

THE INFLUENCE OF CORPORATE GOVERNANCE ON CREATIVE ACCOUNTING PRACTICES IN NIGERIA

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ABSTRACT

The collapse of some corporate organisations in Nigeria has brought the issue of creative accounting and corporate governance to the forefront. Hence, this study examines the relationship between corporate governance and creative accounting practices from selected Nigerian companies. Using respondents from twenty-five Nigerian companies that have their head office located in Lagos State, the propositions made were tested using Pearson product coefficient of correlation and regression analysis. Findings from the study suggest that there is significant and positive association between rule observance and creative accounting practices. Evidence also exists on the relationship between creative accounting practices and the decision usefulness of the financial statements. The study concluded that effective corporate governance is necessary to the proper functioning of corporate firms. Finally the study recommends that corporate governance should be used as a tool to help stem the tide of creative accounting practices.

Keywords: *Corporate governance, Internal control effectiveness, Auditors' independence, Creative accounting practices*

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1.0 INTRODUCTION

Corporate governance has recently assumed considerable significance around the world due to high profile scandals in companies such as Adelphia, Enron and WorldCom (Brown and Caylor, 2004). The collapse of banks in Nigeria in the early 1990s was also as a result of corporate governance failure which was characterised by insider-related credit abuses, unmitigated exposure to risks, failings in internal control system and pervasive conflict of interests (NDIC, 2008).

Studies have argued that the managers of these failed companies occasionally mislead shareholders concerning the underlying economic performance of the company with creative accounting or may influence contractual outcomes that depend upon reported accounting figures (Perry and Williams, 1994; DeFond and Jambalvo, 1994). By using judgments in financial reporting and through structuring transactions they may alter financial reports and as a consequence, this may lead to a set of financial statements that do not provide a true and fair view of the economic activities of a company. These happenings gave rise to regulatory frameworks such as the Sarbanes-Oxley Act of 2002 in the U.S. and Code of Corporate Governance in Nigeria (Adeyemi and Fagbemi, 2010; Byrnes *et al.*, 2003).

So many mechanisms are used in measuring corporate governance. Some of these include; independence of audit committee (Klein, 2002), auditor independence (Frankel, Johnson and Nelson, 2002) CEO duality role (Adeyemi and Fagbemi, 2010) and board size (Yermack, 1996). These corporate governance mechanisms have often been examined in relation to firm performance and earnings management which is a form of creative accounting. The relationship it has with creative accounting is however of importance in this study. This is because inconsistencies have been observed in the findings of extant literature (e.g. Frankel, Johnson and Nelson, 2002; Larcker and Richardson, 2004).

1.2 Statement of the Problem

In order to make managers more accountable to the shareholders, corporate governance has been advocated for in literature. For example, Hussey (1999) described corporate governance as the manner in which organisations, particularly limited liability companies are managed and the nature of accountability of the managers to the owners. This means that corporate governance is not just a set of rules but also a structure of relationships aimed at establishing good corporate practice and enduring enterprise culture for managers to follow. Keaser and Wright (1993) stressed this view with the description of corporate governance as the structures, processes, culture and systems that engender the successful operation of organisations. Hence, the failure of such structures and processes has been

attributed to cause the collapse of corporate entities (Otusanya, Ajibolade and Omolehinwa, 2011).

The increase in company failures in Nigeria and the close shave with collapse that some banks had, occasioning bailout funds from Central Bank of Nigeria, has prompted researchers and investors to query the reliability of financial statements for decision making (Bakre, 2007). Investors are increasingly uncertain about returns on their investment as confidence in financial reporting is being eroded. More worrisome is that cases of creative accounting referred to disciplinary committees of some professional accounting bodies in Nigeria have not been resolved in a way that can boost investors' confidence (Bakre, 2007).

Otusanya and Lauwo (2010) also suggested that in order to combat unethical practices by accountants and professional firms there is a need to educate company executives, policy-makers and the public about the human costs of anti-social and unprofessional practices, as they deprive ordinary Nigerian citizens of their human and social rights. Nigerian citizens suffer when banks and financial institutions collapse, causing depositors and investors to lose their investments. Many of the directors and senior officials of the distressed banks are still facing trial for their unethical behaviour and creative accounting practices, which have not encouraged investors' interest in the shares of such companies (Bakre, 2007).

Furthermore, conflicting findings about effects of creative accounting practices and corporate governance have also emerged in the literature. For example, Klein (2002) documents a negative relation between earnings management, a form of creative accounting and audit committee independence. Anderson *et al.* (2004) found that entirely independent audit committees have lower debt financing costs while Frankel, Johnson and Nelson (2002) showed a negative relation between earnings management and auditor independence (based on audit versus non-audit fees), but Ashbaugh, Lafond and Mayhew (2003) and Larcker and Richardson (2004) disputed their evidence. Kinney, Palmrose and Scholz (2004) noted no relation between earnings restatements and fees paid for financial information systems design and implementation or internal audit services, and Agrawal and Chadha (2005) found no relation between either audit committee independence or the extent auditors provide non-audit services with the probability a firm restates its earnings. However, most of these findings are from developed economies with studies from Nigeria, a developing economy, very sparse. Therefore, this study contributes to literature by examining the relationship between corporate governance and creative accounting in selected companies in Nigeria.

1.3 Aim and Objectives of the Study

The aim of this study is to assess the relationship between corporate governance and creative accounting in Nigeria. In order to achieve this aim, the

specific objectives are to:

- (i) establish the relationship between internal control effectiveness and creative accounting practices in Nigerian companies;
- (ii) assess the impact of auditors independence on creative accounting practices in Nigerian companies;
- (iii) examine whether the level of information asymmetry and rule observance have any impact on creative accounting practices in Nigerian companies; and
- (iv) examine whether there is any relationship between creative accounting practices and the decision usefulness of financial statement for decision making.

1.4 Research Questions

In relation to these research objectives, the following research questions were raised.

- (i) Is there any relationship between internal control effectiveness and creative accounting practices in Nigerian companies?
- (ii) To what extent does auditors' independence associate significantly with creative accounting practices?
- (iii) To what extent do information asymmetry and rule observance influence creative accounting practices in Nigerian companies?
- (iv) Is there any relationship between creative accounting practices and the decision usefulness of financial statement?

1.5 Research Hypotheses

- H₀₁: There is no significant association between internal control effectiveness and creative accounting practices.
- H₀₂: Auditors' independence has no significant relationship with creative accounting practices.
- H_{03a}: Information asymmetry has no significant relationship with creative accounting practices.
- H_{03b}: There is no association between rule observance and creative accounting practices in Nigerian companies.
- H₀₄: There is no relationship between creative accounting practices and the decision usefulness of financial statement.

2.0 LITERATURE REVIEW

2.1 Corporate Governance

The economies of countries and the business world at large have been shocked over the years by corporate scandals and business failures that had in common poor corporate governance practices, fraudulent financial reporting, creative accounting, auditor inefficiency and a lack of ethical conduct (Terry, 2007). The start of the 21st century saw a new spate of corporate collapses, of which the Enron and WorldCom sagas were probably the most significant. It resulted in huge financial losses for shareholders and significant hardship for employees who not only lost their jobs, but also their life savings and pensions (Marx, 2010). These occurrences gave rise to improved regulatory framework such as the Sarbanes Oxley Act (2002) in the United States of America.

Various writers have written on corporate governance in Africa (e.g. Okeahalam, 2003; Ayogu, 2001; Mc Gee, 2008), some set of scholars have narrowed it down and have discussed corporate governance in Nigeria (e.g. Ahunwan, 2002, Okike, 2007; Adeyemi and Fagbemi, 2010). Similarly, there have been a lot of literatures on creative accounting globally (e.g. Syed, Safdar, Yasir, 2011; Okaro and Okafor, 2010; Shah and Butt, 2011; Vladu and Matis, 2010) but little has been said on creative accounting in Nigeria.

Corporate governance has received a lot of attention in the past decade and this is largely in response to corporate failure or crisis (Iskander and Chamlou, 2000) in different parts of the world. Such failures include the collapse of Enron in the United States and the banking crisis of 2009 in Nigeria. Borgia (2005) noted that recent happenings have proved that corporate governance in the world today is inadequate and the achievement of a good corporate governance system is of utmost priority to firms in both developed and developing economies. Similarly, Kajola (2008) argued that recent scandals in the present world have brought the need for good corporate governance to the forefront of issues bothering businesses today. Policy makers around the world are now taking corporate governance seriously because poor corporate governance leads to corruption (Wu, 2002). This is because a sound corporate governance system does not only attract long term foreign capital, it also attract local investors (Iskander and Chamlou, 2000; Borgia 2005; Armstrong, 2003), suggesting improved investors' confidence. Cohen *et al*, 2002 also argued that in this age of technology that is information driven, strong corporate governance is more important than good business practice. Hence, countries are realizing that corporate governance is important in the private sector as overall governance is important to the public sector (Iskander and Chamlou, 2000).

2.2 Creative Accounting

The concept of creative accounting is usually used to describe the process through which the accounting professionals use their knowledge in order to manipulate the figures included in the annual accounts (Shah and Butt, 2011). According to Raybaud–Turillo and Teller (1996), creative accounting is described as a cumulus of accounting information practices, at the limit of legitimacy, practised by some economic entities in order to beautify the image of the financial position and the economic-financial performances. Similarly, Trotman (1993) noted that creative accounting is a communication technique having in view the amelioration of the information provided to the investors. Thus, the economic entity is presenting to the investors or to the prospective investors financial statements passed through the filter of some techniques capable of generating a more favourable image on the market but also the illusion of some more attractive results than the normal.

Griffiths (1986) described creative accounting as “fiddling” with profits. The study noted that the books of accounts are gently “cooked or completely roasted”. It is done to protect the guilty but in a legitimate way. Therefore, it is a purposeful intervention in the external financial reporting process with the intent of obtaining some exclusive gain. Naser (1993) also argued that creative accounting is the transformation of financial accounting figures from what they actually are to what preparer desires by taking advantage of the existing rules and/or ignoring some or all of them. Similarly, creative accounting is seen as an assembly of procedures having in view the change of the level of the result in order to increase or decrease, or present the financial statements, without these objectives being reciprocally excluded (Stolowy & Bretton, 2000).

The practitioner’s perspective by Jameson (1988) appreciates the fact that accounting process in its essence, requires the operation with different motivations, different ideas. Arising from this diversity are manipulations, cheating and falsification by some less scrupulous accounting members. The study argued that creative accounting practices do not break the law or the accounting standards but that they comply with the law but not its spirit. Jameson noted that the negative character of creative accounting distorts the enterprise’s financial results and position thereby misleading the users of the accounting information. Using financial analyst perspective, Smith (1992) noted that the highest part of the economic growth of the ‘80s is as a result of creative accounting, that is, to the accountants’ skills rather than to a real economic growth. Smith described this with cases of some British companies which use creative accounting practices (finding concrete proofs at 45 economic entities of Great Britain), taking the example of three companies which experienced the financial collapse shortly after they had presented their financial statements which clearly reflected financial stability.

Using the perspective of financial engineering, creative accounting was described by Merchant and Rockness (1994) as any action coming from the management to distort the profits and which is not a consequence of the economic reality. They draw the attention on the fact that on long term all these forced approaches can have a negative effort on the financial stability of the economic entities. Shah (1996) as well as MacBarnet and Whelan (1999) argued that those financial engineering are used in order to create the image desired and that the representation desired are called instruments of creative accounting. Shah (1996) argued further that the concept of creative accounting and its emphasis is placed on the fact that the management of the enterprise uses the legislation's breaches or the ambiguities in order to create their own portrait of the enterprise.

In summary, many terms have been used to describe the practices of changing the facts in accounting. Such terms include; cooking the books, aggressive accounting, massaging the numbers, window dressing, earnings management, financial engineering, manipulation, distorting of books and cosmetic accounting with studies pointing to various motivation for such practices (see Healy & Wahlen, 1999; Griffiths, 1986).

2.2.1 Motivation for creative accounting

The study of Healy and Whalen (1999) identified public offerings of shares, regulation, executive compensation and financial liabilities as the major motivations to creative accounting practices. Healy and Wahlen (1999) argued that smoothing of accounting information occur when significant capital market transactions are anticipated, and when there is a gap between the actual performance of the firm and analysts' expectations. Hence, such practice is meant to present robust and attractive figures for investors. This type of creative accounting has led Schiff (1993, p. 94) to warn investors; in general that taking a company's financial statements at face value can be 'a recipe for disaster'. Teoh, Welch and Wong (1998) also found that firms manage earnings prior to seasoned equity offers and initial public offerings (IPOs).

Dilip (2006) argued that creative accounting is also motivated by the conflicts of interest among different interest groups. For example, investor-shareholders want to get more capital gains and dividends, while employees intend to get higher salary and profit share; managing shareholders' interest lie in paying less tax and dividends or country's tax authorities would like to collect more taxes. Kamin and Ronen (1978) noted a difference in motivation between managers in owner-controlled and management-controlled firms. Owners who wish to retain control of a sizeable stake and who are therefore not interested in immediate exit strategies are less likely to be motivated to manage earnings.

Prior literature also noted that efforts to meet forecasted profit can also

motivate cosmetic accounting with the use of accounting policies. For example, Fox (1997) studied how accounting policies in some companies are designed, within the normal accounting rules, to match reported earnings to profit forecasts. In illustrating how this is done, the study noted that when these companies sell products, a large part of the profit is deferred to future years to cover potential upgrade and customer support costs. This perfectly respectable, and highly conservative, accounting policy means that future earnings are easy to predict. Company directors may keep an income-boosting accounting policy change in hand to distract attention from unwelcome news. Collingwood (1991) argued on how a change in accounting method boosted a company's quarterly profit figure, by a happy coincidence distracting attention from the company slipping back from being the largest company in the industry in the USA to the number two slot.

Beneish (2001) added insider trading in this list of motivation for creative accounting. The study noted that when managers are aware of misstatement of profits, they can benefit by trading the securities. Following the study of Stolowy and Breton (2000), minimization of political costs; minimization of the cost of capital and maximization of managers' wealth were identified as major motives. In an earlier study, Burgstahler and Eames (1998) concluded that firms manage earnings to meet financial analysts' forecasts while Deangelo (1988) identified buyout cases as means of earnings management. Healy (1985) also examined managers' earnings manipulations motives where executive compensation is linked to income measurement while Trueman and Titman (1988) discussed managers' motivations to reduce the perception of variability in underlying economic earnings of the firm. These various motivations have led to a number of theories offering explanations to occurrences of creative accounting.

2.3 Theoretical Framework

Balaciu, Bogdan and Vladu (2009) noted that there is no universally or unanimously accepted theory for studying creative accounting. This is because of the varying positive values and negative values of creative accounting. Hence, this study reviews relevant theories often used in the discussion of creative accounting and takes position.

2.3.1 Information Theory

From the study of Schipper (1989), information perspective or theory was identified as an important aspect underpinning the study of the creative accounting practices. Vladu and Matis (2010) argued that information asymmetry has the potential to explain the multiple incentives found on the financial market to manipulate accounting data and further to assess the consequence of such behaviour. The study also noted that information asymmetry is an important part of economic theory. Studies which have used this theory (Mirrlees, 1971; Spence,

1973; Rothschild and Stiglitz, 1976) argued that information asymmetry is regarded as a genesis point for manipulative behaviour. The argument is based on the belief that one side of the market has better information than the other. For example, in the context of corporate governance the accounting officers (such as, Accounts and Finance Directors) and the board of the company know more than the shareholders and other users of accounting information about the profitability of the company. Hence, this difference in the level of information available to the two parties may make one party; usually the management, in engaging in sharp practices.

Breton and Taffler (1995) argued that managers may choose to exploit their privileged position for private gains by managing financial reporting disclosure in their own favor. 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.

2.3.2 Resource Dependence Theory

The resource dependence theory suggests that the board's primary role is to assist management in strategic decisions and to secure critical resources (Bedard, Coulombe and Courteau, 2008). Pfeffer and Salancik (1990) argued on the notion of independence, managers are quite dependent on shareholders because managerial compensation is frequently tied to stock price and investors have a great deal of discretion over where they invest their capital. If shareholders were concerned with whether managers had sufficient control over their firms, this might affect how managers account for firm performance. Filatotchev and Bishop (2002) and Certo *et al.* (2001) studied resource dependence using an IPO perspective and argued that non-executive directors may provide the firm with additional bargaining power in its relationship with the underwriter and investors, enabling firm owners to extract a higher value when setting the opening price. In addition, investors may perceive the benefits of a larger pool of resources and thereby require a lower level of underpricing when the board is larger.

2.3.3 Ethical Theory

Ruland (1984) opined that companies generally prefer to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rises and falls. This is achieved by making unnecessary high provisions for liabilities and against assets values in good years so that these provisions can be reduced, thereby improving reported profits, in bad years. Advocates of this approach argue that it is a measure against the 'short-termism' of judging an investment on the basis of the yield achieved in the immediate following years. Revinse (1991) investigated the problem in relation to both managers and shareholders and argued

that each can draw benefits from 'loose' accounting standards that provide manager with latitude in timing the reporting of income. The study opined that accounting acts as a mechanism for monitoring contracts between managers and other groups that provided finance, also market mechanisms will operate efficiently, identifying the prospect of accounting manipulation (creative accounting) and reflecting the appropriateness in pricing and contracting decisions. In Nigerian corporate environment, creative accounting practices are posing a serious threat to the credibility of public financials. There have been several cases of earnings management especially in the banking sector and this has raised many questions about the ethical standards of management and about the integrity of financial reports issued by professional accountants (Bakre, 2007; Ajibolade, 2008; Okike, 2009).

2.3.4 Agency Theory

According to Vladu and Madis (2010), agency theory is a dominant theory in the study of creative accounting. In this theory, the firm is considered to be a legal fiction that serves as a focus for complex process that is characterized by confliction features of the objectives of individuals (Jensen and Meckling, 1976). The conflicts are related to sharing the economic resources and the lack of confidence. These conflicts between the shareholders and managers are considered in the literature to be the root of creative accounting. Most studies examined the relationship between shareholders and management that involves the intensively debated conflict of interests (Demski, 1994; Christensen and Feltham, 2005).

According to Dye (1988), studies on corporate governance and creative accounting practices are discussed in the literature in the context of internal demand for manipulative behaviour which emanates from the contracting value of earnings management in the principal-agent relationships between shareholders and managers. This conflict of interests in agency relationships, sometimes are limited having the fact that shareholders overlooked and accept deliberate manipulations of accounts (Gowthorpe and Amat, 2005).

Using this theory, Sydserff and Weetman (1999) argued that as a result of this conflict of interest, managers are capable of engaging in opportunistic behaviour. The study noted that managers are not neutral in presenting accounting financial statements. Similarly, the root of opportunistic behaviour is considered to be located in the problems that this theory raises. Hence, it is seen as the theory of conflicts between managers and shareholders where the first category are prompted to manipulate the latter category perceptions and further influencing their decisions on financial performance and future economic trend of the company.

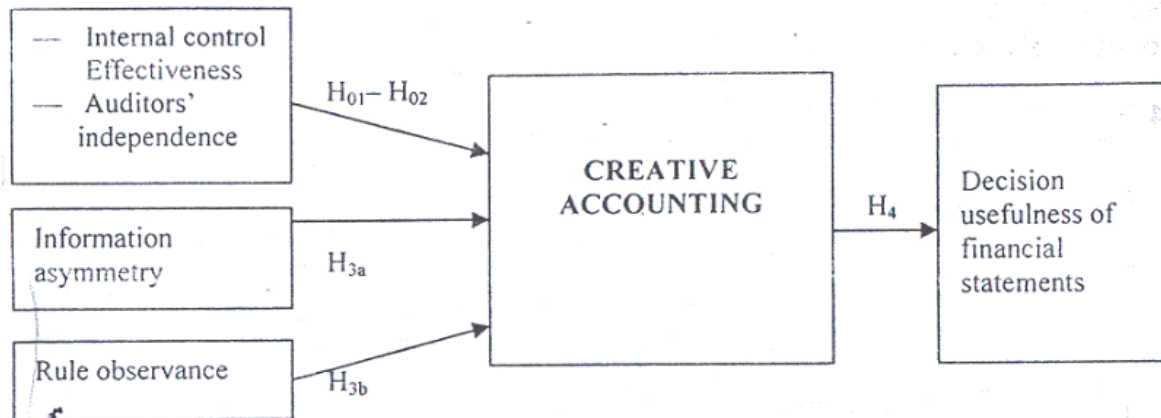
2.4 Description of the Conceptual Model of the Study

Using the above theoretical perspectives, the study proposed the model in

Figure 1.1. Based on the agency theory which deals with a conceptual relationship between the principal and the agent, the first two hypotheses were raised. The agent performs duty on behalf of another called his principal. The agent which according to Jensen and Meckling (1976) is referred to as custodians within the organisation are expected to discharge their responsibilities towards good governance practices so as to avoid mis-representation of financial fraud or falsification of figure (creative accounting) that will affect the principal (stakeholders, shareholders and users of financial statement). The studies of Osisioma and Enahoro (2006) and Amat, Blake and Dowds (1999) revealed that stakeholders, shareholders and other users of accounting information rely heavily on the yearly financial statements of a company as they can use this information to make informed decision about investment. Similarly, studies have also argued that managers sometimes mislead shareholders regarding the underlying economic performance of a certain company or may influence contractual outcomes that depend upon reported accounting figures (Healy, 1985; Perry and Williams, 1994; DeFond and Jiambalvo, 1994). Following this argument, the study proposed that internal control effectiveness and auditors' independence would affect creative accounting practices and that this behaviour will affect the decision usefulness of financial statements as depicted with the $H_{01} - H_{02}$ and H_4 paths.

The difference in the level of information available to managers and shareholders has also been identified as having major influence on extent of creative accounting practices and consequences of such behaviour (Vladu and Matis, 2010). This difference in the level of information available to shareholders and managers of the firm is referred to as information asymmetry (Spence, 1973). Rothschild and Stiglitz (1976) noted that information asymmetry is regarded as a genesis point for manipulative behaviour. Therefore, using the information theory perspective, the study proposed that the level of information asymmetry can determine the extent of creative accounting practices as shown in the H_{03a} path.

Using the ethical theory, the study proposed that the level of rule observance, that is; adherence to accounting standards has the ability to influence the extent to which managers engage in creative accounting practices as shown in H_{03b} . This is consistent with the study of Revinse (1991) which argued that compliance with accounting standards provide manager with latitude in timing the reporting of income.

FIGURE 1.1: CONCEPTUAL MODEL ON CREATIVE ACCOUNTING PRACTICES IN NIGERIA

3.0 METHODOLOGY

Survey research design was used in this study. Since this study is on corporate governance and creative accounting practices in Nigeria, the population of the study is made up of all managers in quoted manufacturing companies in Nigeria. Presently, there are 129 manufacturing companies (NSE, 2010). From this, a sample of 25 companies which are all located in Lagos State was taken. As suggested by Niles (2006), a minimum sample size of 10% of the population is generally acceptable.

A questionnaire survey was adopted in obtaining primary data for this study. This was obtained from the respondents through a questionnaire which captured the demographic data of the respondents and their opinions with respect to the research objectives.

3.1 Measurement of variables

The questionnaire contained measurement for six variables; internal audit effectiveness (INCEF), auditor's independence (AIDINP), information asymmetry (INFASSY), rule observance (RUOBS), creative accounting practices (CAP) and decision usefulness of financial statements (UFS). Since the measuring instrument have been adopted in prior studies (e.g. see Bota-Avram and Palfi, 2009; Dunk, 1994; Thornton, Reinstein & Miller, 2003), particularly in developed economies, it was necessary to check whether the instruments can be applied in Nigeria, a developing economy so as to ascertain whether they were useful measures. Hence, the questionnaire was Likert-scaled from 1 to 5 and of the strongly agree/strongly

disagree form. Five (5) copies of the questionnaire were given to each of the 25 companies sampled. Thus, a total of 125 copies of the questionnaire were administered. Cronbach alpha was used to test reliability of the instrument. The results of the Cronbach alpha showed a satisfactory internal reliability above 0.70 for each of the variables been measured.

4.0 RESULTS

Each of the 25 companies sampled were given 5 copies of the questionnaire, with a combined total of 125 copies of the questionnaire. From these copies of the questionnaire administered, a total of one hundred and nine (109) copies of the questionnaire were returned. However, one hundred and eight (108) usable copies of the questionnaire were used for analysis. This represents eighty-six percent (86%) response rate.

Table 1: Correlation Results

	CAP	INCEF	AUDINDP	INFASSY	RUOBS
CAP	1				
INCEF	.273(**)	1			
AUDINDP	.521(**)	-.002	1		
INFASSY	.409(**)	.090	.208(*)	1	
RUOBS	.566(**)	.136	.759(**)	.198(*)	1

**Correlation is significant at the 0.01 level * Correlation is significant at the 0.05 level.

Source: Research Survey

From the analysis, it was found that the internal control effectiveness (INCEF) has significant relationship with creative accounting practices (CAP). This relationship is positive and significant at $p < 0.05$ as shown in Table 1. It was also evident that auditor's independence (AUDINDP) has significant relationship with creative accounting practices (CAP). This relationship is also positive and significant at $p < 0.05$ as shown in Table 1. Same can also be said of information asymmetry (INFASSY) and rule observance (RUOBS).

The result of the regression analysis is presented in Table 2. Empirical evidence suggests that about 47% of the variability in creative accounting practices can be explained by internal control efficiency (INCEF), auditor's independence (AUDINDP), information asymmetry (INFASSY) and rule observance (RUOBS).

There results also show that the probability that the t-values occurred by chance is less than 0.01 for most of the predicting variables except auditor's independence (AUDINDP) which has a t-value of 0.046 (Table 2). These t-values

suggest that the variables reflect genuine effects. Hence, the study concludes that internal control efficiency (INCEF), auditor's independence (AUDINDP), information asymmetry (INFASSY) and rule observance (RUOBS) make significant contribution ($p < 0.05$) to predicting creative accounting practices (CAP).

Table 2: Results of Regression analysis (a)

Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	.877	.317	2.767	.007
	INCEF	.145	.052	2.777	.007
	AUDINDP	.213	.106	2.022	.046
	INFASSY	.261	.068	3.812	.000
	RUOBS	.212	.078	2.719	.008
R ² = .465					
F-value = 22.365					
Sig. = .000					

a Dependent Variable: CAP

Source: Research Survey

In order to answer research question 5, hypothesis was proposed that there is no relationship between creative accounting practices and the decision usefulness of financial statements.

From the analysis, it was found that creative accounting practices have a positive and significant relationship with the decision usefulness of financial statement. This is shown in Table 3 with $r = 0.496$ and $p < 0.05$.

Table 3: Correlation between creative accounting practices (CAP) and decision usefulness of financial statements (UFS)

		CAP	UFS
CAP	Pearson Correlation	1	.496(**)
	Sig. (2-tailed)		.000
UFS	Pearson Correlation	.496(**)	1
	Sig. (2-tailed)	.000	

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

Source: Research Survey

5.0 CONCLUSION AND RECOMMENDATIONS

With the increase in company failures in Nigeria and the close shave with collapse that some banks had occasioning bailout funds from Central Bank of Nigeria, this has prompted researchers and investors to query the reliability of financial statements for decision making. Investors are increasingly uncertain about returns on their investment as confidence in financial reporting is being eroded. More worrisome is that cases of creative accounting referred to disciplinary committees of some professional accounting bodies in Nigeria have not been resolved in a way that can boost investors' confidence.

Following results obtained from the first research question which examined whether internal control effective has any influence on creative accounting, the study found significant positive relationship between the variables. The study also proposed that auditors' independence has no significant influence on creative accounting practice. Findings suggest that auditor's independence has significant relationship with creative accounting practices. Furthermore, analysis also showed that information asymmetry has significant relationship with creative accounting practices while the study found that the rule observance has significant influence with creative accounting practices also. Finally, it was found that creative accounting practices have a positive and significant relationship with the decision usefulness of financial statement. Therefore, the null hypotheses of no significant influence or relationship were rejected. In conclusion, there is evidence that corporate governance practices have significant influence on creative accounting.

From the findings of the study, the following recommendations are proposed

- (i) Companies should also ensure that sound internal control practices are in place within the organization as this would help check practices that may affect the companies' image.
- (ii) Adequate deterrent measures should be put in place to ensure that employees do not engage in creative accounting practices.
- (iii) The study can also be expanded beyond manufacturing companies so as to serve as comparison with the initial findings of this study.
- (iv) Other methods of analysis may also be used to further probe the questions that have been raised in this study.

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