative accounting practice has not significantly influenced both accounting policy choice and manipulation of transaction in deposit money banks in Nigeria.

One-Sample Statistics

Questions	N	Mean	Std. Deviation	Std. Error Mean
1	5	7.20	6.017	2.691
2	5	9.80	13.646	6.102
3	5	9.80	9.550	4.271
4	5	9.80	10.918	4.883
5	5	9.80	7.190	3.216

One-Sample Test

Questions	Test Value = 0					
	t	df	Sig. (2-tailed)	Mean Difference	95% Confidence Interval of the Difference	
					Lower	Upper
1	2.676	4	.055	7.200	-.27	14.67
2	1.606	4	.184	9.800	-7.14	26.74
3	2.295	4	.083	9.800	-2.06	21.66
4	2.007	4	.115	9.800	-3.76	23.36
5	3.048	4	.038	9.800	.87	18.73

Decision:

From the above one sample t-test table, the outcome from the questions tested shows that the calculated t-values are higher than the table t- values. Since the calculated t-value is 10.632 and the table t-value is 1.812; it means that calculated t-value is greater than the table t-value. We therefore reject null hypothesis and uphold alternative hypothesis which states that creative accounting practice significantly influenced both accounting policy choice and manipulation of transaction in financial reporting.

5.0 Conclusion and Recommendations

Based on the outcome from the hypothesis tested, a well-designed framework of accounting regulation curbs creative accounting practices in corporate financial reporting of deposit money banks in Nigeria. Creative accounting practice significantly influenced both accounting policy choice and manipulation of transaction in financial reporting thereby contributed to the bank distress in Nigeria. However, these results showed that when manager is not getting his deserved rewards then he negatively uses creative accounting techniques only for his own interest.

A corporate entity involved in frauds or scandals because of several factors like unethical behaviors, agency problem and non-professional attitude. Unethical behavior is a cause of lack of moral values which might be individual as well as professional which forced one to get involved in frauds.

Regulatory agencies in Nigeria should draft rules that minimize the use of Judgment estimation and prediction in the treatment of certain entries in financial reporting, e.g. extra ordinary items.

There is urgent need for monitoring teams such as International Financial Reporting Standard (IFRSB) Board to oversee the activities of independent external auditor of banks to ensure that they are straight forward, honest and sincere in their approaches to professional work. They should not allow personal prejudice or bias to override the principle of objectivity in the profession.

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