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CREATIVE ACCOUNTING AND CORPORATE FAILURE IN THE NIGERIAN FINANCIAL REPORTING

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Abstract

Creative accounting practices are becoming common and blamed on the short-comings of corporate governance in Nigerian corporate organizations. This blame cut across several important groups such as the accountants, managers, auditors, and others, in perpetrating earnings management. Accountants use strategies that encourage creative accounting leading to corporate scandals and collapse both international and locally as in the case of Enron, Worldcom, Tyco, Freddie Mac, Lehman Brothers, Bernie Madoff Satyam, Cadbury and the failure of most banks. The research is an empirical study of creative accounting practices in the Nigerian corporate organizations. To achieve the aim of this study, managers and accountants of commercial banks constitute the population of the study. A survey method of research design was adopted. The data collected were analyzed using mean scores and the stated hypotheses tested with Z-test. The findings of the study among others are that, creative accounting practices have a significant effect on corporate failures in Nigeria and that the major reason for creative accounting in Nigerian corporate organizations is to boost the market value of shares. The study recommends among others that creative accounting should be taken seriously as a criminal offense by accounting bodies, the judiciary and the government regulatory authorities to put a stop to creative accounting practice considering the consequences on the reputation of the accounting profession, corporate failures and the loss of public confidence in the Nigerian financial reporting process.

Keywords: *Creative Accounting, Corporate Failure, Financial reporting*

INTRODUCTION

The aim of this study is to examine the effect of creative accounting practices in the failure of Nigerian corporate organizations. According to Osazevbaru (2012), accounting is generally referred to as the language of business just as finance is branded the lifeblood of organizations. Accounting aims at communicating information and facts about the business activities of organizations that can be quantified in monetary terms to varied interest groups. To satisfy this important role, it requires that the practice of accounting be done in uniform language and style. This is the basis for accounting concepts and conventions, complemented by accounting standards and company laws. Many users of accounting information had suffered disappointment in their experiences of relying on accounting information that eventually turns out unreliable due to creative accounting practices. Several companies for instance; Cadbury, Enron, WorldCom, and others liquidated after providing positive results of their operations to users. This liquidation is mostly attributed to creative accounting practices. As reported by Accounting-Degree Organization (2012)[1] in a work titled “the 10 worst corporate accounting scandals of all time”, scandals such as that of Enron, Waste Management, WorldCom, Tyco, Health South, Freddie Mac, American International Gron-AIG, Lehman Brothers, Berni Madoff and Satyam which are mostly American based organizations liquidated due to one type of creative accounting practices or the others. Several companies including banks liquidated the same way in Nigeria. This has negatively affected the credibility of financial reporting in Nigeria and the world as a whole. Creative accounting according to Fizza and Qaisar (2015) is otherwise known as aggressive accounting, income smoothing, earnings management, and others are the financial gimmicks used to moderate company’s financial reports to encourage investors to buy the company’s stocks to increase the firm’s market value. Creative accounting in financial reporting is termed an act of taking the statement of financial position for granted (Mulford and Comiskey, 2002).

However, the basic question is: is it that the management of such failed companies lied in the reports provided to users? If yes, why didn’t the auditors discover such misrepresentations? The answer lies largely in the fact that such organizations that engage in creative accounting practices as listed above, intentionally indulged in income smoothing using every means to make the auditors compromise their independence and objectivity as a result of a weak or ineffective corporate governance structure. Creative accounting is the manipulation of financial numbers, usually within the letters of the rules of law and standard accounting practices, but deviating from the spirit of those rules and certainly not providing the true and fair view that accounts are supposed to and this amounts to outright deception of the financial community (Osazevbaru, 2012).

The end product of creative accounting practices, especially in the long run is a corporate failure, and such failure create doubt on the reputation of the accounting profession leading to loss of public confidence in financial reporting globally.

Statement of Problem

The several corporate scandals all over the world since the year 2000 to date have brought to bear the fact that many companies’ earnings are the aftermath of accounting gimmicks and shenanigans. According to Osazevbaru (2012), this discovery has not only cast doubt on the integrity of preparers of accounting reports, but has also led to the loss of confidence in those who are supposed to check business namely; auditors, analysts, and government regulators. The loss of public confidence in financial reporting has affected negatively the investment interest of potential investors, thereby affecting the performance of securities markets.

According to Munene (2014), there are companies that engage in creative accounting, over-reporting their financial performance to meet targets and please ever demanding shareholders. Manipulation in financial reports benefits only in the short-run hence susceptibility to future corporate collapse and scandals. The managers pursue personal interest at the expense of shareholders. They propose huge perks, make defective decisions of investment or participate in creative accounting and fraud. This takes no notice of the fact that shareholders may be willing to examine the behavior of management (Lekaram, 2014).

Creative accounting practice in Nigeria appears to be increasing as many corporate bodies are being investigated. The case of Cadbury Nigeria Plc. was due to the doctoring of accounts to cover up certain inadequacies or some bad deals perpetrated by management. The corporate failures of most Nigeria companies today and especially the arrest of some banks Chief Executive Officers by the Economic and Financial Crimes Commission (EFCC), were blamed on fraudulent financial reporting, which has affected the reputation of the accounting profession and the stability of the financial system. Creative accounting practices have been increasing in recent years in the Nigerian firms for the sake of attracting unsuspecting investors or obtain undeserved accounting-based rewards by presenting an exaggerated misleading or deceptive state of financial affairs. It is evident that the extent of window-dressing of organizations' financial statements in Nigeria has greatly violated all known ethical standards of the accounting and auditing profession which needs to be investigated.

Several studies abound on creative accounting (Akenbor et al., 2012; Osazevbaru, 2012; Akpanuko et al., 2017; Mine et al., 2007; Rewayati et al., 2015; Sen and Inanga, 2004; Domash, 2002; Amat, Blake and Dowds, 1999; Naser, 1993; Schiff, 1993), studies such as Sen and Inanga (2004), Domash (2002), Amat, Blake and Dowds (1999) Naser (1993), Schiff (1993), Osazevbaru (2012), Akembor (2012), Osisioma and Enahoro (2006), Aremu and Bello (2004), and Alam (1988) have focused mainly on the impact of creative accounting on firm value and investors' investment decisions with little highlight on the reasons for such practices and a few consideration for corporate failures. Moreover, most of the studies are foreign-based whose findings may not be suitable with the Nigerian situation putting environmental differences into consideration. The few available studies in Nigeria such as Osisioma and Enahoro (2006), Aremu and Bello (2004), and others as mention above, pay little attention to corporate failure, especially in the banking industry. Based on the above, our study will be among the few studies to look at creative accounting and corporate failures in the Nigerian financial reporting, focusing on commercial banks based in Abuja.

Research Questions

This study is to proffer a solution to the following questions:

i. Does creative accounting practice have a significant effect on corporate failures in Nigeria?

ii. Why do corporate organizations practice creative accounting in Nigeria?

Research Objective

The main objective of this study is to examine the effect of creative accounting practices in the Nigerian corporate organizations. Other specific objectives are:

i. To investigate whether creative accounting practice has a significant effect on corporate failures in Nigeria.

ii. To examine why corporate organizations practice creative accounting in Nigeria.

Research Hypotheses

This research shall test the following null hypothesis:

i. **H_o1:** Creative accounting practice has no significant effect on corporate failures in Nigeria.

ii. **H_o2:** The reason for the creative accounting practices of corporate organizations in Nigeria is not to boost the market value of shares.

LITERATURE REVIEW AND THEORETICAL BACKGROUND

Related literature in this study is reviewed. We looked at the theoretical background of the study, the concept of creative accounting driving the matter home to the Nigerian context and experience and other relevant ideas and issues.

According to Asuquo (2011), the term creative accounting as generally understood refers to systematic misrepresentation of the true income and assets of corporations or organizations. It could also be construed as window dressing of account, cooking of account, creating of figures or manipulating of figures being reflected in financial statements, (Bernstein, 1987). Creative accounting is at the root of a number of accounting scandals and many proposals for accounting reform-usually centering on an updated analysis of capital and factors of production that would correctly reflect how value is added.

The Agency Theory

The theory that explains the motivations for creative accounting is the agency theory. This theory is rooted in the modern corporation which depicts the separation of firm ownership from the management and often credited to the landmark work on the theory of the firm: managerial behavior, agency cost and ownership structure (Jenson and Meckling, 1976; Fama and Jensen, 1983; Brijesh, 2014). They emphasized that agency problems will certainly arise in circumstances where the principal employs the agent to undertake a number of duties for a reward. Thus, the management is acting in the capacity of an agent to the principals, owes principals fiduciary duty of care to run the organization in the best interests of the owners for a given reward (Berle and Means, 1932; Jenson and Meckling, 1976). Therefore, they argued that inevitably, conflicts of interest do exist between the management and the owners of the business most especially when owners are not managers. This is because the agency theory assumes a model of managers as a man that is self-interest seeking, self-serving, individualistic and opportunistic in nature that only prefers to maximize his personal utility functions at the expense of the owners (principals). The theory holds that there exists always a divergence of objectives between the goals of the management and those of the shareholders. Agency problems could also arise due to adverse selections and moral hazards (Jenson and Meckling, 1976).

Moral hazard refers to a situation where due to imperfections in the contract between the principal and the agent, the management may take sub-optimal decisions and may be opportunistic (Adelopo, 2010). While moral hazards tend to happen after the contract, adverse selection may occur both before and after the contract between the principal and the agent (Adelopo, 2010). Adverse selection refers to the possibility of the principals or shareholders hiring an agent who does not have the right type and kind of skills that may enable them to deliver the expected returns (Adelopo, 2010). This may be due to the existence of information asymmetry between parties or inherent imperfections in the contracting process (Gomez-Mejia and Wiseman, 2007). Given that shareholders have risk altitudes that are different compared to management (Jenson and Meckling, 1976), the continuous existence of information asymmetry may compel the principal to impose some forms of controls. These control mechanisms usually require the allocation of resource, while in addition, it tends to increase the cost of operations, often refers to as the agency cost.

Most commentators view creative accounting with distaste. Wikipedia sarcastically describes accounting creativity as euphemisms. In this line, Griffiths (1986) and Jameson (1988, p. 20) declare, “Let there be no doubt about it, creative accounting is a bad thing. It distorts company results and financial position and, if the theorists are to be believed, its practice is likely to become increasingly common”. Smith (1992) illustrates his contention that creative accounting is a serious problem with case studies of three UK listed companies, which collapsed shortly after presenting accounts that indicated financial strength. The author argues, “these three large corporate collapses all owe their occurrence in some respects to techniques of creative accounting or financial engineering”.

In other words, in line with agency theory, the firm is a legal fiction which serves as a focus for a complex process in which the conflicting objectives of individuals are brought into equilibrium within a framework of contractual relation (Jenson & Meckling, 1976). Within the agency framework; it is both logical and inescapable that management behavior will be self-serving. Agency can, therefore, provide a solid framework for the understanding of creative accounting behavior. It may provide an incomplete theoretical basis for explaining or predicting management behavior. The informational perspective is a key element underpinning the study of the creative accounting phenomenon (Schipper, 1989).

A conflict is created by the information asymmetry that exists in complex corporate structures between privileged management and a more remote body of stakeholders.

Empirical Studies on Creative Accounting

According to Osazevbaru (2012), ever since the concept of creative accounting was first used in 1968, several studies have been done by researchers in different facets. A considerable number of studies have viewed creative accounting from the ethical point of view and see it as fraud and therefore a challenge to the accounting profession. Gowthorpe and Amat (2005) characterized ethical issues in accounting by saying that accounting regulation shares many common features with systems of law. These systems are seen as societal constructs which mirror issues of individual morality and fundamental moral values as truthfulness. Therefore, respect for justice, rule of law, fairness, and morality are elements that assist in defining ethical issues in accounting. They identified two forms of manipulative behavior like firstly, macro manipulation which entails the lobbying of regulators to persuade them to produce regulation that is inclined to the interest of preparers of financial statements. They found this in the USA with respect to Goodwill accounting. Secondly, micro manipulations where accounting figures are doctored to produce a misrepresented view at the entity level. They observed this in large number in Spain. Both forms of behavior are seen as morally reprehensible.

Also, Conner (1986) notes that creative accounting amounts to fraudulent reporting, as it creates an illusion that the entity is healthier and more prosperous than it actually is. Sen and Inanga (2005) found evidence of creative accounting by firms in Bangladesh 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. Schiff (1993) states that investors should beware of taking a company's financial report on the face of it as it could be a recipe for disaster. He re-emphasized that the earnings per share (EPS) which is what investors actually pay for in the course of investment can be easily goosed and manipulated. Such manipulation could be done through consolidating own subsidiary's income and net worth; capitalizing expenses instead of writing them off and hiding pension liabilities.

Moreover, Leung and Cooper (1995), in Australia conducted a survey of 1,500 accountants and found that creative accounting as an ethical issue ranks above tax evasion. Merchant and Rockness (1994) in their study investigated the motives for creative accounting and found that explicit self-interest motivated creative accounting got higher disapproval than where the motive is to promote the company. Also found is that accountants are more critical of the abuse of accounting rules than of manipulation of transaction. Fisher and Rosenzweig (1995) proffer explanations of the findings for accountants' attitudes. Evidence of the practice of creative accounting has been found to be global (Sen and Inanga, 2005). Here in Nigeria, Izeze (2008) found proof of the practice of creative accounting concerning oil multinationals. He emphasized that figures of oil transactions submitted to the Nigerian National Petroleum Corporation (NNPC) and Department of Petroleum Resources (DPR) are largely cooked up and that for a long time, the oil multinationals in Nigeria have practiced creative accounting accidentally fleecing the country of its enormous fortunes. Also, the management of African Petroleum Plc had used creative accounting to hide a debt of N23 billion during the privatization of the company (Proshare, 2009). This act is the antecedent of its share scandal.

In addition, Osazevbaru (2012) in a study “creative accounting and firms’ market value in Nigeria”, looked at the impact creative accounting could have on a firm’s value. Statistical evidence revealed that it can positively affect a firm’s value. This implies that most investors are not able to see through the financial illusion of creative accounting. Therefore, they act according to the prospect theory of Kahneman and Tversky (1986) which posits that individuals often tend to use cognitive heuristics when faced with the complex task of assigning probabilities to uncertain outcomes. This has some important implications for the enforceability of standards whether international or local. That business is not exempt from morality suggests that activities of account preparers as moral agents can be questioned. That created financial statement suits the purpose of the preparers, which makes it unfair to users and tend to undermine the authority of regulators. Akembor et al. (2012) in their study revealed that the major reason for creative accounting practices in Nigerian banks is to boost the market value of shares and that users of accounting information are adversely affected by the practice of creative accounting.

In Akpanuko et al. (2018) it was discovered that accounting creativity is euphemism and contributes 90% to the unfair reporting of firms operations. And that the creativity in those practices is motivated by greed and intended to deceive the public, potential investors and shareholders and increases the rate of enterprise failures at a decreasing rate. However, the study revealed that the many regulations without adequate checks, punishments and rewards complement creative accounting in providing the foundation for make-believe, cosmetic and unfair reporting.

Users of accounting information are being misled and this constitutes a threat to corporate investment and growth. The list of recent cases of creative accounting practices seems to be growing as many more corporate bodies in Nigeria are being investigated. The recent change of board members’ in Cadbury Nigeria was as a result of doctoring of accounts to cover up certain inadequacies or some unscrupulous deals perpetrated by management. The corporate failures of most Nigerian banks today and the arrest of some banks Chief Executive Officers by the Economic and Financial Crimes Commission (EFCC) are as a result of fraudulent financial reporting, which has affected the stability of the financial system. Creative accounting practice has been increasing in recent years in the Nigerian banking industry to attract unsuspecting investors, or obtain undeserved accounting-based rewards by presenting an exaggerated misleading or deceptive state of bank financial affairs. Company directors may keep an income-boosting accounting policy charge in hand to distract attention from unwelcoming news (Akembor et al., 2012).

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. 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 litigations. The term "Creative Accounting" 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. Creative accounting is recognized as a synonym for deceptive accounting. Creative accounting methods are noteworthy because they remain in use as generally accepted accounting principles, even though they have been shown to be deceptive in many cases. Every company in the United Kingdom is fiddling its profits; every set of published accounts is based on books which have been gently cooked or completely roasted. This deception is all in perfectly good taste; it is legitimate; it is creative accounting (Griffiths, 1992). So, creative accounting is an evil that we must beware of.

Creative Accounting and Corporate Failures

The Enron and several other scandals as mentioned earlier brought to fore the fact that a lot of companies' earnings are the result of accounting shenanigans. This discovery has not only cast doubt on the integrity of preparers of accounting reports but has also led to the loss of confidence in those who are supposed to check business executives as mentioned earlier. Viewed from an ethical angle, a large number of studies see the act as immoral with only a few offering a justification of the behavior on the basis of agency and positive accounting theories. The real cause of creative accounting lies in the conflicts of interest among different interest groups.

Managing shareholders' interest is to pay less tax and dividends. Investors and shareholders are interested in getting more dividends and capital gains. Country's tax authorities would like to collect more and more taxes. Employees are interested to get a better salary and a higher profit share. But creative accounting puts one group or two to an advantageous position at the expense of others. This has led Schiff (1993) to warn investors in general that taking a company's financial statements at face value can be 'a recipe for disaster'. Schiff (1993) has mentioned six of the many ways companies can manipulate their earnings: (i) hidden pension liabilities, (ii) capitalizing expenses instead of writing them off,

(iii) receivables or inventories growing faster than sales, (iv) negative cash flow, (v) consolidating owned subsidiary's income and net worth, with the impossibilities of receiving the same, and (vi) following seemingly conservative practices in a situation of reverse direction (for instance, if players of lower-priced LIFO - Last In First Out - coasted inventory are inflated and sold at current prices, current earnings power is overstated) (Akenbor et al., 2012). These manipulations have an adverse effect on the image and reputation of the accounting profession and should be discouraged using every legal means.

Domash (2002) in a speech before members of the Australian Society of Accountants, stressed that financial statements which inflate the performances of companies by manipulating figures through creative accounting should be stamped out as it puts the investor and other users of accounting information to great difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur. The message from this statement may now be stated to focus on the obvious effects of creative accounting practices: (i) There are companies on the stock exchange which shows inflated profit and better financial position in their creative accounting statement to attract investors; this creation of accounts just misguides and creates confusion. (ii) Some companies' prospectus may not always depict the reality of the financial position of the listed companies. (iii) The process adopted for creative accounting statements may hold out untrue hope to investors for a shorter period but cannot continue to succeed for a longer period and (iv) Ultimately, the concerned companies listed in the stock exchange collapse and the investors lose confidence in them and the stock market. Meaning, creative accounting practice is guilty of short-termism. It does not have long term merit and should be discouraged by professional bodies and government regulatory agents.

Therefore, the result of creative accounting is most times corporate failure. Corporate failure in itself refers to the inability of firms or corporate organizations to conform itself with its strategic path of growth and development to attain its economic and financial objectives as well as legal obligations (Akenbor & Ibanichuka, 2012). It also means businesses or firms' inability to achieve their own set objectives which could be due to a variety of factors which may include technological and economic factors, weak internal control system, and misappropriation of funds (Akembor & Ibanichuka, Ibid). They buttressed that, an organization is said to have experienced failure when it experiences low negative return, technical insolvency or bankruptcy. The most sympathetic of the consequences of creative accounting is the loss of public confidence in financial reporting which had affected businesses in all ramifications.

RESEARCH METHODOLOGY

This study adopts a survey method of research design and the population of the study is the staff of commercial banks in Nigeria. The study adopts quota sampling technique and the sampled members consist of twenty one (21) branch managers and twenty one (21) accountants of the twenty-one (21) consolidated commercial banks currently operating in Federal Capital Territory (FCT) Abuja, giving a total sample size of 42. The questionnaire was used as the main instrument for data collection. The questionnaire was designed in five response Likert-scale options and administered to Accountants and branch Managers of the sampled banks for the study. The data generated were presented in a tabular form and analyzed using mean scores and the hypotheses were statistically tested with Z-test. This is in line with the methods used by Osazevbaru (2012) and Munene (2014). The formula for calculating *Z* is as given below:

However, managers may choose to exploit their privileged position for private gain, by managing financial reporting disclosures in their own favor. The informational 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 set, indifference or an unwillingness to engage in the detailed analysis (the mechanistic or naïve investor hypothesis, discussed by Breton and Traffler, 1995). From a market efficiency perspective, such failures in understanding may not matter. Breton and Traffler (1995), pointed out in the conclusion to their study establishing that analysts perception of creative accounting devices is somewhat deficient, only a small number of effective accounting experts may be required for the market as a whole appropriately to process window dressed numbers. On the other hand, Healy and Wahlen (1999) found out that creative accounting prior to equity issues does affect share prices, suggesting that investors do not necessarily see through creative accounting. Therefore, the underpinning theory for this study is agency theory.

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Therefore, the result of creative accounting is most times corporate failure. Corporate failure in itself refers to the inability of firms or corporate organizations to conform itself with its strategic path of growth and development to attain its economic and financial objectives as well as legal obligations (Akenbor & Ibanichuka, 2012). It also means businesses or firms' inability to achieve their own set objectives which could be due to a variety of factors which may include technological and economic factors, weak internal control system, and misappropriation of funds (Akembor & Ibanichuka, Ibid). They buttressed that, an organization is said to have experienced failure when it experiences low negative return, technical insolvency or bankruptcy. The most sympathetic of the consequences of creative accounting is the loss of public confidence in financial reporting which had affected businesses in all ramifications.

RESEARCH METHODOLOGY

This study adopts a survey method of research design and the population of the study is the staff of commercial banks in Nigeria. The study adopts quota sampling technique and the sampled members consist of twenty one (21) branch managers and twenty one (21) accountants of the twenty-one (21) consolidated commercial banks currently operating in Federal Capital Territory (FCT) Abuja, giving a total sample size of 42. The questionnaire was used as the main instrument for data collection. The questionnaire was designed in five response Likert-scale options and administered to Accountants and branch Managers of the sampled banks for the study. The data generated were presented in a tabular form and analyzed using mean scores and the hypotheses were statistically tested with Z-test. This is in line with the methods used by Osazevbaru (2012) and Munene (2014). The formula for calculating *Z* is as given below:

$$\mathbf{Z} = \frac{\overline{X}_1 - \overline{X}_2}{\sqrt{\dfrac{(n_1-1)(S_1^2) + (n_2-1)(S_2^2)}{n_1 + n_2 - 2}\left(\dfrac{1}{n_1} + \dfrac{1}{n_2}\right)}}$$

Where:

Z	=	Z test
$\overline{X}$	=	Mean of the sample of Managers
$\overline{X}$	=	Mean of the sample of Accountants

S_2^1 = Variance of the sample of Managers
S_2^2 = Variance of the sample of Accountants
n_1 = Sample size of the Managers
n_2 = Sample size of the Accountants

Test of Hypotheses

The responses to the questionnaires administered were presented and hypotheses tested using Z test as presented in Appendix I and II. The results of the analysis are shown below:

$H_0$1: Creative accounting practice has no significant effect on corporate failure in Nigeria. We used the data generated to test this hypothesis as presented in **table 1**. The computed Z is **4.11** (see **Appendix I**).

Decision: We **r**eject H_0 since Z-computed (**4.11**) is greater than Z-critical value (**1.96**). This implies that creative accounting practices have a significant effect on corporate failures (commercial banks failure) in Nigeria and thereby adversely affect the stakeholders of accounting information.

$H_0$2: The reason for creative accounting practice of corporate organizations (commercial banks) in Nigeria is not to boost the market value of shares. This hypothesis was tested using the data generated and the result of the computed **Z** is **2.96** as presented in **table 2** (see **Appendix II**).

Decision: We reject H_0 since Z-computed (**2.96**) is greater than Z-critical value (**1.96**). This implies that the major reason for creative accounting practices in Nigerian corporate organizations (commercial banks) is to boost the market value of shares.

CONCLUSION AND RECOMMENDATIONS

This study seeks to know the effect of creative accounting on corporate failure and the reason(s) why firms indulge in creative accounting in Nigeria. Considering the result of the hypothesis tested and responses from respondents on other issues as supporting evidence, it is an axiom that most companies that indulge in creative accounting end up failing.

The tested hypothesis revealed that creative accounting has a negative impact on corporate survival. That is to say, it has in several instances led to the failure of several commercial banks and companies in other industries. Also, it was discovered in the second hypothesis that the major reason for creative accounting practices in Nigerian corporate organizations (commercial banks) is to boost the market value of shares. In this regard, the response of respondents to the issue of the impact of creative accounting on firm's value is significantly positive, but this could be guilty of short-termism as on the long run scandals will ensue. The positive impact on the firm's value is because most investors are not able to see through the financial illusion of creative accounting.

Our findings from the tests of the hypotheses are confirmatory and in agreement with Sanusi & Ezedonmi (2013), Akenbor & Ibanichuka (2012), Osazevbaru (2012), Osisioma & Enaharo (2006), Damash (2002), and Collingwood (1991) whose studies found that creative accounting precipitates corporate failure and that the major reason for the practices of creative accounting in Nigeria is to boost share value. Also, that creative accounting practice put the investor and other users of the accounting information to greater difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur.

Several companies worldwide indulged in creative accounting for several years, thereby hiding their deficiencies and ineffectiveness, but died at the end as portrayed by the 10 worst corporate accounting scandals of all time between 1998 to 2011 and even several other scandals to date. The truth is that such scandals have greatly affected the reputation and integrity of the accounting profession as the public has grossly loss confidence in financial reporting worldwide and Nigeria in particular.

Recommendations

Considering our findings, the study recommends the following:

- Accountants must increase or work on their moral values by putting into the highest practice their ethical code of conduct. This is because the value of all accountants is a function of the reputation of the profession. So, stopping creative accounting must be the duty of accountants and auditors by religiously following the generally accepted accounting and auditing principles and practices.
- The practice of forensic accounting which integrates accounting, auditing, and investigative skills should be embraced to discourage creative accounting.
- International Financial Reporting Standards (IFRS) should be embraced and implemented to streamline accounting principles and rules to reduce diversities of professional judgment in financial reporting and the concept of auditor independence should be religiously observed to achieve the global best practice in financial reporting.
- The public must also beware of the gimmicks and sharp practices by company accountants and thereby be careful in depending solely on the published financial statement in taking their investment decisions.
- Research and education are needed to update the accountants, to develop their initiative and innovations and to deal with challenging and growing business environment.
- Creative accounting practices should be considered as a criminal offense and therefore accounting bodies, law courts and other regulatory authorities need to adopt strict measures to stop the practice and punish offenders.

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