# “Regulatory agencies and creative accounting practices in Nigeria”

| | |
|---|---|
| **AUTHORS** | Paul Olojede http://orcid.org/0000-0003-3584-3166<br>Francis Iyoha<br>Ben-Caleb Egbide http://orcid.org/0000-0003-2188-2535<br>https://www.webofscience.com/wos/author/rid/AAS-9730-2020<br>Olayinka Erin https://orcid.org/0000-0002-9624-6018 |

| | |
|---|---|
| **ARTICLE INFO** | Paul Olojede, Francis Iyoha, Ben-Caleb Egbide and Olayinka Erin (2020). Regulatory agencies and creative accounting practices in Nigeria. *Problems and Perspectives in Management*, *18*(3), 465-478. doi:10.21511/ppm.18(3).2020.38 |
| **DOI** | http://dx.doi.org/10.21511/ppm.18(3).2020.38 |
| **RELEASED ON** | Monday, 12 October 2020 |
| **RECEIVED ON** | Thursday, 20 February 2020 |
| **ACCEPTED ON** | Wednesday, 03 June 2020 |



| | |
|---|---|
| **JOURNAL** | "Problems and Perspectives in Management" |
| **ISSN PRINT** | 1727-7051 |
| **ISSN ONLINE** | 1810-5467 |
| **PUBLISHER** | LLC “Consulting Publishing Company “Business Perspectives” |
| **FOUNDER** | LLC “Consulting Publishing Company “Business Perspectives” |

BUSINESS PERSPECTIVES

LLC "CPC "Business Perspectives"
Hryhorii Skovoroda lane, 10,
Sumy, 40022, Ukraine

www.businessperspectives.org

**Paul Olojede** (Nigeria), **Francis Iyoha** (Nigeria), **Ben-Caleb Egbide** (Nigeria), **Olayinka Erin** (Nigeria)

# REGULATORY AGENCIES AND CREATIVE ACCOUNTING PRACTICES IN NIGERIA

## Abstract

Regulation and regulatory agencies are to serve as external control mechanisms to ensure that the financial statements provide a fair view of the company's operating performance and financial position, free of any unethical practice and suitable for all stakeholders' needs. Despite the increasing importance of regulatory agencies in enforcing compliance with the standards and laws, it occupies a limited space in accounting research. This study, therefore, investigated the impact of regulatory agencies on creative accounting practices. The study used descriptive and survey research design to achieve its aim. It employed a multi-stage sampling technique, also questionnaires were distributed among 405 respondents consisting of preparers of accounts, users of accounts, and regulators. Out of the number distributed, the respondents returned 241 copies, and all of them were found suitable. The study used Ordinary Least Squares (OLS) to analyze the data and test the hypothesis. The empirical findings showed that the regulatory agencies jointly show a significant impact on creative accounting practices, but the level of contribution to the overall impact by each regulatory agency varies. The study concludes that Nigeria's regulatory agencies are weak and inefficient in enforcing compliance with the relevant rules. The study recommends that the institutional capacity of the regulatory agencies should be strengthened by enforcing compliance with financial reporting rules and regulation. Most of these agencies should develop capacity in the areas of manpower, information technology infrastructures, and funding.

**Received on:** 20th of February, 2020
**Accepted on:** 3rd of June, 2020
**Published on:** 12th of October, 2020



Paul Olojede, Ph.D. Student, Department of Accounting, Covenant University, Nigeria. (Corresponding author)

Francis Iyoha, Ph.D., Professor, Department of Accounting, Covenant University, Nigeria.

Ben-Caleb Egbide, Ph.D., Senior Lecturer, Department of Accounting, Landmark University, Nigeria.

Olayinka Erin, Ph.D. Student, Department of Accounting, Covenant University, Nigeria.

**Keywords** accounting information, creative accounting practices, financial reporting, information theory, regulatory agencies, Nigeria

**JEL Classification** M41, M48

## INTRODUCTION

Nigeria's position as the largest economy in Africa makes it a cynosure of many investors and the economy is on the boardroom agendas of many companies worldwide. Thus, the dissemination of timely and reliable accounting information becomes an essential ingredient for making and evaluating the decisions about the allocation of scarce financial resources and by extension, attracting foreign direct investments (FDIs) and further development of the Nigerian Stock Exchange, which has a current market capitalization of about N13.20 trillion as of November 30, 2017 (NSE Fact Sheet, 2017). Enhancing the quality of financial reporting through the reduction of creative accounting practices is one of the ways the business environment can be made more conducive and attractive for business in line with the Federal Government policy of 'Ease of Doing Business'.

An efficient and vibrant capital market, in turn, becomes an engine for economic growth and development. However, the magnitude of the corporate failures in the last few years has shown that the accounting information failed to represent the 'economic substance' of the companies faithfully in terms of relevance, reliability, and comparability. The accrual accounting system under both GAAP and IFRS permits considerable discretion in recognizing the timing and amount of operating revenue



**Conflict of interest statement:**
Author(s) reported no conflict of interest

and expenditure (Kothari, Leone, & Wasley, 2005). The exercise of choice and professional judgment in accounting is often abused by failing to disclose useful information and hacking of accounting numbers. The essence is to present better operating performance (or understate profit to reduce tax) and a healthier financial position. Consequently, users of accounting information are deceived into making wrong economic decisions, which are inimical to preserving in corporate investments (Osisioma & Enahoro, 2006; Akenbor & Ibanichuka, 2012). Most of the financial reports could not provide timely information to the users, and the 'going concern' threats to the business were hardly revealed. This phenomenon sharpens the concerns of the investors and other stakeholders regarding accounting irregularities and the quality of financial reports. In particular, concerns were raised about the earnings management shenanigans, bad corporate governance, and weak institutional framework in the corporate institutions (World Bank, 2011). Frequent financial scandals do not only undermine the integrity of the preparers of the accounts but also lead to loss of confidence in those who are supposed to give credence to the reports and enforce compliance. This situation is exacerbated by the fact that cases of creative accounting referred to the appropriate professional bodies in Nigeria for disciplinary action were not resolved favorably for the investors' confidence to be restored (Bakre, 2007).

Regulation and state agencies are to serve as an external control mechanism in ensuring that financial information provides a fair view of the company's performance and financial position, free of any unethical practice and suitable for all stakeholders' needs. This is done through the formulation of rules, compliance, and enforcement. Therefore, designing and executing a macro-financial reporting template for a country is important. Otherwise, there is a tendency for firms to use different accounting rules, principles, or methods to generate different sets of financial statements that hardly pass the comparability test (Addis, 2009). Surprisingly, the regulatory reforms of recent years have failed to eliminate or reduce the firms' creative accounting practices. One critical observation is that the corporate governance codes in Nigeria were developed using the Anglo-Saxon template without considering the peculiarities in the business environment. The Anglo-Saxon governance codes cannot be applied to Nigeria, where there is a culture of impunity, disrespect for the rule of law, and weak legal and institutional framework.

Most of the previous works on creative accounting practices used internal corporate governance mechanisms as proxies, whereas the market failures of recent years have made self-regulation through the board of directors ineffective. Those charged with governance (directors) who are supposed to engender good corporate governance have been culpable in most financial scandals (Bakre, 2007). The major criticism against the SEC and FRCN codes of corporate governance is that they ultimately rely on self-regulation, and, therefore, lack mandate for implementation because compliance is voluntary (comply or explain). Moreover, the extant literature showed that the relationship between corporate governance mechanisms and creative accounting practices in a turbulent period is not a priori clear because of the deliberate action of the directors to make internal corporate governance mechanisms ineffective (Constantatos, 2018). Despite the increasing importance of regulatory agencies, few studies had investigated the relationship between regulatory agencies and creative accounting practices in Nigeria. The objective of the study is to investigate the impact of regulatory agencies on creative accounting practices in Nigeria.

# 1. LITERATURE REVIEW AND HYPOTHESIS

## 1.1. Creative accounting practices and financial reporting quality

The financial statements are the medium for reporting on an enterprise's operating performance, financial position, and change in its financial position. The accounting information generated by the financial statements enables the users to make informed economic decisions (Odia & Ogiedu, 2013). The ability to meet the needs of various stakeholders determines the value of financial information (Khanagha, 2011). Accounting information is considered useful when it is free of bias and can represent the firm's economic substance in terms of relevance, reliability, and comparability (Spiceland, Sepe, & Tomassini, 2001). Financial reporting is



http://dx.doi.org/10.21511/ppm.18(3).2020.38

supposed to aid transparency, eliminate agency conflict, and reduce information asymmetry. In the choice of accounting policies, however, the use of discretion is allowed in the measurement and estimation of costs and revenues. This is not a fundamental flaw if it is not abused through earnings management (Akenbor & Ibanichuka, 2012; Shehu, 2011; Kothari, Leone, & Wasley, 2005). In practice, this is often not the case. The abuse comes through the failure to disclosure useful information and hacking of accounting numbers. The essence is to present better operating performance (or understate profit to reduce tax) and a healthier financial position. Consequently, users of accounting information are deceived into making wrong economic decisions, which are inimical to preserving their investments (Osisioma & Enahoro, 2006; Akenbor & Ibanichuka, 2012; Olojede et al., 2020).

Creative accounting refers to the accounting practice that follows the letter of rules of standard accounting practices but certainly deviates from the spirit of those rules (Jameson, 1998; Assif, Junaid, On, & Md, 2016). Creative accounting practices do not contradict any law, but, in most cases, undermine the quality of financial reports. They can be examined from two perspectives: positive and negative. The creative accounting is perceived to be positive when the changes in the financial statements produce a true position that affects shareholders positively (Beidleman, 1973; Lipe, 1990), whereas negative accounting occurs when the financial statements are window-dressed to deceive the potential investors into making wrong investment decisions (Viadu & Matis, 2010). The study will be concentrating on negative creative accounting practices because they have been responsible for many of the corporate failures and, therefore, pose a serious threat to the accounting profession, regulatory agencies, and entire business community.

## 1.2. Regulation and regulatory agencies

Regulation is often construed as an interventionist instrument used by the government to control the social and economic activities when they are conducted against the social norms and public interest. Moreover, when considering the myriads of regulations released following the global economic crisis of 2008. There is a close relationship between regulation and the existence of a regulatory agency. Baldwin and Cave (1999, p. 2) describe regulation as a "sustained and focused control exercised by a public agency over activities valued by a community". The definition does not only refer to the public agency but also emphasizes the sustained and focused nature of regulation. Regulation is a continuous exercise that will normally involve the formulation of rules, monitoring, compliance, and enforcement. The definition also recognizes the separation of roles between regulatory agencies and state legislative bodies. While the definition is appropriate in many respects, it assumes that regulation is a public activity conducted by the public agency, whereas other rules are business and civil. The definition also fails to state clearly the nature of focused control the public agency applies. One of the attributes of any legal instrument is that compliance by individuals or organizations is mandatory; otherwise, there will be penalties or sanctions. From this perspective, regulation is a conscious intervention by the government in areas where there is a monopoly. This seems applicable to accounting practice in Nigeria, where monopoly and self-regulation have been the norm over the years (Iyoha, Ojeka, & Ajayi, 2014). Market imperfection can also induce regulation or government intervention, especially where there is information asymmetry because of the managers' vantage position.

Nevertheless, as the market is not perfect, so is the government (Bushman & Landsman, 2010). Regulation can have both positive and negative consequences (Jamal, 2001, p. 1). Where there are strict penalties against unethical behaviors, the culprits can device cleverer means of escape and, by so doing, engage in more serious fraudulent practices. This proposition does not contradict the fact that many of the extreme financial scandals around the world (Enron, WorldCom, and others) took place in a highly regulated environment like the United States. Iyoha (2011) observed that the main concern of the various stakeholders is whether the rules and standards by the regulatory agencies create more transparency in reporting or whether they create a situation whereby the managers look for loopholes, and the regulators are faced with the task of frequent changes in the rules and standards.

From the foregoing, regulatory agencies are established by the acts of parliament to enforce compliance with specific laws. They act as agents of social change by interpreting and giving direction to other stakeholders, as revealed in the enactment of FRCN Act 2011. This role can be twofold. First, the regulatory agency may serve as a stabilizing force for the companies against any potential pressure for change from the public. This provides particular companies enough opportunity to react to public pressures. Second, the agency may facilitate change where the authority is committed to bringing about changes in the industry practices (Post & Mahon, 2000, p. 400). State institutions have also been identified as major players in determining the quality of financial reporting (Haw, Hwang, & Wu, 2004). North (1990) defined institutions as the mechanism devised to control human behaviors in interacting with others. They are to enforce compliance with the existing rules in society. That is the rules that govern the actions of all participants in the social contract. Notwithstanding the weaknesses of these institutions, their primary role is to discourage the opportunistic behaviors of the participants in an exchange relationship. However, effective reconstruction of accounting is not feasible, except the legal and social structure in the environment where it operates is reformed. In Nigeria, for example, some of CAMA 2004 provisions are obsolete and contradict IFRS. There is an urgent need for an amendment to the Act.

## 1.3. Regulatory frameworks in Nigeria

Despite the entrenchment of both rule-based and principle-based regulations in the Nigerian regulatory system, the market still lacks confidence in the existing corporate governance regulatory system (Osemeke & Adegbite, 2016; Inyang, 2009; Okike, 2007). The regulation of accounting and corporate governance practices in Nigeria is made using the appropriate laws. The laws include Companies and Allied Matters Act (CAMA) 2004, Banks and other Financial Institutions Act (BOFIA) 1991, Securities and Exchange Commission Rules and Regulations 1999. There are others like Insurance Act 2003, Investment and Securities Act 1999, Nigerian Accounting Standards Board (NASB) Act 2003, now replaced by Financial Reporting Council of Nigeria Act 2011, among others. Aside from the legal rules, there are also Corporate Governance Codes, which include SEC Code of Corporate Governance 2003 (replaced in 2011), CBN Code of Corporate Governance 2006, PENCOM Code of Corporate Governance 2008, NAICOM Code of Corporate Governance 2009, FRCN Code of Corporate Governance 2016. The National Corporate Governance (NCC) Code 2018 replaced the FRCN Code of Corporate Governance, 2016. Besides, there are also accounting standards. Before the adoption of IFRS in 2012, NASB was responsible for the setting and compliance of Nigerian Statement of Accounting Standards (SAS).

## 1.4. Regulatory agencies in Nigeria

The underlisted regulatory agencies have been found most suitable and relevant for the study. Hence, regulatory agencies in Nigeria are not limited to those discussed in this section.

### *1.4.1. Securities and Exchange Commission (SEC)*

The apex regulatory institution in Nigeria responsible for the capital market is Securities and Exchange Commission. This regulatory agency was established through the enactment of SEC Act 1979 (replaced by SEC Act 1998), while the Investment and Securities Act 1999 (replaced by ISA Act 2007) facilitated its activities (World Bank, 2011). The Commission specifies and regulates corporate reporting in the public companies in Nigeria. Besides, Section 63 of ISA 2007 empowers the auditor of a public company to review the internal system and report on the strength (World Bank, 2011). The ISA 2007 also gives SEC the right to regulate investments and securities business and ensures the prompt filing of periodic and annual accounts.

### *1.4.2. Professional accounting organizations (PAO)*

There are two professional accounting organizations in Nigeria: the Institute of Chartered Accountants of Nigeria (ICAN) and the Association of National Accountants of Nigeria (ANAN). The ICAN Act No. 15 of 1965 established ICAN, while ANAN received its legal status from the ANAN Act No. 76 of 1993. The establishment of ANAN broke the monopoly


http://dx.doi.org/10.21511/ppm.18(3).2020.38

of ICAN. Although these two organizations were established at different times and by different Acts, they have a similar charter. Their responsibilities include the regulating the accounting profession, educating and training members, reviewing and issuing auditing standards, and disciplining members for unprofessional conduct.

#### 1.4.3. *Financial Reporting Council of Nigeria (FRCN)*

The FRCN came into existence by the enactment of FRCN Act No. 6 of 2011 after NASB Act No. 22 of 2003 was repealed. The establishment of FRCN, among other reasons, was to overcome the weaknesses inherent in NASB Act, harmonize the regulatory capacity, foster the adoption of IFRS, and promote cross-border listings. According to the FRCN Act, the council shall develop and publish corporate governance codes, accounting standards, enforce compliance with accounting standards and corporate governance codes, and promote compliance with the IFRSs issued by IFAC and IASB and for other related matters.

#### 1.4.4. *Corporate Affairs Commission (CAC)*

The regulatory agency received its legal status through the CAMA 1990. CAC took over the responsibilities of the department of Companies Registry of the Federal Ministry of Industry, Trade and Investment. The Commission supervises the formation, registration, incorporation, and winding up of companies. It is also responsible for the timely filing of returns, including annual reports and accounts. Where it is necessary, the Commission may also conduct and investigate the affairs of any company.

#### 1.4.5. *Central Bank of Nigeria (CBN)*

The BOFIA 2004 empowers the CBN to regulate the banking and non-banking financial activities in Nigeria. To complement the financial reporting requirements of CAMA 2004, the CBN Act 2007 requires the apex bank to ensure prompt submission of audited and periodic accounts and examine the books and affairs of the banks periodically. The banks cannot publish their accounts in the national newspapers, except the governor of the CBN has an approval. Where it is necessary, the governor can commission an investigation of the books and affairs of the banks. The auditors of banks are also to report cases of irregularities and non-conformity with the appropriate legislation and accounting standards to the Central Bank.

#### 1.4.6. *National Insurance Commission (NAICOM)*

The Commission came into being in 1997 by the enactment of National Insurance Commission Act 1997. The NAICOM by the Act plays of regulating and controlling insurance business in Nigeria. The insurance regulator is to ensure timely submission of financial returns and audited financial statements, review them for compliance with minimum paid-up capital, liquidity, and long-term solvency requirements. The Commission also imposes sanctions, where there are deviations.

### 1.5. Challenges facing regulatory agencies in Nigeria

Many factors are attributable to the ineffectiveness of the regulatory agencies. First is the controversy between the ruled-based and principle-based corporate governance regulation systems, and choosing which one will better suit the country's peculiar situation. Second is the conceptual debate between self-regulation and government regulation. To what extent can the government regulate without impairing the operation of the free market economy and creating further pressure on the board of directors? Third, most of the rules, codes, and standards were adapted from the developed economies, which had not considered the peculiarity of the developing economies, like Nigeria. Fourth, there is a weak institutional framework to enforce compliance with relevant standards and rules (Adegbite, 2012). Fifth, the judiciary process in the country has been very slow, inefficient, and expensive. As such, stakeholders are reluctant to use courts to preserve their rights. The directors, therefore, persist in acting with impunity (Wilson, 2006). Finally, the benefits of non-compliance with the appropriate rules and standards outweigh the cost of non-compliance (World Bank, 2004). That is, the sanctions that follow are relatively small to the egregious malfeasance. This provides an incentive for potential offenders. There is also a problem of whether the penalty should be civil or criminal.

## 1.6. Review of prior studies

Jamal (2009) observed that regulation could have both positive and negative consequences. Where there are strict penalties against unethical behaviors, the culprits can device cleverer means of escape and, by so doing, engage in more serious fraudulent practices. This proposition does not contradict the fact that many of the extreme financial debacles worldwide (Enron, Worldcom, and others) took place in a highly regulated environment like the United States of America. Adetoso and Ajiga (2017) investigated the effect of IFRS adoption on creative accounting practices in the banking sector in Nigeria. They used a questionnaire to collect data from ten sampled commercial banks. They tested the hypothesis using multiple regression models, and their results showed that the implementation of IFRS significantly constrains creative accounting practices in commercial banks. Taiwo and Adegoke (2014) concluded that the adoption of IFRS showed a positive impact on the quality of financial statements and an inverse relationship with earnings management. Leventis, Dimitropoulous, and Anandarajan (2011) reviewed European Union listed banks from 1997 to 2008 and observed that managing earnings through the provision for doubtful loans is reduced after the adoption of IFRS in 2005.

Chen, Li, Liang, and Wang (2011) concluded that government regulations (high political costs) have a significant influence on earnings quality among companies in China. This is because Chinese companies engage in earnings management practices to reduce high political costs in the transitional economic period. Okoye and Alao (2008) examined the ethics of creative accounting and the challenges of Nigeria's regulatory agencies. They used a survey research design and administered a structured questionnaire to a sample of 80 firms. They tested the relationship between creative accounting reporting and corporate fraud using Pearson's correlation and the relationship between creative accounting reporting and regulatory control using bivariate correlation. Their findings showed that the manipulation of transactions and accounting policy choice abuses have a significant effect on financial reporting. The outcome of their work also revealed that effective regulation of accounting tends to limit earnings management. Guenther (1994) provided empirical evidence of a decrease in the level of creative accounting practices among some large firms in the USA following a tax reduction policy by the government. Almasarwah (2015) investigated the relationship between corporate governance and earnings management in Jordan. His work showed that government regulations greatly reduce earnings management among the firms, while the increase in tax rates encourages manipulation of figures. The results also revealed that ownership structure exhibits greater influence in constraining earnings management than board characteristics or audit process. He also observed that Peasnell, Pope, and Young margin model (2000) was stronger than accrual models in explaining earning management.

Iyoha et al. (2014) examined state agencies and accounting practices in Nigeria. They used multiple regression analysis and concluded that state agencies have a positive and significant relationship with the quality of accounting practice in Nigeria. They added that regulations alone could not guarantee high quality of accounting practice. Odia and Ogiedu (2013) studied the effect of corporate governance and regulatory agency on creative accounting practices in Nigeria. They employed a survey research method and questionnaire to collect the data. The data were analyzed using linear regression. The outcome of their work indicated that NASB has a negative and insignificant relationship with creative accounting practices, while corporate governance has a stronger relationship. Naranjo, Saavedra, and Verdi (2013) considered the impact of financial regulatory reforms on financing decisions, following the adoption of IFRS in financial reporting. They observed that modifications in the financial reporting template increase the firms' ability to access fresh funds due to improved transparency and reduced agency cost and information asymmetry. Madawaki (2014) studied regulatory framework, environment factors, and accounting practices in Nigeria. Using a literature review strategy, he observed that regulatory and institutional frameworks have a direct influence on accounting and reporting practices, while political factors indirectly affect accounting reporting practices, particularly during civil rule.


http://dx.doi.org/10.21511/ppm.18(3).2020.38

## 1.7. Hypothesis development

From the foregoing literature review, the research hypothesized as follows:

$H_0$: *Regulatory agencies' enforcement activities have no significant impact on creative accounting practices in Nigeria.*

## 1.8. Theoretical framework

Many theories relate to regulatory agencies and creative accounting practices, but for this study, information theory has been chosen and will be briefly discussed. This is because information asymmetry is the foundation on which all-manipulative practices rest and are preferable and more relevant.

#### *1.8.1. Information theory*

Schipper (1989) identified information theory as germane in the inquiry into creative accounting practices. The information asymmetry adequately explains the various incentives that motivate the managers to manage earnings and evaluate the implications of such practice. In economic theory, information asymmetry is also considered important due to its impact on the market (Vladu & Matis, 2010). Studies that have used this theory include Mirrlees (1971), Spence (1973), Rothschild and Stiglitz (1976), which considered information asymmetry as the foundation for manipulative tendencies in the financial market. This is because one party in the market can access information better than the other party has. From the perspective of corporate governance, the board of directors has more information on the company's earnings than the shareholders and other stakeholders. Hence, the management could take advantage of its position to manipulate the accounting figures by presenting the results the market expects. Information theory assumes that accounting disclosures have information content that has value to the stakeholders, and this value provides useful signals that aid investment decisions. However, individual stakeholders may have limitations in understanding the facts behind the figure and the consequences of accounting manipulations because they lack the required analytical skill or undecided to engage in the detailed analysis because of the problem of free riders.

# 2. METHODOLOGY

The research design was descriptive, and the study used a survey strategy to collect the data from the primary source. The study consists of three (3) sets of population. These are the preparers of the accounts, users of the accounts, and regulators. The survey was carried out in Lagos and Abuja through the standard questionnaire. The questionnaire adopts the Likert scale type from 'strongly agree' to 'strongly disagree', divided into three sections. Section A contains the bio-data of the respondents. The respondents' demographic variables include the designation of the respondent, gender, age, academic and professional qualifications, and work experience. Section B contains fifteen (15) items representing two (2) major constructs of creative accounting practices, while Section C has thirty-four (34) items from eight (8) constructs of the regulatory agencies. The questionnaires were distributed to four hundred and five (405) respondents. The copies of the questionnaire were sent to 70 preparers, 300 users, and 35 regulators. The preparers returned 56, which represents 80% response rate, users returned 158 that indicates 53% response, and regulators returned 27, representing 77% response rate. The overall response rate of 60% is adequate for the study, and the disparity in each group response rate did not affect the quality of the data obtained from the survey.

## 2.1. Variable definition and measurement

In this section, the study proceeded to define and measure both dependent and independent variables. The essence was to provide a suitable platform for the model specification.

#### *2.1.1. Dependent variable*

The dependent variable is creative accounting practices and is represented by two (2) constructs in Section B of the questionnaire. The constructs contain fifteen (15) items that have been constructed to collect the data from the respondents regarding their perception of creative accounting practices. The feedback from the respondents was used to test the hypothesis.

#### 2.1.2. *Independent variables*

The major independent variables in this study are regulatory agencies. The linear regression model was used to measure the effect of regulatory agencies on creative accounting practices. The following regulatory bodies serve as proxies for the regulatory agencies: Financial Reporting Council of Nigeria (FRCN), Securities and Exchange Commission (SEC), and Corporate Affairs Commission (CAC). Others are Central Bank of Nigeria (CBN), National Insurance Commission (NAICOM), Institute of Chartered Accountants of Nigeria (ICAN), and Association of National Accountants of Nigeria (ANAN). Nigeria's regulatory agencies are not limited to these, but they have been chosen for their importance to Nigeria's financial reporting, as reported by the World Bank (2004), also cited by Iyoha (2011). Section C of the questionnaire was used to collect the appropriate data. Section C has six (6) constructs with 29 items.

### 2.2. Model specification and estimation techniques

To examine the impact of regulatory agencies on creative accounting practices, the study used OLS regression to analyze the various parameters captured in the model. Therefore, the key model used in estimating the linear relationship between regulatory agencies and creative accounting practices is specified as follows:

$$CAP = f\left(FRCN,\ SEC,\ CAC,\right) \\ CBN,\ NAICOM,\ PAO\Big). \tag{1}$$

From equation (1), a linear relationship between the variables is assumed. Thus, the equation is stated in regression equation form as follows:

$$CAP = \beta_0 + \beta_1 FRCN + \beta_2 SEC + \\ + \beta_3 CAC + \beta_4 CBN + \beta_5 NAICOM + \\ + \beta_6 PAO + \mu_1, \tag{2}$$

where $CAP$ – Creative Accounting Practices – measured by the average of fifteen (15) items that represent different attributes of creative accounting practices. $FRCN$ – Financial Reporting Council of Nigeria – measured by the average of six (6) items that represent the powers and functions of FRCN, as defined by FRCN Act 2011. These have been used in the study to measure its influence on creative accounting practices. $SEC$ – Securities and Exchange Commission – measured by averaging four (4) items that relate to powers and functions of *SEC*. $CAC$ – Corporate Affairs Commission – it is based on three (3) parameters regarding the powers and functions of *CAC* as stated in the CAMA 2004. $CBN$ – Central Bank of Nigeria – it is measured by finding the average of six (6) indicators of powers of CBN for financial reporting. $NAICOM$ – National Insurance Commission – the effect of *NAICOM* on creative accounting practices is based on four (4) attributes drawn from the Insurance Act 2003. $PAO$ – Profession Accounting Organizations – it is based on six (6) indices regarding the role of ICAN and ANAN as provided in ICAN Act 1965 and ANAN Act 1993, respectively. $\beta_0$ – this is intercept of the regression line, considered constant, $\beta_{1-6}$ – slope of the regression line of explanatory variables, $\mu_1$ –error term, $\beta_{1-6} < 0$ – prior expectations.

## 3. RESULTS

### 3.1. Reliability and validity test

The result of the test showed that both individual item reliability and composite reliability are very reliable. In other words, all the forty-nine (49) items included in the questionnaire are reliable and valid to measure the respondents' opinions. This is because their values range from 0.615 to 0.954, which is above the acceptable level of 0.50 and 0.70 for individual item reliability and composite reliability, respectively (Hulland, 1999), and 0.60 acceptable Cronbach Alpha value (Moss et al., 1998).

### 3.2. Descriptive statistics

The study has six independent variables: *CBN*, *PAO*, *NAICOM*, *SEC*, *FRCN*, and *CAC*. The respondents gave their perspectives on each of the constructs examining the influence of the regulatory agencies. Their opinions were measured, and the descriptive statistics of the composite index of responses are discussed further.


http://dx.doi.org/10.21511/ppm.18(3).2020.38

**Table 1.** Independent variables descriptive statistics summary

Source: Field survey (2019).

| Variables | Mean | Std. deviation | Min | Max | Rank |
|---|---|---|---|---|---|
| *CBN* | 3.955 | 0.671 | 1 | 5 | 1 |
| *PAO* | 3.944 | 0.757 | 1 | 5 | 2 |
| *NAICOM* | 3.880 | 0.734 | 1 | 5 | 3 |
| *FRCN* | 3.863 | 0.709 | 1 | 5 | 4 |
| *SEC* | 3.706 | 0.808 | 1 | 5 | 5 |
| *CAC* | 3.537 | 0.851 | 1 | 5 | 6 |

*Note: N* = 241.

Table 1 summarizes the descriptive statistics of the independent variables, using the composite index of responses. The results show that the mean score ranges from 3.537 to 3.955, while the standard deviation ranges from 0.671 to 0.851. The CBN is perceived to have the highest impact, with a mean score and standard deviation of 3.955 and 0.671, respectively. CAC has the least impact, with a mean score and standard deviation of 3.537 and 0.851, respectively. Overall, the regulatory agencies have a significant impact on creative accounting activities in Nigeria.

## 3.3. Coefficient matrix of the study variables

The study used Pearson's Product Moment Correlation to determine the intensity of the dependent variable (CAP) in relation to the explanatory variables (*FRCN*, *SEC*, *CAC*, *CBN*, *NAICOM*, and *PAO*).

**Table 2.** Correlation matrix

Source: Field survey (2019).

| Variables | *CAP* | *FRCN* | *SEC* | *CAC* | *CBN* | *NAICOM* | *PAO* |
|---|---|---|---|---|---|---|---|
| *CAP* | 1.000 | – | – | – | – | – | – |
| *FRCN* | 0.174 | 1.000 | – | – | – | – | – |
| *SEC* | 0.258 | 0.529 | 1.000 | – | – | – | – |
| *CAC* | 0.215 | 0.512 | 0.648 | 1.000 | – | – | – |
| *CBN* | 0.332 | 0.674 | 0.600 | 0.553 | 1.000 | – | – |
| *NAICOM* | 0.257 | 0.613 | 0.613 | 0.544 | 0.633 | 1.000 | – |
| *PAO* | 0.152 | 0.668 | 0.391 | 0.392 | 0.609 | 0.584 | 1.000 |

Table 2 provides correlations between the independent variables, which are *CAC*, *SEC*, *CBN*, *NAICOM*, *PAO*, and *FRCN*, using Pearson statistics. The variables correlate satisfactorily between 0.382 and 0.674, indicating the absence of autocorrelation among the variables. The correlations are all significant at the 0.01 level (1-tailed). Besides, the result reveals a weak and positive relationship between regulatory agencies and creative accounting practices such that *FRCN* (0.174), *SEC* (0.258), *CAC* (0.215), *CBN* (0.332), *NAICOM* (0.257), and *PAO* (0.152). Thus, the matrix provides evidence that regulatory agencies have a significant positive impact on Nigeria's creative accounting practices.

## 3.4. Test of hypothesis

The hypothesis states that regulatory agencies' enforcement activities have no significant impact on creative accounting practices in Nigeria.

**Table 3.** Regression results

Source: Field survey (2019).

| Model | Unstandardized coefficients | | Standardized coefficients | T | Sig. |
|---|---|---|---|---|---|
| 416 | Beta | Std. Error | Beta | | |
| (Constant) | 2.489 | 0.211 | – | 11.789 | 0.000 |
| FRCN | –0.080 | 0.067 | –0.113 | –1.184 | 0.238 |
| SEC | 0.046 | 0.057 | 0.074 | 0.814 | 0.416 |
| CAC | 0.006 | 0.050 | 0.011 | 0.125 | 0.901 |
| CBN | 0.251 | 0.072 | 0.335 | 3.493 | 0.001 |
| NAICOM | 0.071 | 0.063 | 0.104 | 1.133 | 0.258 |
| PAO | –0.047 | 0.058 | –0.071 | –0.798 | 0.425 |

$R$ = 0.359, $R^2$ = 0.129, $F$-test = 5.777, Std error = 0.498, $p$-value = 0.000

a. Dependent variable: CAP

a. Predictors: (Constant), *FRCN*, *NAICOM*, *SEC*, *PACTB*, *CBN*, *CAC*

The earlier result indicates that the beta coefficients are *FRCN* (–0.080), *SEC* (0.046), *CAC* (0.006), *CBN* (0.251), *NAICOM* (0.071), and *PAO* (–0.047). All the explanatory variables, except for *FRCN* and *PAO*, have a positive relationship with creative accounting practices. Also, it is observed that 12.90% of the systematic variation in *CAP* is explained by the independent variables (*FRCN*, *SEC*, *CAC*, *CBN*, *NAICOM*, and *PAO*). This percentage is low and fails to demonstrate a good fit of the regression line, indicating that the model's predictive power is poor. However, it does not constitute any serious problem since the study is only considering the relationship between predicted and explanatory variables. Besides, the $F$ value of 5.777 is statistically significant at 5%. However, none of the $t$-values of the individual parameters (*FRCN* (–1.184), *SEC* (0.814), *CAC* (0.125), *NAICOM* (1.133), and *PAO* (–0.798)), except *CBN* (3.493), is significant at 5%:

$$CAP = *2.489 - 0.080FRCN + \\ +0.046SEC + 0.006CAC + \\ +0.251CBN + 0.071NAICOM - \\ -0.047PAO + 0.498.$$

### 3.5. Decisions on the hypothesis

$H_0$: *Regulatory agencies' enforcement activities have no significant impact on creative accounting practices in Nigeria.*

The hypothesis considers the overall impact of the regulatory agencies and not the impact by the individual agency. Therefore, *F*-statistic will be more suitable in suitable in concluding than the *t*-value. This is because *F*-statistic is the overall test of significance, while *t*-statistic is an individual test of significance or contribution of an individual variable to the model. The result from Table 3 indicates that null hypothesis should be rejected at $R = 0.359$; $R^2 = 0.129$; $F = 5.777$; $p < 0.05$. From this analysis, it is concluded that regulatory agencies jointly have a significant impact on creative accounting practices. The finding is consistent with the studies of Okoye and Alao (2008), Chen, Li, Liang, and Wong (2011), Madawaki (2014), Almasarwah (2015).

However, assessing the level of contribution of individual explanatory variable and using the results from Table 3, none of the *t*-values of the individual parameters (*FRCN* (–1.184), *SEC* (0.814), *CAC* (0.125), *NAICOM* (1.133), and *PAO* (–0.798)), except *CBN* (3.493), is significant at 5%. This implies that all the results are inconsistent with the prior signs, except for *FRCN* and *PAO* that have negative signs. The results also show that *CBN*, which is statistically significant, has an increasing impact on *CAP*, while *SEC*, *CAC*, *NAICOM*, which are not statistically significant, also have an increasing linear relationship with *CAP*. In the case of *FRCN* and *PAO*, there was an inverse relationship with *CAP*, although it is not statistically significant. This outcome is in tandem with the work of Odia et al. (2013) that *NASB* has a statistically insignificant and decreasing relationship with *CAP*.

## 4. DISCUSSION

The study has added to the extant knowledge by examining how the activities of regulatory agencies have influenced creative accounting practices in Nigeria. The null hypothesis stating that regulatory agencies' enforcement activities have no significant impact on Nigeria's creative accounting practices was tested. The study draws an inference that the regulatory agencies' enforcement activities jointly have a significant impact on creative accounting activities. The degree of impact, however, varies among the regulatory agencies. For instance, a further review of each regulatory agency level of contribution indicates that *CBN* has a positive and high significant impact on creative accounting practices. Even with this significant impact by *CBN*, the agency could not curtail creative accounting practices in the banks. It is evidenced by the positive linear relationship between *CBN* and *CAP*. The banking industry in Nigeria is highly regulated in line with CBN Act and BOFIA, yet manipulating the accounting numbers is still very prominent. There are two possibilities for this outcome. First, the benefits of infractions may have outweighed the cost of infractions. Second, regulation has both positive and negative consequences (Jamal, 2001, p. 1). Where there are strict penalties, the culprits may engage in more fraudulent practices by devising ingenious ways of circumventing the laid-down rules.

The professional accounting organizations (*PAO*) comprising of ICAN and ANAN have an insignificant negative impact on creative accounting practices. These two professional bodies might have done well in the areas of regulation of the accountancy profession and education and training of members; they are deficient with the quality of services their members provide. This perception from the respondents is germane, particularly when the auditors are culpable in most financial scandals. No other regulatory agencies (*FRCN*, *SEC*, *NAICOM*, and *CAC*) in the sample exhibit significant impact on creative accounting practices. Although the legislation establishing all these agencies are observed to be adequate, their weak capacity and weak enforcement activities made them ineffective.


http://dx.doi.org/10.21511/ppm.18(3).2020.38

## CONCLUSION AND RECOMMENDATIONS

This research provides empirical evidence on the impact of regulatory agencies on creative accounting practices (*CAP*) in Nigeria. The study concludes that the regulatory agencies collectively have a significant impact on *CAP*. The level of impact among the regulatory agencies varies. While *CBN* has a positive and significant impact on *CAP*, *CAC*, *NAICOM*, and *SEC* have a positive but insignificant relationship with *CAP*. However, *FRCN* and *PAO* have a negative and insignificant impact on *CAP*. Besides, the regulatory agencies in Nigeria have a significant impact, but not strong enough to reduce CAP. Most of them are found to be weak in capacity and enforcement.

Sequel to the findings and conclusion above, the study recommends the following:

1. The regulatory agencies' capacity should be strengthened for better performance in the area of enforcement and compliance with statutory provisions.
2. The duplication and conflicts in the legislations establishing these agencies should be reviewed to harmonize them, making them less cumbersome and reducing cost of compliance.
3. The Companies and Allied Matters Act 2004 should be revisited to amend the areas where the penalties for infractions are less severe and where they are in conflict with the IFRS.
4. Both ICAN and ANAN must work together to ensure the same standards have maintained accountancy in Nigeria.
5. The regulatory agencies should complement the enforcement of rules using persuasion to elicit voluntary compliance by the operators.

## AUTHOR CONTRIBUTIONS

Conceptualization: Paul Olojede.
Data curation: Paul Olojede.
Methodology: Paul Olojede.
Project administration: Paul Olojede, Ben-Caleb Egbide.
Resources: Paul Olojede, Olayinka Erin.
Software: Olayinka Erin.
Supervision: Francis Iyoha, Ben-Caleb Egbide.
Validation: Francis Iyoha, Ben-Caleb Egbide.
Writing – original draft: Paul Olojede.
Writing – review & editing: Francis Iyoha, Ben-Caleb Egbide, Olayinka Erin.

## ACKNOWLEDGMENT

The authors acknowledge Covenant University who has solely provided the platform for this research and has also fully sponsored the research cluster search for data across the country.

## REFERENCES

1. Adegbite, E. (2012). Corporate governance regulations in Nigeria. *Corporate Governance, 12*(2), 257-276. https://doi.org/10.1108/14720701211214124
2. Akenbor, C., & Ibanichuka, E. (2012). Creative accounting practices in Nigerian banks. *An International Multidisciplinary Journal, 6*(3), 23-34. Retrieved from https://www.researchgate.net/publication/272338596_Creative_Accounting_Practices_in_Nigerian_Banks
3. Almasarwah, A. (2015). *Earnings management and its relationship with corporate governance mechanisms in Jordanian Industrial firms*. Unpublished PhD thesis, Loughborough University.
4. Asif, M., Junaid, M., Yu, O., & Md, R. (2016). Solution of adapting creative accounting practices: An in depth perception gap analysis among accountants and auditors of listed companies. *Australian Academy of Accounting and Finance*

*Review, 2*(2), 166-188. Retrieved from http://aaafr.com.au/index.php/AAAFR/article/view/22

5. Baker, C. (2005). What is the meaning of 'the public interest' examining the ideology of the American accounting profession? *Accounting, Auditing and Accountability Journal, 18,* 690-703. Retrieved from https://www.researchgate.net/publication/242339716_What_Do_We_Mean_by_Accounting_for_the_Public_Interest'_Examining_the_Ideology_of_the_American_Public_Accounting_Profession

6. Bakre, O. (2007). The unethical practices of accountants and auditors *and the* compromising stance of the professional bodies in the corporate world: Evidence from Corporate Nigeria. *Accounting Forum, 31,* 277-303. https://doi.org/10.1016/j.acfor.2007.06.001

7. Baldwin, R., & Cave, M. (1999). *Understanding regulation, theory, strategy and practice.* Oxford: Oxford University Press.

8. Banks and Other Financial Institutions Act (1991). Federal Republic of Nigeria Official Gazette, No. 25.

9. Beidleman, C. (1973). Income smoothing: the role of management. *Accounting Review, 48,* 653-667. Retrieved from https://www.jstor.org/stable/pdf/245289.pdf

10. CBN. (2006). *Economic report for the first half of 2006.* Research and Statistics Department, Central Bank of Nigeria.

11. Central Bank of Nigeria – CBN. (2005). *Code of corporate governance for banks in Nigeria post consolidation*. Retrieved from http://www.cenbank.org/out/publications/bsd/2006/corpgov/-posco (accessed on April 19, 2018).

12. Central Bank of Nigeria Act. (1991). Federal Republic of Nigeria, Gazette, No. 24.

13. Chen, D., Li, J., Liang, S., & Wang, G. (2011). Macroeconomic control, political costs and earnings management evidence from Chinese listed real estate companies. *Journal of Accounting Research, 4*(3), 91-106. https://doi.org/10.1016/j.cjar.2011.06.002

14. Companies and Allied Matters Act. (1990). Federal Republic of Nigeria. *Official Gazette, 2*(77). Lagos.

15. Constantatos, A. (2018). *Corporate governance mechanisms in Greece and their effect on earnings management and firm performance*. Unpublished PhD thesis, University of Stirling, U.K. Retrieved from https://pdfs.semanticscholar.org/b173/feaacf401f3cccf6cc050bebd3d48194846a.pdf

16. Fan, J., & Wong, T. (2002). Corporate ownership structure and the informativeness of accounting earnings in East Asia. *Journal of Accounting and Economics, 33,* 401-425. https://doi.org/10.1016/S0165-4101(02)00047-2

17. Federal Republic of Nigeria. (2004). Companies and Allied Matters Act; Laws of the Federation of Nigeria, CAP (C20).

18. Federal Republic of Nigeria. (2011). Financial Reporting Council Act, No. 54 (7th June) (98). Government Notice No. 140, the Federal Government Printer, Lagos, Nigeria.

19. Guenther, D. (1994). Earnings management in response to corporate rate changes: Evidence from the 1986 tax reform act. *Accounting Review, 69*(1), 230-243. Retrieved from https://www.jstor.org/stable/248269

20. Haw, J., Hwang, L., & Wu, W. (2004). Ultimate ownership income measurement, legal and extra-legal institutions. *Journal of Accounting, 42,* 423-462. Retrieved from https://www.jstor.org/stable/3542368?seq=1

21. Hulland, J. (1999). Use of partial least square in strategic management research. A review of four recent studies. *Strategic Management Journal, 20*(2), 195-204. https://doi.org/10.1002/(SICI)1097-0266(199902)20:2%3C195::AID-SMJ13%3E3.0.CO;2-7

22. Inyang, B. (2009). Nurturing corporate governance system: The emerging trends in Nigeria. *Journal of Business Systems. Governance and Ethics, 4*(2), 1-13. Retrieved from https://www.researchgate.net/publication/229044871_Nurturing_Corporate_Governance_System_The_Emerging_Trends_in_Nigeria

23. Iyoha, F. (2011). *State agencies, industrial regulations and the quality of accounting practice in Nigeria*. Unpublished PhD thesis, Covenant University Nigeria. Retrieved from https://eduproject.com.ng/accounting/state-agencies-industries-regulations-and-the-quality-of-accounting-practice-in-nigeria/index.html

24. Iyoha, F., Ojeka, S., & Ajayi, A. (2014). Impact of state institutions on the quality of accounting practice in Nigeria. *Journal of South African Business Research*. https://doi.org/10.5171/2014.782177

25. Jameson, M. (1998). *A practical guide to creative accounting.* London: Kogan Page.

26. Khangha, J. (2011). International financial reporting standards and value relevance on accounting information: Evidence from Bahrain and United Arabs Emirates stock market. *African Journal of Social Sciences, 1*(1), 101-114. Retrieved from https://www.semanticscholar.org/paper/International-Financial-Reporting-Standards-(IFRS)-Barzegari/b6890e6804e3730d2a4e3f-b91eb2fbed45a1d769

27. Leventis, S., Dimitropoulos, P., & Anandarajan. (2011). Loan loss provision earnings capital management under IFRS: The case of EU commercial banks. *Journal of Financial Services Research, 40*(1), 103-122. Retrieved from https://link.springer.com/article/10.1007/s10693-010-0096-1

28. Lipe, R. (1990). The relation between stock returns and accounting earnings given alternative information. *The Accounting Review, 65,* 49-71. Retrieved from https://www.jstor.org/stable/pdf/247876.pdf



http://dx.doi.org/10.21511/ppm.18(3).2020.38

29. Madawaki, A. (2014). Impact of regulatory framework and environment factors on accounting practices by firms in Nigeria. *Procedia – Social and Behavioural Sciences, 164,* 282-290. https://doi.org/10.1016/j.sbspro.2014.11.078

30. Mirrlees, J. (1971). An exploration in the theory of optimum income taxation. *Review of Economic Studies, 38,* 175-208. Retrieved from https://www.jstor.org/stable/2296779

31. National Insurance Commission Code. (2009). *NAICOM code for corporate governance for insurance companies in Nigeria.* Retrieved from https://www2.deloitte.com/content/dam/Deloitte/ng/Documents/centre-for-corporate-governance/code-of-good-corporate-governance-for-the-insurance-industry-in-nigeria.pdf

32. National Pension Commission. (2008). *PENCOM code for licensed pension operators on Nigeria.* Retrieved from https://www.pencom.gov.ng/wp-content/uploads/2017/04/Code_of_Corporate _Governance_for_Licensed__Pension_Operators.pdf_

33. Nigerian Accounting Standards Board Act, No. 22 (2003). Federal Republic of Nigeria, vol. 90, Nigerian Official Gazette, No. 73.

34. North, D. (1990). *Institutions, institutional change and economics performance.* Cambridge: University Press. Retrieved from https://www.cambridge.org/ua/academic/subjects/politics-international-relations/political-economy/institutions-institutional-change-and-economic-performance?format=PB&isbn=9780521397346

35. Odia, J., & Ogiedu, K. (2013). Corporate governance, regulatory agency and creative accounting practices in Nigeria. *Mediterranean Journal of Social Sciences, 4*(3), 55-66. Retrieved from https://www.researchgate.net/publication/272709176_Corporate_Governance_Regulatory_Agency_and_Creative_Accounting_Practices_in_Nigeria

36. Okike, E. (2007). Corporate governance in Nigeria: the status quo. *Corporate Governance: An International Review, 15*(2), 173-193. https://doi.org/10.1111/j.1467-8683.2007.00553.x

37. Okoro, G., & Okoye, E. (2016). Taming creative accounting via international financial reporting standards: The Nigerian scenario. *Business Trends, 6*(4), 11-17. Retrieved from https://www.researchgate.net/publication/324529394_TAMING_CREATIVE_ACCOUNTING_VIA_INTERNATIONAL_FINANCIAL_REPORTING_STANDARDS_THE_NIGERIAN_SCENARIO

38. Okoye, E., & Alao, B. (2008). The ethics of creative accounting on financial reporting: The challenges of regulatory agencies in Nigeria. *The Certified National Accountants, 16*(1), 45-55. Retrieved from https://www.researchgate.net/publication/228309965_The_Ethics_of_Creative_Accounting_in_Financial_Reporting_-_The_Challenges_of_Regulatory_Agencies_in_Nigeria_

39. Olojede, P., Erin, O., Asiriuwa, O., & Usman, M. (2020). Audit expectation gap: an empirical analysis. *Future Business Journal, 6*(10). https://doi.org/10.1186/s43093-020-00016-x

40. Osameke, L., & Adegbite, E. (2016). Regulatory multiplicity and conflict: Towards a combined code on corporate governance in Nigeria. *Journal of Business Ethics, 133*(3), 431-451. Retrieved from https://link.springer.com/article/10.1007/s10551-014-2405-3

41. Osisioma, B., & Enahoro, J. (2006). Creative accounting and option of total quality accounting in Nigeria. *Journal of Global Accounting, 2*(1), 5-15. Retrieved from https://www.scirp.org/(S(351jmbntvnsjt1aadkposzje))/reference/ReferencesPapers.aspx?ReferenceID=1097107

42. Peasnell, K., Pope, P., & Young, S. (2005). Board Monitoring and earnings management: Do outside directors' influence abnormal accruals? *Journal of Business Finance & Accounting, 32*(7), 1311-1346. https://doi.org/10.1111/j.0306-686X.2005.00630.x

43. Post, J., & Mahon, J. (2000). Articulated turbulence: The effect of regulatory agencies on corporate response to social change. *Academy of Management Review, 5*(3), 399-407. Retrieved from https://journals.aom.org/doi/abs/10.5465/amr.1980.4288861

44. Rothschild, M., & Stiglitz, J. (1976). Equilibrium in competitive insurance markets. An essay on the economics of imperfect information. *Quarterly Journal of Economics, 95,* 629-649. https://doi.org/10.2307/1885326

45. Schipper, K. (1989). Commentary on creative accounting. *Accounting Horizons,* 91-102.

46. Securities and Exchange Commission. (2003). *Code of corporate governance for companies listed on the Nigerian Stock Exchange.* Retrieved from www.sec.gov.ng (accessed on June 2017).

47. Securities and Investment Act 2007, No. 29, Law of the Federal Republic of Nigeria. Retrieved from http://lawsofnigeria.placng.org/laws/INVESTMENT%20AND%20SECURITIES%20ACT,%202007.pdf

48. Shehu, U. (2011). Corporate governance and financial reporting quality: A study of Nigerian Money deposit banks. *International Journal of research in Computer Application and Management, 1*(6), 12-19.

49. Spence, M. (1973). Job market signaling. *Quarterly Journal of Economics, 87,* 355-374. Retrieved from https://www.jstor.org/stable/1882010?seq=1

50. Spiceland, J., Sepe, J., & Tomassini, L. (2001). *Intermediate Accounting.* New York: McGraw-Hill.

51. Taiwo, F., & Adejare, A. (2014). Empirical analysis of the effect of international reporting standards adoption on accounting practice in Nigeria. *Journal of the Society for Science and Education, 2*(2), 23-36. Retrieved from https://journals.scholarpublishing.org/index.php/ABR/article/view/43

52. The Institute of Chartered Accountants of Nigeria. (1965).

Act of Parliament, No. 15, Law of the Federal Republic of Nigeria.

53. Vladus, B., & Matis, D. (2010). Corporate governance and creative accounting: Two concepts strongly connected? Some interesting insights highlighted by constructing the internal history of a literature. *Annales Universitatis Apulensis Series Oeconomics, 1*(13), 332-346. Retrieved from https://ideas.repec.org/a/alu/journl/v1y2010i12p33.html

54. Wilson, I. (2006). Regulatory and institutional challenges of corporate governance in Nigeria post banking consolidation. *The Nigerian Economic Summit Group (NESG) Economic Indicator, 12*(2), 1-10. Retrieved from https://www.proshareng.com/admin/upload/report/Templars-NESGCorpGov-Paper.pdf

55. World Bank. (2004). *Reports on the observance of standards and codes (ROSC). Nigeria- Accounting ROSC Accounting and Auditing*, Washington, D.C. World Bank Group. Retrieved from http://documents.worldbank.org/curated/en/109681468288617735/Nigeria-Report-on-the-Observance-of-Standards-and-Codes-ROSC-accounting-and-auditing

56. World Bank. (2011). *Report on the observance of standards and codes in Nigeria (ROSC). Nigeria-ROSC Accounting and* Auditing, Washington, D.C. World Bank Group. Retrieved from http://documents.worldbank.org/curated/en/440581468099577387/Nigeria-Report-on-the- observance-of-standards-and-codes-ROSC



http://dx.doi.org/10.21511/ppm.18(3).2020.38