

## **EFFECT OF EARNINGS MANAGEMENT ON SHAREHOLDERS WEALTH OF DEPOSIT MONEY BANKS IN NIGERIA**

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### **ABSTRACT**

Earnings Management is a powerful indicator of firm's business activities. Since Company's stocks are measured by present value (PV) of its future earnings, investors and analysts look at earnings to determine the attractiveness of a particular stock. Companies with lower earnings prospect will typically have lower share price than those with good prospect. So, Earnings management plays a key role to determine the share price of a company as well as direct resource allocation in capital markets. This paper examined the effect of earnings management on shareholders wealth of Deposits Money Banks (DMBs) in Nigeria. For population of the study was made up of 15 DMBs listed on the Nigerian Stock Exchange (NSE) and a sample of 5 Banks were selected. The annual reports and accounts of the 5 DMBs were collected for a period of 5 years (2015- to 2019). Descriptive statistics and Regression analysis were used as techniques for data analysis. Total accrual (T.A) was construed to be the independent variable, whereas market price per share (MPS) and Earnings per share (EPS) were used as the dependent variables. The p value of the f statistics shows that there is no significant relationship between total accrual (TA) and earnings per share (EPS) and market price per share (MPS) of Deposits Monet Banks in Nigeria.

**Keywords:** Earnings Management, Total Accruals, Earnings Per Share, Market Price per Share, DMBs.

## **1. INTRODUCTION**

The issue of earnings management has been a matter of concern to financial market regulators, financial operators, investors and academic researchers. While the issue of earnings management has continued to receive attention due to the series of corporate failures in both developed and developing economies, especially the collapsed of Enron, WorldCom, the Tyco, the Xerox and the Wal.Mart Stores in the United States, the Holdmark Inc. in Netherlands, the Pharmalet plc in Italy, the Cadbury Sweets Confectionary in India and other high profile scandals, serving as the impetus to the U.S. regulations of Sarbanes-Oxley Act of 2002. The importance attached to accounting earnings by shareholders of any given organization cannot be over emphasized; as the entire fate of the organization and its shareholders depend on it. Furthermore, accounting as a field also has a stake to protect, owing to the fact that earnings are the last product of the whole accounting process.

Lea (2008) referred to earnings management as deliberate managerial efforts to manipulate reported earnings by using certain accounting methods or changing methods, recognizing non-recurring items, deferring or speeding up expenses or revenue, or using other techniques designed to influence short-term earnings. Hence, Baker & Powell (1999) on the other hand referred to it as an anticipatory step to avoid an in-default situation in a loan agreement, reduce the regulatory cost, and increase the regulatory benefit. Thus, it encompasses income smoothing behavior and also includes any attempt to alter reported income that would not occur unless management is concerned with the financial reporting implications.

Current global trend reveals that an examination into the practice of earnings management becomes even more salient following the current global trend of corporate failures that have bedeviled large organization such as Health South, Global Crossing, Parmalat, Hollinger, Adecco, TV Azteca, Enron, WorldCom (Ozkaya, 2014).

While Shareholders' wealth is simply the present value of expected return that Shareholders will get from companies that they have invested. Shareholders can benefit from their investments when the stock price appreciates or an increase in dividend payments. Market price of the company can be used as a proxy to measure the shareholders' wealth because it is always been used as a function for company's investment, financing and dividend decision (Azhagaiah & Priya, 2008). Dechow &

Dechev, (2002), stated that the fundamental and traditional objective of business organization is maximization of shareholders' wealth. Dechow & Dechev, (2002) further they explained that managers can create wealth by distributing cash flows generated by successful trading between dividend payments and retentions within the company and is supported by Sarwar (2013).

Shareholders wealth represents the present value of the expected future returns to the owners (that is, shareholders) of the firm. These returns can take the form of periodic dividend payments and/or proceeds from the sale of the stock. (Jensen, 2001). Idolo (2010), Shareholders wealth maximization (SWM) represents the overarching goal of the financial managers.

Similarly, in the face of the global economic meltdown caused by the dreaded Coronavirus (COVID-19) pandemic, corporate scandals and continuous financial distress of companies should be a matter of major concern, especially that the economic health of companies enhances general growth and development of nations. Jensen (2001), opined that the high-profile corporate failures in both developed and developing economies like the United States, Netherlands, Italy, India and other developing economies can better be imagined with the emergence of COVID-19 pandemic. If this opinion of Jensen (2001) is to be acknowledged, then; there is need to mitigate the practice of earnings management and corporate governance structures/mechanisms that affects the financial and economic health of companies. This paper is aimed at examining the effect of earnings management on shareholders wealth of DMBs in Nigeria. In a more specific term, the paper determined the effect of total accruals on earnings per share (EPS) and also to determine the effect of total accruals on market price per share (MPS) of DMBs in Nigeria. The scope of the study covered a period of Five years (2015-2019). The DMBs examined were limited to those that are listed on the Nigerian Stock Exchange so that there will be a complete set of financial statement for the period under review.

## **2. CONCEPTUAL ISSUES**

This section discussed concepts related to earnings management and shareholders wealth; the review also covered empirical issues as well as theoretical framework. The empirical review included the work of Palepu and Healy (1999), Jone (2011), Kothari, Leone & Wasley (2005), Dechow (2012), Idolor (2010), Kamau (2015), Nybuti (2015), Ozkaya (2014), Ogiedu & Odia (2013), Ogiedu & Odia (2013),

Kamau (2015), Nyabuti (2015), Ogiedu & Odia,(2013) and others; whereas the theoretical framework cut across various theories like the agency theory, stewardship theory, and stakeholders' theory that explain the concept of earnings management in relations to shareholders wealth were also reviewed.

### **Concept of Earnings Management**

Earnings management is used to describe a situation where the manager who is responsible for the preparation and presentation of the financial statements annual reports has access to more information than other stakeholders; this kind of situation usually creates an information asymmetry problem between managers and stakeholders, which is caused by imperfect markets where the stakeholders do not have all the correct necessary information on a timely basis.

The recent conception of earnings management is the one given by Palepu and Healy (2007) which referred to it as the deliberate use of management's discretion to make accounting choices or to design transactions so as to affect the possibilities of wealth transfer between the company and society (political costs), funds providers (cost of capital) or managers (compensation plans)." In contrast, Palepu and Healy (2007) had earlier argued some earnings management are not carried out with the intention of manipulating earnings but that some accounting choices are driven by the signaling or formativeness role of earnings management which is ordinarily aimed at informing outsiders of the changing business. Prior literatures like Healy (1999) shows that managers use earnings management to increase reported earnings in order to get more bonuses in their compensation plan. DeAngelo (1986) reports that managers use income-decreasing accruals to understate reported earnings so that they can implement the management buyout program with cheaper stock price.

Therefore, earnings management is a strategy used by the management of a company deliberately or intentionally to manipulate the company's earning (Window dress) to mislead stakeholders about the organization's underlying performance

### **Features of Earning Management**

The first feature of earnings management behavior as disclose by Jone (2011) is the purposeful and deliberate actions taken by management with the ultimate goal to alter reported earnings. Thus, earnings management is different from unintentional errors, such as accountant mistakenly entering incorrect numbers.

The second feature shows that earnings management can be achieved through the accounting system or business transactions of the company. Which is known as accounting- based earnings management. As a matter of fact, when managers adopt this method, the reported earning is artificially affected. Moreover, it can also be achieved by making changes between acceptable accounting methods, such as the opportunity to affect changes from the LIFO to FIFO, or weighted-average for inventory valuation. (Levitt, 1998)

Also, earnings management as it attempts to manage cash flows and thus the revenues and expenses associated with operations. This involves manipulating real transactions to alter reported earnings by designing them in such way that the desired result can be obtained. Examples of this techniques include reducing prices, changing production, discretionary expenditures, and SGA (Selling, General and Administrative expenses), and debt-equity swaps (Jensen 2001).

#### ***Determinant of Earnings Management***

There are numerous studies about earnings management in accounting and financial research. In those studies, the different measurements of earnings management are used in the analysis. One of the most popular measurements is known as discretionary accruals that are used to measure management discretion in earnings reporting using the accrual accounting technique. The use of accrual-based earnings management in accounting and financial literatures becomes well-known in Healy's (1999) paper. Many researchers have used this accrual-based earnings management measurement in their finance and accounting researches. Thereafter, the original 2013 Capital Market Research Institute, The Stock Exchange of Thailand 2013 discretionary accruals. The Jones model becomes the most popular model that is commonly used in the literature about earnings management McNichols, (2000).

De Fond & Jiambalvo (1994) proposed the use of cross-sectional regression to estimate the discretionary accruals. The cross-sectional regression is estimated for each industry. The deviation of firm's accruals from the normal level of accruals estimated by all firms within the industry is used as discretionary accruals. Dechow, Sloan, & Sweeney (1995) have proposed the modification to the original Jones model. The Jones model uses the change in revenue as one factor to determine the normal level of accruals or non-discretionary accruals.

Baker & Powell (1999) evaluated various discretionary accruals model to see their ability to detect earnings management. They use both univariate test and multiple logistic regressions in order to justify which model can distinguish between firms with unqualified audit report and firms with qualified audit report (that is the sign of managerial earnings management). Dechow & Dechev (2002) studied about the quality of accruals and earnings. The residuals from this regression reflect the quality of accruals.

Kothari, Leone, and Wasley (2005) introduced the performance-matched discretionary accruals. The deviations from the normal level of accruals or non-discretionary accruals based on Jones and modified Jones model may not be totally from the management discretion but from the change in firm performance. Dechow, (2012) have improved the accrual-based earnings management model by including the information about the reversal of accruals. Previous researches have shown that the accruals from one period will reverse in another period.

### **Concept of Shareholders Wealth**

Wealth of shareholders and other stake holders is part of the main goals of companies. Shareholders wealth maximization cannot be achieved without a resource to the functions-financing, investment, divided and liquidity divisions. Financing decision have implication for the cost of capital and the consequent optimization of returns; the way the finance of the firm is managed determines to a large extent its survival and growth (Idolor , 2010):

Therefore, the present study is aim to study how far the dividend payout has impact on shareholders wealthy. Shareholder wealth is defined as the present value of the expected future returns to the owners (that is, shareholders) of the firm. These returns can take the form of periodic dividend payments and/or proceeds from the sale of the stock. Shareholder wealth is measured by the market value (that is, the price that the stock trades in the market place) of the firm's common stock.

Profit maximization typically is defined as a more static concept than shareholder wealth maximization. The profit maximization objective from economic theory does not normally consider the time dimension or the risk dimension in the measurement of profits. In contrast, the shareholder wealth maximization objective provides a convenient framework for evaluating both the timing and the risks associated with

various investment and financing strategies. Jensen (2001). The goal of shareholder wealth maximization is a long-term goal. Shareholder wealth is a function of all the future returns to the shareholders (Jensen, 2001). The separation of ownership and control in corporations may result in management pursuing goals other than shareholder wealth maximization, such as maximization of their own personal welfare (utility). Concern for their own self-interests may lead management to make decisions that promote their long-run survival (job security), such as minimizing (or limiting) the amount of risk incurred by the firm. (Lea, 2008).

#### ***Determinant of Shareholders Wealth***

Shareholders' wealth is influenced by various factors like earnings per share (EPS), Price earnings ratio (P/E), dividend per share (DPS) and market value per share (M/V) are discussed in details below.

(a) *Price earnings Ratio (P/E) Ratio*: The price-earnings ratio (P/E Ratio) is the ratio for valuing a company that measures its current share price relative to its per-share earnings. In general, a high P/E suggests that investors are expecting higher earnings growth in the future compared to companies with a lower P/E. A low P/E can indicate either that a company may currently be undervalued or that the company is doing exceptionally well relative to its past trends.

(b) *Dividend per Share (DPS)*: Dividend per share (DPS) is the sum of declared dividends for every ordinary share issued. Dividend per share (DPS) is the total dividends paid out over an entire year (including interim dividends but not including special dividends) divided by the number of outstanding ordinary shares issued. Dividends per share are usually easily found on quote pages as the dividend paid in the most recent quarter which is then used to calculate the dividend yield. The total number of ordinary shares outstanding is sometimes calculated using the weighted average over the reporting period.

(c) *Market value per share (M/V)*: The market value per share or fair market value of a stock is the price that a stock can be readily bought or sold in the current market place. In other words, the market value per share is the "going price" of a share of stock. The stock market and economy change every day and with it comes fluctuations in company stock prices.



A stock's market value is largely influenced by not only the economy as a whole but also investors' predictions and expectations. Many companies try to maintain their stock prices by issuing dividends to shareholders. General Electric is a great example. GE issues regular dividends to shareholders and has for decades.

### **Review of Empirical Studies**

Under this section, empirical studies related to the variables were reviewed like: Kamau (2015), Nybuti (2015) Ozkaya (2014) and Ogiedu and Odia (2013), Ogiedu & Odia (2013), Baker and Powell (1999), Ogiedu & Odia, 2013).

#### ***Empirical Studies related to Earnings Management***

Kamau (2015) were analyzing earnings management among listed companies in the Nairobi Stock Exchange in Kenya. The study concluded that there were significant variances in discretionary accruals for various sectors. It was evident that there is a high probability that earnings management could be happening within the sectors. Telecommunication and technology sectors showed the highest probability of earnings management practices while automobile and accessories sector indicated lowest likelihood of the practices. It confirmed the practices through earnings management across all the sectors for firms listed in the Nairobi Stock Exchange.

Nyabuti (2015), investigated earnings management practices in Kenya and their effect on the financial performance of companies listed in the Nairobi Stock Exchange. They used a sample of 30 companies using purposive sampling. They found out that a strong relationship exists between the variables (earnings management and shareholders wealth) among listed companies in Kenya. Ozkaya, (2014), focused on earnings management practices of government by measuring hidden debts of the Turkish public sector during the period 1989 to 2010. The research showed that the stabilization programme 1999 of IMF through its first and third pillar was adversely affected by the extent of hidden debts and liabilities. Ogiedu and Odia, (2013), dealt with the impact of earnings management and regulatory activities of Nigerian Accounting Standards on earnings management practices in Nigeria. The population comprised parties concerned with accountants, users of financial information and regulatory agencies in Nigeria. The response rate of the study was 59%. They stated that earnings management accounting has some positive indicators for example smoothing of incomes whereas the negative indicators deceive users of companies' reports.



### ***Empirical Studies related to Shareholders Wealth***

Ogiedu and Odia (2013) carried out a study on Shareholders Wealth and used return on equity (ROE) as one of the factors to determine the shareholders wealth. Findings were made that return on equity is positively correlated with shareholders wealth. Financial leverage usually used by companies to increase their shareholders' return during a good economy condition and a common measure used for financial leverage is debt to equity (DTE) ratio. Similarly, findings by Ogiedu & Odia (2013) show that financial leverage of automotive cluster of Indian company has no influence on the shareholders' return. Their studies concurred with Manjunatha (2013) that found no relationship with leverage and shareholders' return.

Baker and Powell (1999) in a survey that firm value and wealth of shareholder is affected by dividend policy. The value of the firm will be maximized by high dividend yield according to the theory. As a result, investors will receive constant return on their investment which will increase their confidence.), Ogiedu & Odia (2013) compared market value added and economic value-added using accounting criteria in Tehran stock exchange. The found that it is better to use economic value added as internal/external evaluation index because of its strong relation with market value added.

### **Theoretical Framework**

There are several theoretical perspectives on earning management. These theories include: agency theory, stewardship theory, resource transaction cost theory, organization theory, stakeholder's theory, and political theory.

#### ***Agency theory***

The principals delegate the running of the business to directors or managers (who are the shareholders agents) (Ogiedu & Odia, 2013). Thus, agency problems can arise when one parts (the principals') contracts with another part (the 'agents') to make decisions on behalf of the principals. According to Kamau (2015), agency problem is concerned with the consumption of perquisites by managers and other types of empire building. The major factors which influence the prominence of agency theory. First, the theory is conceptual and simple one that reduces firm to two participants: managers and shareholders; and second, the theory suggests that employees or managers in firms can be self-interested (Lubatkin, 2005). However, Lea (2018) argues that the remedy to agency problems within corporate governance

involve acceptance of certain agency costs as either incentives or sanctions to align both the executives' and shareholders' interests.

### ***Stewardship Theory***

Stewardship theory postulates that managers are motivated by a desire to achieve and gain intrinsic satisfaction by performing challenging tasks; hence, their motivation transcends mere monetary considerations. Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns (Ogiedu & Odia, 2013). Unlike agency theory, stewardship theory emphasizes the role of top management as stewards because they are expected to integrate their goals as part of the organization. Daily et al. (2003) argue that executives and directors are inclined to protect their reputations by ensuring that their organizations are properly operated to maximize financial performance. Managers are expected to maximize investors profit and to establish a good reputation to enable them retain their positions. Thus, stewardship theory advocates unifying the role of the CEO and the Chairman to reduce agency costs (Ogiedu & Odia, 2013). Furthermore, Ogiedu & Odia (2013) highlights five components of the management philosophy of stewardship:

### ***Stakeholder Theory***

The stakeholder theory advocates that managers in organization have a network of relationships to serve; this include employees, shareholders, suppliers, business partners and contractors. The theory is developed by Jensen (2001). The theory is at variance with agency theory which advocates that there is contractual relationship between managers and shareholders; whereby managers have the sole objective of maximizing shareholders wealth. Stakeholders are "any group or individual that can affect or is affected by the achievement of a corporation's purpose" (Jensen, 2001). To ensure adequate protection of stakeholders' interest,

Stakeholder theory proposes the representation of various interest groups on the organizations board to ensure consensus building, avoid conflicts, and harmonize efforts to achieve organizational objectives Ogiedu & Odia (2013). Stakeholder theory have been criticized for over saddling managers with responsibility of being accountable to several stakeholders without specific guidelines for solving problems associated with conflict of interests. Therefore, the underpinning theory in this study is Stewardship theory, because the theory postulates that managers are motivated by

a desire to achieve and gain intrinsic satisfaction by performing challenging tasks; hence; their motivation transcends mere monetary considerations. Stewardship theory recognizes the need for executives to act more autonomously to maximize the shareholders returns.

### 3. METHODOLOGY

This study employed the ex-post facto research design because documentary data of the study population is used which is extracted from the annual reports and accounts of the sampled deposit money banks in Nigeria for the period 2015-2019.

#### Population and Sample Size of the Study

The population of this study comprised of the Fifteen (15) DMBs in the Nigerian banking industry listed on the Nigerian Stock exchange as given in the Table 1 below.

**Table 1**  
**Study Population**

S/N	NAME	YEAR OF INCORPORATION	YEAR OF LISTING
1.	Access Bank Plc	1989	1998
2.	Eco Bank Plc	1985	2006
3.	Fidelity Bank Plc	1988	2005
4.	First Bank Plc	1894	1979
5.	First City Moment Bank Plc	1982	2004
6.	Guarantee Trust Bank Plc	1990	1996
7.	Sky Bank Plc	N/A	2005
8.	Stanbic Bank Plc	1991	N A
9.	Sterling Bank Plc	1993	2016
10.	Union Bank Plc	1917	1971
11.	United Bank of Africa Plc	1961	1970
12.	Unity Bank Plc	1997	1992
13.	Wema Bank Plc	1945	1990
14.	Zenith Bank Plc	1990	2004
15.	JAIZ Bank PLC	2003	2016

**Source:** Generated by the Researcher from NSE Fact book (2019)

Table 1 presents the study population of the companies that have been listed in Nigeria stock exchange on or before January, 2014 and remain listed till December,

2019, the company is engaged on shareholders wealth for the period under the study. These samples are established with a view to ensuring that the Deposit Money Banks (DMBs) have their published financial statements for the period covered by this study. Where Access bank PLC fully acquired Diamond bank PLC before the period under this study, therefore Diamond is excluded from the study working population. And the study population reduce to fifteen (15). Sample size of study is presented in Table 2 below.

**Table 2**  
**Sample Size of the Study**

S/N	NAME	YEAR OF INCORPORATION	YEAR OF LISTING
1	Access Bank plc	1989	1998
2	First Bank plc	1894	1979
3	Unity Bank plc	1997	1992
4	United Bank for Africa	1961	1970
5	Guaranty Trust Bank plc	1990	1996

**Source:** Generated by the Researcher from Table 1

The basis for the selection of the Sample size was:

- i. A bank under study must have been listed on the floor of the Nigerian Stock Exchange on or before, January 2015 so that it will have a complete set of annual reports for the study period of 2015 to 2019.
- ii. The company under study must have published it financial statements for each of the year within the period under consideration (2015 to 2019).

### **Variable of the Study and Model Specification**

The dependent variable of the study is Shareholders Wealth, proxied by earnings per share (EPS) and market price per share (MPS). The independent variable of the study is earnings management, proxied by total accruals (TA). From the dependent and independent variables of the study, the following model specification emerged.

$$EM = SW$$

$$EM = \beta Mps + \beta Eps + \bar{E}$$

Where: EM= Earnings Management

SW= Shareholders Wealth

MPS= Market Price Per share

EPS = Earnings Per share

$\beta$   $\beta$  = Beta Coefficients

$\bar{E}$ = Error of term

#### 4. DATA ANALYSIS AND DISCUSSION

The analysis was based on secondary data obtained from annual financial report of DMBs. The data was collected for the financial periods of 2015, 2016, 2017, 2018 and 2019. The relationship between the variables was ascertained by descriptive statistics and multiple regressions (MLS) analysis.

##### Descriptive Statistics

The descriptive statistics is presented on Table 3 below:

**Table 3**  
**Descriptive Statistics**

Variable	Obs	Mean	Std. Dev.	Min	Max
Earnings Management	25	.2472	.2351865	.04	.88
Earnings per Share	25	.1076	.0921177	.01	.41
Market Price per Share	25	.1128	.105298	0	.4

**Source:** Generated by the Researcher from Descriptive Statistical Results

As presented in Table 1.3 the average value of the earnings management of the firm's measure by total accrual EM, for 25 observations was 24.72 percent (0.2472) with a standard deviation of 0.2351865, maximum value of 0.88 and 0.04 minimum value.

##### Testing of Hypothesis

**H01:** There is no significant relationship between total accrual and earnings per share in Nigerian Money deposit Banks.

The EM has a probability of 0.070; this implies that there is no significant effect of earnings management on earnings per share since the probability is higher than 5%. We then accept the null hypothesis.

**H0<sub>2</sub>:** There is no significant relationship between total accruals and market price per share in Nigeria Money deposit Banks.

The EM has a probability of 0.548; this implies that there is no significant effect of earnings management on market price per share since the probability is higher than 5%. We then accept the null hypothesis.

**Table 1.4 Regression Result**

Earnings Management	Coef.	Std. Err.	t	P> t	[95% Conf. Interval	
Earnings per Share	-.486353	.5045677	-2.95	0.070	-.4399435	2.532762
Market Price/Share	-.2691186	.4414102	-0.61	0.548	-1.184547	.64631
_Cons	.117625	.0696121	1.69	0.0340	-.0267417	.2619917
R squared	0.9281					
P value	0.0000					

**Source:** Generated by the Researcher from Multiple Regression Result

Table 4 presents the data findings on the earnings management regression model. According to the model above shows that a unit positive change in Earnings Management will result to a negative change of -0.2691186 in MPS and -0.486353 in EPS.

$$EM_t = -0.2691186MPS_t - 0.486353EPS_t + et$$

Given the R- square of 0.9281, the regression co-efficient indicates that about 93% of the changes in the dependent variable are explained by the changes in the independent variables.

## **5. CONCLUSION AND RECOMMENDATIONS**

### **Conclusion**

There is no significant effect of earnings management on shareholders wealth. This finding implies that as earnings management increases, the earnings of deposit money banks are not affected. The findings are consistent with the findings of Atu, Atu, Enegebe and Atu (2016) on Determinants of Earnings Management in Nigerian Quoted Companies, which reveals that there is no significant relationship between ROA and earnings management.

There is no significant effect of earnings management on shareholders wealth. This finding is not consistent with the proposition (a priori expectation). The implication of the findings is that even with the presence of earnings management, the wealth of shareholders (in terms of earnings per share and market price per share) is still maximised and it can be inferred that other factors may impede on the actualization of shareholders wealth maximization. This finding is consistent with the findings of Saleem and Alifiah (2013) cited in Sawar (2013) that there is no significant effect of earnings management on dividend policy.

### **Recommendations**

The following recommendations are made:

- i. Adoption of international financial reporting standard (IFRS) must be embraced by all companies in Nigeria. This will eliminate the use of Judgment estimation and prediction in the treatment of certain entries in financial reporting, e.g. extra ordinary items.

Accounting practice and scandal can destroy any institution, there is the need to restore integrity and public confidence to accounting operations, the accountants should be strengthened to respond quickly to the egregious abuses and malpractice in the world of business and impose sanctions on offenders.

- ii. The urgent need for monitoring in order to raise the quality of financial reporting in Nigeria. Greater emphasis should be placed on enforcement of code of corporate governance and ethics. Proper enforcement of changes in accounting regulation, ethical standard and governance code by regulatory authorities will prevent companies from employing misleading reporting practices of creative accounting.



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