An Analysis of the Practices of Creative Accounting, Implications and Prevention among Money Deposit Banks in Northeast Nigeria

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Abstract

The study empirically examines the practice of creative accounting, implications and prevention among money deposit banks in Nigeria. Survey research design was adopted and questionnaire was used to elicit information from branch managers, accountants and auditors of the selected money deposit banks operating in Yola, Jalingo and Gombe metropolis of Adamawa, Taraba and Gombe States, Nigeria. The data collected were analysed using ANOVA to test the hypotheses raised in the study. The findings of the study revealed that the Nigerian money deposit banks practice creative accounting with the main aim of attracting more investors, and the practice of creative accounting has a significant effect on the market share price, which consequently, affects the economic decision making of the users of financial statement. Furthermore, the study revealed that the adoption of IFRS by banks has significantly reduced the practice of creative accounting among money deposit banks in Nigeria. Based on the above findings, the study recommends that the practice of creative accounting should be discouraged because it is unethical. Regulatory bodies and professional bodies should adopt strict measures to stop the practice. This can be achieved through reducing the degree of choice of accounting policies and professional judgement in determining the method of measurement, criteria for recognition, and even the definition of the accounting entity.

Keywords: Banks, Creative accounting, Financial Report, IFRS, Nigeria, Unethical

Introduction

A financial report is the medium used by managers to show the results of their stewardship towards the resources entrusted to them. Financial statements are prepared to convey information regarding the financial position, performance and cash flows of firms. Financial reports are required to provide various users with timely and reliable information useful for making prudent, efficient and effective decisions. Since stockholders have no access to a firm's accounting records, they depend heavily on such financial statements when making any economic judgment and decision.

In the preparation of financial report, firms are required by law to adopt necessary and relevant accounting policies, measurements and standards that will enhance the quality of financial report (ICAN, 2009). Current accounting practice allows a degree of choice of policies and professional judgement in determining the method of measurement, criteria for recognition, and even the definition of the accounting entity (Akenbor and Ibanichuka, 2012). In the process of enjoying this freedom, deliberate actions are taken by some managements which may result to non-disclosure of some relevant information, and intentional distortion of accounting figures, thereby presenting financial information that is not the true and fair reflection of the economic activities of the organisation (Sen and Inanga, 2004). Abiodun, Sunday, Stephen and Gabriel (2012) are of the view that the debilitating effects of creative accounting practices on the truthfulness and fairness of financial reports and hence the users of accounting information and their investment decision-making effectiveness become threatened on daily basis.

A previous study such as Schipper (1989) posits that creative accounting practices occur because management has the discretion to choose accounting principles in preparing financial statements. The numerous corporate failures, therefore, are indication of lapses in the corporate accounting information disclosure practices among corporations globally. This has had derogative effects on the integrity of financial reporting and the accounting profession. Other harmful effects of corporate scandals include massive loss of investors' fund, loss of jobs, disruption of capital market and reduction in the National Gross Domestic Product (GDP) (Adetayo and Ajiga, 2017).

Bankole, Ukolobi and McDubus (2018) have stated that there are companies that overstate their financial performance to meet targets in order to please ever demanding shareholders in Nigeria. Osazevbaru (2012) examined creative accounting and firm's market value in Nigeria. The study concludes that many banks in Nigeria indulge in creative accounting. Akenbor and Ibanichuka (2012) and Sanusi and Izadonmi (2013) are of the view that the main reason for the practice of creative accounting is to raise market value of shares. The corporate failures of most banks today and the arrest of some banks Chief Executive Officers by the Economic and Financial Crimes Commission (EFCC) in 2009, are as a result of fraudulent financial reporting, which has affected the stability of the financial system in Nigeria. It is evident that the extent of the practice of creative accounting by Nigerian banks has greatly violated all known ethical standards of the accounting and auditing profession (Osisioma and Enahoro, 2006).

Previous studies on creative accounting such as Sen and Inanga (2004), Domash (2002), Amat, Blake and Dowds (1999) Naser (1993), Schiff (1993), and Alam (1988) have focused mainly on the impact of creative accounting on reported earnings without highlighting its implications and preventive measures. More so, the studies are of foreign origin whose findings may not be compatible with the Nigerian situation considering environmental and economic differences. The few available studies in Nigeria such as Osisioma and Enahoro (2006), Aremu and Bello (2004) have focussed mainly on pharmaceutical companies but not paid particular attention to the banking industry. Therefore, the study intends to fill the above gap by empirically examining the perception of stakeholders on the practice of creative accounting; implication and prevention among Money Deposit Banks in Nigeria.

The specific objectives of the study are to:

i. Assess the motive for the practices of creative accounting among the Money Deposit Banks in Nigeria;
ii. Examine the effect of creative accounting on share price performance of Money Deposit Banks in Nigeria;
iii. Examine whether the adoption of International Financial Reporting Standard (IFRS) has reduced the practice of creative accounting among the Money Deposit Banks in Nigeria.

In order to achieve the above stated objectives, the study formulates the following hypotheses to be tested:

H_01: The main motive for the practice ofcreative accountingby Nigerian Money Deposit Banks is not to attract more investors.

H_02: Creative accountinghas no significant effect on the market share price of Money Deposit Banks in Nigeria.

H_03: The adoption of International Financial Reporting Standard (IFRS) has not significantly reduced the practice of creative accounting among the Money Deposit Banks in Nigeria.

This study will have significant theoretical importance for academics, as it will contribute to the body of literature by filling the gap about the practices and implications of creative accounting in money deposit banks sub sector of financial institutions in Nigeria. The data generated and information gathered from the field survey and library research shall become secondary source of information and references for further studies. Also the outcome will benefit immensely various groups in the financial sector. Stakeholders, investors, regulatory bodies are among the potential beneficiaries of the study.

Conceptual Clarification

The Concept of Creative Accounting

Creative accounting is also known as income smoothing, earnings management, earnings smoothing, financial engineering and cosmetic accounting (Bankole, Ukolobi and McDubus,2018). The preferred term in the United States of America (USA) and consequently in most of the literature on the subject is ‘earnings management’, but in Europe the preferred term is ‘creative accounting’ and so this is the term this study adopts.

The concept of creative accounting has received an extensive concern by both academics and practitioners, particularly in the developed countries (Sen and Inanga, 2004). Therefore, there are various definitions put forward by scholars. Barnea, Ronen and Sadan (1976) have viewed creative accounting as the deliberate dampening of fluctuations about some level of earnings considered being normal for the firm. It is also seen as involving the repetitive selection of accounting measurement or reporting rules in a particular pattern, the effect of which is to report a stream of income with a smaller variation from trends than would otherwise have appeared (Copeland, 1968). Schipper (1989) observes that ‘creative accounting’ can be equated with ‘disclosure management’, in the sense of a purposeful intervention in the financial reporting processes. Merchant and Rockness (1994) define creative accounting as any action on the part of management which affects reported income and which provides no true economic advantage to the organization and may, in fact, in the long-term, be detrimental. Defining creative accounting, Merchant and Rockness appreciate any action that comes from the management which can distort the profits and which is not a consequence of the economic reality, it actually represents the privilege of the financial engineering. They draw the attention on the fact that on long term, all these forced approaches can have a negative effect on the financial stability of the economic entities. Also, the scholars agree that creative accounting is an intentional effort made by management to distort financial statement of an organisation for whatever reasons they deemed it fit.

Existence of Creative Accounting

Even though managers' motivation for creative accounting may be established and accepted at least in theory, establishing empirically that it takes place is a separate problem. Naser and Pendlebury (1992) question senior corporate auditors about their experience of creative accounting. The study reveals that all categories of companies employ creative accounting techniques to some extent. Some studies such as Naser and Pendlebury (1992); Grover (1991b) and Amat, Gowthorpe and Perraman (2003) have examined a particular aspect or technique of creative accounting. All tend towards the conclusion that creative accounting using that particular technique does exist. Barnea, Ronen and Sadan (1976) discuss classificatory smoothing with the use of extraordinary items of 62 US companies; the study reveals that classificatory smoothing does take place. Merchant (1990) examines management manipulation of accounting information withintwo firms drawing upon both interview and questionnaire data. The study finds that managers acknowledge manipulative behaviours and short-term orientations. Black, Sellers and Manly (1998) have examined non-current asset sales as creative accounting tools, using a very large dataset of observations from Australia, New Zealand and the UK. They find that where the relevant accounting standards are permissive, managers will exploit the potential for creative accounting via timing of asset sales.

Techniques of Creative Accounting

According to Amat, Gowthorpe and Perraman (2003) the potential for creative accounting is found in five principal areas: Accounting policy choice, management scope for estimation in discretionary areas, artificial transactions, timing of genuine transactions, reclassification and presentation of financial numbers.

Accounting Policy Choice (APC)

Extant accounting rules allow a company to choose between different accounting methods. A company can, therefore, choose the accounting policy that gives it preferred image. One area of this flexibility is in respect of asset valuation. International Accounting Standards permit a choice between carrying non-current assets at their valued amounts or depreciated historical cost (Amat, Gowthorpe and Perraman,2003). Business enterprises may validly change their accounting policy to give them their preferred image. For example, Schipper (1989) in Amat, Gowthorpe and Perraman *(*2003) observes that such changes may be relatively easy to identify in the year of change but are much less readily discernible thereafter.

Management Scope for Estimation in Discretionary Areas (MSEDA)

Certain entries in accounts of companies involve an unavoidable degree of estimation, judgment and prediction. Amat and Blake (1999) have given examples of estimation of an asset's useful life made in order to calculate depreciation. These estimates are normally made inside the business and the creative accountant has the opportunity to err on the side of caution or optimism in making the estimate. These 'earnings management' techniques can go without running fowl to existing accounting principles. Agreeing to this view, Henry (2004) asserts that companies, even when legally abiding by the accounting rules, can massage the presentation of their earnings and cash positions. The area's most susceptible to abuse by management freedom of judgment and estimation: Estimate Sales; Predict bad Debts; Adjust Inventory;Forecast unusual gains or losses andMassage cash

Artificial Transactions (AT)

Artificial transactions can validly be entered into both to manipulate balance sheet amounts and to move profits between accounting periods. A company can enter into two or more transactions with an obliging third party, normally a bank to achieve this (Amat and Blake, 1999). An arrangement to sell an asset to a bank and lease that asset back for the rest of its useful life could be entered into with a view to window-dressing financial figures in the account, particularly when the sale price under such a 'sale and leaseback' can be pitched above or below the value of the asset because the differences can be compensated for by increased or reduced rentals.

Timing of Genuine Transactions (TGT)

Creative transactions can be timed to give the desired impression in the accounts. A business which has an investment of N300 million at historical cost can easily be sold for over N900 million at the current value (that is, three times the historic cost) and is at liberty to creatively choose the year in which to sell the investment and so increase the profit in the account.

Reclassification and Presentation of Financial Numbers (RPFN)

Firms may engage in creative accounting in the form of Balance Sheet manipulation where they reclassify liabilities in order to smooth reported liquidity and leverage ratios (Gramlich, McAnally and Thomas, 2001). Another special area of creativity is the presentation of financial numbers based on cognitive reference points. Niskanen and Kelohorju (2000) in Amat, Gowthorpe and Perraman (2003) explain that the idea behind this behaviour is that humans may perceive a profit of say, 301 million as abnormally larger than a profit of 289 million. Their study and those of Van (2002) have indicated that some minor massaging of figures do take place in financial statements in order to reach significant reference points.

Reasons for Directors to Manipulate Accounts

According to Blake (1999) reasons for the directors of listed companies to seek to manipulate the accounts include:

i. To report steady trend of growth in profit: Companies generally prefer to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rises and falls. This is achieved by making unnecessarily high provisions for liabilities and against asset values in good years so that these provisions can be reduced, thereby improving reported profits in bad years.
ii. To achieve profit forecasts; Fox (1997) reports on how accounting policies at Microsoft are designed within the normal accounting rules, to match reported earnings to profit forecasts. When Microsoft sells software, a large part of the profit is deferred to future years to cover potential upgrade and customer support costs. This perfectly respectable, and highly conservative accounting policy means that future earnings are easy to predict.

iii. To distract attention from unwelcome news. Collingwood (1991) reports on how a change in accounting method boosted K-Mart's quarterly profit figure of $160 million by a happy coincidence distracting attention from the company slipping back from being the largest retailer in the USA to the number two slot.

iv. To maintain or boost share price by reducing the apparent levels of borrowing so making the company appear subject to less risk, and by creating the appearance of a good profit trend. This helps the company to raise capital from new share issues, offer their own shares in takeover bids and resist takeover by other companies.

iv. To delay the release of information for the market, thereby enhancing their opportunity to benefit from inside knowledge.

Theoretical Background

There are several theories underpinning the study of creative accounting practices. Few of these theories mentioned by Bankole, Ukolobi and McDubus (2018) are agency theory, stakeholder theory, information asymmetric theory, and the debt covenant theory. This study is anchored on agency theory.

Agency theory

Vladu and Madis (2010) assert that agency theory is the dominant theory in the study of creative accounting. In legal entity, ownership is separated from management. The owners (shareholders) being the principal hire managers (directors) as the agent to manage shareholder's investments. Sydserff and Weetman (1999) have pointed out that due to the conflict of interest between shareholders and the directors in the sharing of economic resources, directors are capable of engaging in opportunistic behaviour, hence managers are not objective in preparing accounting statements in stewardship to the shareholders, resulting in information asymmetric between principal and agent. According to Adetoso and Fredrick (2017) this explains the reasons why management may engage in creative accounting to achieve it personal goals. Management is expected to act in the best interest of the shareholders, but this may not always be the case as pointed out by Taiwo and Adejare (2014) in their work titled 'Influence of Creative Accounting Practices on the Financial Performance of Companies Listed in the Nairobi Securities Exchange in Kenya as at 2013. Management as the agent of the principal and stakeholders of financial information is expected to discharge its duty according to accounting principles and regulations in order to avoid misrepresentation or falsification of figures. In a similar vein, Osisioma and Enahoro (2006) state that stakeholders rely heavily on the financial statement of companies to take investment decisions. Therefore, management and accountants should avoid being unethical when preparing financial statement of an organisation.

Materials and Methods

The study adopted a survey method of research design using questionnaire to elicit information from the respondents. The target population consisted of all the fifty-one (51) money deposit bank branches in the study area and the target respondents were all the branch managers, accountants and auditors (153) of the banks operating in Yola, Jalingo and Gombe metropolis of Adamawa, Taraba and Gombe States respectively. Out of the population of 51 banks, 45 were systematically selected (arranged alphabetically and the first fifteen were selected) and one hundred and thirty-five (135) branch managers, accountants and auditors of the selected banks were systematically selected as respondents. The questionnaire was designed in five response options of Likert-scale of strongly agreed (SA), agreed (A), neutral (N), disagreed (DA), strongly disagreed (SD). To assure the robustness of the questionnaire, a satisfactory result was obtained from the pilot test using 30 respondents from six branches operating in Yola metropolis of Adamawa state. There was also a confirmation of the content validity of a group of experts comprising four Senior Lecturers in Accounting Department of Modibbo Adama University of Technology, Yola and three accounting practitioners in Adamawa State. After effecting the necessary corrections and adjustments observed, the study went ahead to conduct the main survey.

Table 1: The distribution of questionnaires issued and returned

SN.	States	Population (Banks)	No. of banks sampled	% of Population	Questionnaire no. served	Questionnaire no. returned	% of total questionnaire retuned
1	Adamawa	19	15	79	45	44	97.78
2	Gombe	17	15	88	45	42	93.33
3	Taraba	15	15	100	45	40	88.89
4	Total	51	45	88.2	135	126	93.33

Source: Field survey (2019)

Three questionnaires were served to each bank selected in each state, total forty-five questionnaires (45) per State. Therefore, one hundred and thirty-five (135) questionnaires were served across the three States. Out of the forty-five (45) questionnaires distributed in Adamawa State, forty-four (44) representing 97.78%, were completed and returned, Gombe State returned forty-two (42) out of forty-five (45), representing 93.33%, of the questionnaires distributed, while Taraba State returned forty (40) out of forty-five, representing 88.89%, of the questionnaire distributed. Among the three States, Adamawa State returned the highest number of questionnaire distributed (97.78%), followed by Gombe State (93.33%), and lastly Taraba State which retuned 88.89%. A total of one hundred and twenty-six (126), representing 93.33% of the questionnaires distributed were fully completed and returned.

The data collected from the respondents were analysed and presented in tables using simple percentage. The formulated hypotheses were statistically tested with Analysis of Variance (ANOVA) at 5% significant level. This technique is considered appropriate because of its robustness quality (Akenbor and Ibanichuka, (2012). The formula for the determination of ANOVA value is as:

Table 2: Summary of ANOVA Analysis Formula

Source of variation	Sum of Square	df	Mean Square	F	Remarks
Between	SS_b	t-1	SS_b/df_b	MS_b/MS_w	Accept Or Reject
Within	SS_w	N-t	SS_w/df_w		
Total	SS_t	N-1			

Source: Adefila (2014)

The rule is that when the calculated value is greater than the table value, the null hypothesis is rejected. This implies that the alternative hypothesis (H_1) is accepted only when the calculated value is greater than the table value at its relevant level of significant and degree of freedom, which leads to the conclusion that there is significant difference, relationship, influence or effect between the tested variables (Adefila, 2014).

Result of the Findings

Table 3: Respondents responses to questions on questionnaire issued (%)

SN.	Response/ State	Adamawa		Gombe		Taraba		Total	
		No. (44)	%	No. (42)	%	No. (40)	%	No. (126)	%
1	Money Deposit Banks in the State practice Creative Accounting	24	55	21	50	23	58	68	54.0
2	Main aim of creative accounting is to attract more investors	29	66	31	74	21	53	81	64.3
3	Frequent accounting policies by the banks is to allow for creative accounting	31	70	28	67	35	88	94	74.6
4	Creative accounting affect share – market price	35	80	32	76	23	58	90	71.4
5	Creative accounting affect decisions of users of financial reports	28	64	29	69	25	63	82	65.1
6	IFRS reduces practices of creative accounting	32	73	27	64	28	70	87	69.0
7	Penalties on creative accounting should be raised	29	66	30	71	27	68	86	68.3
8	Accounting standards/principles/rules should be streamlined to reduce abuses	25	57	27	64	21	53	73	57.9
9	No of MDBs practising creative accounting were up to 5 banks	15	34	18	43	19	48	52	41.3
10	No of MDBs practising creative accounting were up to 4 banks	24	55	22	52	16	40	62	49.2
11	No of MDBs practising creative accounting were up to 3 banks	30	68	24	57	25	63	79	62.7
12	No of MDBs practising creative accounting were up to 2 banks	31	70	30	71	29	73	90	71.4
13	No of MDBs practising creative accounting was only one bank	18	41	16	38	17	43	51	40.5

Source: Field survey (2019)

Table 3 shows that 68 (54%) of the respondents were of the view that MDBs across the three States practice creative accounting. Specifically, it can be observed that majority of the respondents, 55% in Adamawa State, 50% in Gombe State and 58% in Taraba State, unanimously agreed that MDBs practice creative accounting. Considering the motive for the practice of creative accounting by the MDBs in the States, majority of the respondents in Adamawa State 66%, in Gombe State 74% and 53% in Taraba State were of the view that MDBs practice creative accounting in order to attract more investors. This is also reflected in the general opinion that 64.3% MDBs practice creative accounting to attract more investors. The result further revealed that majority of the respondents 74.6% were of the view that frequent change in accounting policies by the banks is to allow for creative accounting. This is evident from the result obtained across the three States where 70% respondents in Adamawa State, 67% in Gombe State and 88% in Taraba State commonly agreed that the frequent change in accounting policies by banks is an indication of practice of creative accounting. Collectively, the highest number of respondents 71.4 supported the view that the practice of creative accounting has an effect on the market share price. Based on the respective States, 80% of the respondents in Adamawa State, 76% in Gombe State and 58% were of the view that the practice of creative accounting affects market price of shares. Given the highest number of the respondents 65.1%, it indicates that creative accounting affects decisions of users of financial reports. 64% of the respondents in Adamawa State, 69% in Gombe State and 63% in Taraba State are the breakdown based on the States. Specifically, the practice of creative accounting has an effect on the economic decision making of the users of financial report.

The study went further to identify the measures to reduce the practice of creative accounting among MDBs. The highest number of the respondents 69% were of the opinion that the adoption of IFRS by MDBs has reduced the practice of creative accounting among the MDBs. Also the result shows that 68.3% of the respondents were of the view that penalties on the practice of creative accounting should be raised. Furthermore, 57.9% of respondents agreed that accounting standards/principles/rules should be streamlined to reduce abuses.

Table 3 also revealed that 41.3% of the respondents commonly agreed that the number of MDBs practising creative accounting were not up to five (5). However, 55% of respondents in Adamawa State and 52% in Gombe State were of the view that the number of MDBs practising creative accounting were up to four (4), while the respondents in Taraba State were of the contrary opinion that the number of MDBs practising creative accounting were not up to four (4). It is also evident that the number of MDBs practising creative accounting ranges from two (2) to four (4). This implies that at least two (2) MDBs in each State practice creative accounting.

Test of hypotheses

The hypotheses formulated for the study were tested as follows using ANOVA - test statistical techniques at 5% significant level.

H$_0$1: The practice ofcreative accounting among Money Deposit Banks is not to attract more investors

The data collected from the respondents on the above assertion is presented in Table 4 below:

Table 4: Distribution on the reason for the practice of creative accounting

Options	Accountant	Auditors	Managers	Total
SA	6	15	6	27
A	21	24	9	54
U	3	0	6	9
D	9	6	15	30
SD	3	0	3	6
Total	42	45	39	126

Sources: Field survey (2019)

Table 5: Result of ANOVA Analysis

Source of variation	Sum of Square	df	Mean Square	F
Between	495.6	2	247.8	12.09
Within	246	12	20.5	
Total	741.6	14		

Source: Computed by the researcher (2019)

From statistical table, the orthogonal tabular value F_t at 0.05 level of significant and $F_{2, 12}$ degree of freedom is 3.89. With this value of F_t from the table, the calculated (F_c) value in table 5 above of 12.09 is greater than the obtained table value (F_t) (i.e. F_c of 12.09 > F_t of 3.89).

Decision: Reject null hypothesis. Therefore, the study concludes that the practice ofcreative accountingamong Money Deposit Banks is to attract more investors.

$H_0$2: Creative accountinghas no significant effect on the share market price of Money Deposit Banks in Nigeria

Table 6: Distribution on the influence of creative accounting on share market price

Options	Accountant	Auditors	Managers	Total
SA	3	9	12	24
A	27	24	15	66
U	3	0	3	6
D	6	9	9	24
SD	3	3	0	6
Total	42	45	39	126

Sources: Field survey (2019)

Table 7: Result of ANOVA Analysis

Source of variation	Sum of Square	df	Mean Square	F
Between	801.6	2	400.8	34.85
Within	138	12	11.5	
Total	939.6	14		

Source: Computed by the researcher (2019)

From statistical table, the orthogonal tabular value F_t at 0.05 level of significant and $F_{2, 12}$ degree of freedom is 3.89. With this value of F_t from the table, the calculated (F_c) value in table 7 above of 34.85 is greater than the obtained table value (F_t) (i.e. F_c of 34.85 > F_t of 3.89).

Decision: Reject null hypothesis. Therefore, the study concludes that creative accountinghas a significant influence on the share market price of Money Deposit Banks in Nigeria.

$H_0$3: The adoption of International Financial Reporting Standard (IFRS) has not significantly reduced the practice of creative accounting among Money Deposit Banks in Nigeria

Table 8: Influence of IFRS adoption on practice of creative accounting

Options	Accountant	Auditors	Managers	Total
SA	10	11	7	28
A	23	15	21	59
U	2	6	2	10
D	7	10	9	26
SD	0	3	0	3
Total	42	45	39	126

Sources: Field survey (2019)

Table 9: Results of ANOVA Analysis

Source of variation	Sum of Square	df	Mean Square	F
Between	624.8	2	312.4	57.85
Within	64.8	12	5.4	
Total	689.6	14		

Sources: Computed by researcher (2019)

From statistical table, the orthogonal tabular value F_t at 0.05 level of significant and $F_{2,\ 12}$ degree of freedom is 3.89. With this value of F_t from the table, the calculated (F_c) value in table 9 above of 57.85 is greater than the obtained table value (F_t) (i.e. F_c of 57.85 > F_t of 3.89).

Decision: Reject null hypothesis. Therefore, the study concludes that the adoption of IFRS has significantly reduced the practice of creative accounting among Money Deposit Banks in Nigeria.

Discussion of Results

Table 3 shows the result of the analysis of the responses in respect of various questions stated in the questionnaire served. The study revealed that MDBs in the states practice creative accounting. This is corroborated by the fact that 55% of the respondents in Adamawa State, 50% in Gombe State and 58% in Taraba State were of the view that MDBs practice creative accounting. In terms of motivations for the practice of creative accounting among MDBs; 66% of the respondents in Adamawa State, 74% in Gombe State and 53% in Taraba State established that MDBs practice creative accounting to attract more investors. Also Table 5 depicts the result relating to testing of hypothesis one. The outcome indicates that MDBs practice creative accounting with the aim of attracting more investors. This result is in agreement with the findings of Henry (2004) who has reported that unscrupulous managers employ creative accounting techniques to report financial performance of organisations above the actual performance in order to attract more investors.

The study also found that the frequent change in accounting policies by the banks is to allow for creative accounting. The survey result in Table 3 above confirmed this where 70% of the respondents in Adamawa State, 67% in Gombe State and 88% in Taraba State agreed to the statement. This result complements the work of Gowthorpe and Perraman (2003) which examined the technique of creative accounting. The study concludes that creative accounting using changes in accounting policies technique does exist.

The result of the test of hypothesis two in Table 7 indicates that the practice of creative accounting affect share-market price. This confirms the views of respondents presented in Table 3. The outcome in Table 3 shows that 80% of the respondents in Adamawa State, 76% in Gombe State and 58% in Taraba State were of the view that creative accounting affects market price of shares. The finding is in line with the work of Collingwood (1991) who claim that creative accounting is being practiced purposely to enhance share price value.

In terms of the effect of creative accounting on economic decision making of the users of financial statement, 64% of respondents in Adamawa State, 69% in Gombe State and 63% in Taraba State agreed that the practice of creative accounting affects the economic decision making of the users of financial statement. Since majority of the stakeholders rely on the information provided in the financial report, and this information is being distorted by unscrupulous managers, it will definitely affect the decision making of the users of the financial statement.

The result of the test of hypothesis 3 in table 9 and the analysis in table 3 show that the adoption of IFRS, raising penalty on the practice of creative accounting and streamlining of accounting standards and principles will help to reduce the practice of creative accounting among MDBs in the study area. These are evident from the survey data presented in table 3 above, where 65% of the respondents established that the adoption of IFRS reduces practice of creative accounting, 68% were of the view that penalties on the practice of creative accounting should be raised, and 58% were of the view that accounting standards/principles/rules should be streamline to reduce the level of abuse in the choice and management judgement. The result is in line with the finding of Ikpefan and Akande (2012) who are of the belief that IFRS has indeed shaped accounting framework by its provisions for recognition, measurement, presentation and disclosure requirements relating to transactions and events that are reflected in the financial statements. Furthermore, Taiwo and Adejare (2014) show that there is a strong positive relationship between the adoption of IFRS and financial statement format including indication that the application of IFRS has reduced earnings management practices.

The result in table 3 shows that the highest percentage of the respondents (55%) in Adamawa State and (52%) in Gombe State were of the view that the MDBs that practice creative accounting were up to four (4) while the respondent in Taraba State were of the view that the MDBs that practice creative accounting were not up to four (4) but range between two (2) and three (3). These results imply that at least two (2) MDBs in each state are practising creative accounting.

Conclusion

The outcome of the analyses made in the above session, clearly indicates that the managements of Money Deposit Banks in Nigeria practice creative accounting with the main motive of attracting more investors. The survey report presented in table 3 and the result of ANOVA analysis in table 5 indicate F_c of 12.09, which is greater than the F_t of 3.89. Furthermore, the stakeholders agreed that the management use the techniques of creative accounting to boost share market price. The analysis on this issue in Table 3 and the result of ANOVA analysis in Table 7 revealed an F_c value of 34.85, which is equally greater than F_t value of 3.89. This practice adversely affects decision making of the users of financial statement. In order to determine whether the adoption of IFRS among Money Deposit Banks has reduced the practice of creative accounting; the survey information presented in Table 3 and the result of ANOVA analysis in Table 9 revealed an F_c of 57.85 which is greater than F_t of 3.89. This implies that the adoption of IFRS among Money Deposit Banks in Nigeria has significantly reduced the practice of creative accounting.

Given the above findings, the practice of creative accounting is unethical, therefore, it should be discouraged. Accountants in Nigerian banks and other sectors in general, should hold high ethical standards and maintain integrity in all their professional dealings. They need to ensure that the accounting profession rests on ethical principles and values, commanding national and international respect; unscrupulous practice of creative accounting should therefore, be stopped by bank managers.

Reference

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