



Iredele, O.O., Adeyeye, G.B., & Owoyomi, E.B. (2022). Creative Accounting and Shareholders Wealth Maximization in Listed Consumer Goods Companies in Nigeria. *Copernican Journal of Finance & Accounting*, 11(1), 49–66. <http://dx.doi.org/10.12775/CJFA.2022.003>

OLUWAMAYOWA OLALEKAN IREDELE*

University of Lagos

GBADEGESIN BABATUNDE ADEYEYE**

University of Lagos

EBENEZER BABATUNDE OWOYOMI***

PricewaterhouseCoopers, Lagos

CREATIVE ACCOUNTING AND SHAREHOLDERS WEALTH MAXIMIZATION IN LISTED CONSUMER GOODS COMPANIES IN NIGERIA

Keywords: creative accounting, shareholders' wealth, Nigerian Stock Exchange.

J E L Classification: M410.

Abstract: This study examines the effect of creative accounting practices on the shareholders wealth of 90 firm-year observations of ten (10) consumer goods companies listed on the Nigerian Stock Exchange (NSE). Ex post facto research design was adopted using dataset for the period 2011–2019 which were collated from the annual reports and

Date of submission: October 12, 2021; date of acceptance: December 13, 2021.

* Contact information (corresponding author): oiredede@unilag.edu.ng, Department of Accounting, University of Lagos, Nigeria, phone: +234 803 707 6057; ORCID ID: <https://orcid.org/0000-0002-1661-9460>.

** Contact information: gadeyeye@unilag.edu.ng, Department of Accounting, University of Lagos, Nigeria, phone: +234 803 719 2416; ORCID ID: <https://orcid.org/0000-0002-7626-3638>.

*** Contact information: owoyomie@yahoo.com, PricewaterhouseCoopers, Lagos, phone: +234 706 890 4181; ORCID ID: <https://orcid.org/0000-0003-4198-1522>.

financial statements of the listed consumer goods companies. Four hypotheses were proposed and tested using pooled panel data regression. Findings revealed that frequent changes in inventory valuation method and assets valuation methods respectively have significant effect on shareholders wealth, while frequent changes in depreciation methods and liabilities valuation methods do not significantly affect shareholders' wealth. The study recommends that external auditors should pay attention to discretionary items in the financial statements in order to ensure that the assumptions used by managers are fair. Regulators should also evaluate the adequacy of policies around inventory and assets valuation while financial analysts and shareholders should note the application and consistency of accounting policies on inventory and assets.

■■■ INTRODUCTION

Financial statements must contain useful information that enable users and other stakeholders to make informed decisions. The main purpose is to provide information that interested parties can use to evaluate the managers in terms of their performance and make other informed business decisions (Efiok & Eton, 2012). The usefulness of this information is dependent on the fulfilment of certain qualitative characteristics. According to the Revised International Accounting Standards Board (IASB, 2018), some of these qualities include; representative faithfulness, timeliness, relevance and objectivity. However, the failures of business entities have raised numerous of questions about the credibility of the accounting profession and the reliability of its report in making optimal decisions in terms of business investments (Akpanuko & Umoren, 2018). Creative accounting accounts largely for failure of those reports to meet the expectations of users.

Creative accounting is a term used to describe means used by preparers of financial statements to make companies become competitive in the business environment where they operate (Odia & Ogiedu, 2013). This practice is manifested through the manipulation of the statement of financial position, managing results through inconsistent accounting methods or policies, capitalizing costs and abuse of materiality concept to validate inaccuracies. Managers adopt creative accounting as a tool for presenting accounting data in such a way to attract stakeholders, instead of revealing the actual business position.

According to Fizza and Malik (2015), "When decisions are made that do not always benefit the company immediately, the strategy applied is to prioritize how to create wealth for shareholders to maximize their wealth." For instance, in Kenya, Nyabuti, Memba and Chege (2016) stated that companies that maxi-

mizes the wealth of its shareholders attract more investment thereby increasing the share capital in the process. Salome, Ifeanyi and Marcel (2012) identified strategies used by accountants in Nigeria to include profit manipulation tactics which lead to negative impact such as business failures. High-profile corporate collapses due to the incessant abuse of creative accounting practices has negatively impacted on the effectiveness of corporate governance systems, quality of financial reporting and the credibility of the audit function. This singular objective of the current study is to determine the effect of creative accounting practices on the wealth of shareholders of selected consumer goods companies listed on the Nigerian Stock Exchange, where shareholders' wealth is represented by the firm's share price in the stock market.

This paper flows as follows: section 2 is the review of literature, theoretical framework and hypotheses development. Section 3 is the research method adopted in the study. In section 4 the analysis and results are presented. Section 5 is used for the discussion and conclusion of the study.

LITERATURE REVIEW, THEORETICAL FRAMEWORK AND HYPOTHESES DEVELOPMENT

The concept and nature of creative accounting

According to Bhasin (2016), "creative accounting is a practice that may (or may not) comply with accounting standards or principles but deviates from what those principles and standards intend to achieve, in order to show a desired image of the company to stakeholders." Osahon (2012) posited that "creative accounting is the transformation of financial accounting figures to the desire of the preparers from what they actually are by taking advantage of the existing rules and or ignoring some or all of them." Similarly, according to Balaciu and Vladu (2009), "creative accounting is a communication technique having in view the amelioration of the information provided to the investors." In other words, creative accounting not only attempts to generate a more positive public image on the market but is also an attempt to present result that is more attractive than normal. Creative accounting practices can be assessed under a positive viewpoint and a negative viewpoint at the same time.

From a positive viewpoint, these practices coincide with accounting principles that recognize changes in the economic, social and political environment

while from a negative viewpoint, they are negative activities which promote unethical practices by which providers of capital are presented with misleading information about the firm (Odia & Ogiedu, 2013).

Bhasin (2015) offered insights into specific methods employed by firms in manipulating figures presented in financial statements. These include:

- Recognition of Premature or Fictitious Revenue: The study places emphasis on how creative accounting begins. First is with recognition of revenue because it has a direct impact on earnings. This happens when either legitimate revenue is recognized earlier than expected in line with GAAP, which is called premature recognition, or it could be that revenue is recognized for sales that did not exist – fictitious sales.
- The use of Cookie Jar Reserves: This arises when there is over-provisioning for accrued expenses during the period of high profitability. The objective of this is to ensure that profit is not over-estimated beyond the level that is safe to maintain in the future.
- Aggressive Capitalization and Extended Amortization Policies: Part of the methods employed in creative accounting is that companies aggressively capitalize expenditures that should have been expensed. Sometimes, the trick is to extend the period of amortization.
- Manipulating Inventory: This happens when firms manipulate the quantity or value of inventory. Some of the techniques adopted may be to make provisions for slow-moving inventory, and also possibly change the inventory valuation method.

Justification in support or against creative accounting practices

Study such as Škoda, Lengyelfalussy and Gabrhelová (2017) has identified tax as a significant motivator for practicing creative accounting. The argument put forward by Davidson (2002) is that complexities in the environment in which a business operates as well as situations where pressures mount on managers during economic challenges often make managers to improve their financial performance by all means. Some reasons put forward by Sutton (2002) as cited in Odia and Ogiedu (2013) for creative accounting practices are; reduction in tax and burden, access to cheap sources of capital, avoiding the violation of terms or clauses in debt contracts and increased managers' wealth. Branka, Ivana and Ivo (2018) opined that creative accounting is applied with the motive

to obtain personal gain, maintain competitiveness, attracts investors by presenting an image that is not real about the business, increasing or maintaining the level of capital, buying time for not settling due debts and beating analysts' forecasts about the company's performance.

Despite the motives advanced in support of creative accounting, it must be noted that the practice and techniques of creative accounting has contributed to the failure of larger firms like Arthur Anderson, Enron, World Com, Parmalat, etc., (Norri, 2013; Ajibolade, 2008). In Nigeria, Akintola Williams and Deloitte were also prosecuted for aiding the forgery of Afribank Plc's accounts (Main Stream Bank PLC) and intentionally exaggerating the earnings of Cadbury Nigeria PLC (Bankole, Ukolobi & McDubus, 2018). These events certainly show that the financial reports presented to the public by management and approved by auditors were a misrepresentation of the firm's true position.

According to Bakre (2007), "increase in company failures in Nigeria and the close shave with collapse that some banks had, occasioning bailout funds from Central Bank of Nigeria, has prompted researchers and investors to query the reliability of financial statements for decision making." Another position put forward by Bakre (2007) is that "investors are increasingly uncertain about returns on their investment as confidence in financial reporting is being eroded."

Apart from the issue of corporate collapse of firms, the current study is intended to determine the effect of creative accounting practices on the wealth of shareholders with respect to firm's share price in the stock market.

Shareholders' Wealth and its influencing factors

Adaramola and Atanda (2014) maintained that "shareholders' wealth is the projected future earnings to the firm's owners calculated in their present value." These earnings take the form of dividends distributed periodically as well as proceeds from the trading of stock."

As noted by Majanga (2015), some of the factors that influence shareholders' wealth include; "earnings after tax and interest, market forces, the movement in share prices and dividend pay-out policy." The concepts of dividend pay-outs is the principle upon which building of wealth is founded as well as the increase in share prices, and also stated that shareholders' wealth will be maximized when the company pays out dividend regularly and the price of the stock appreciates on the stock-market such that the investor gets capital gains. Mpin-

da (2013) emphasized how important it is for a firm to maximize shareholders' wealth by establishing an optimal dividend pay-out policy. On the other hand, Mpinda (2013), highlighted that "investors who have a long-term perspective in their investment are the ones who believe that a dividend should only be paid if the company has no value-enhancing capital projects to invest in."

Link between creating accounting and shareholders' wealth

Salome, Ifeanyi & Marcel (2012) put forward that "creative accounting occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some unsuspected stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers. The resultant effects of these gross accounting violations are disastrous, leading to high information gap between managers and investors and creating a negative impact on shareholders' wealth." A study by Adaramola and Atanda (2014) observed that movement in a company's earnings has a direct impact on movement in share prices. Similarly, financial accounting information relating to cash-flows has a positive effect on share prices and this consequently affects shareholders' wealth. In Bankole, Ukolobi and McDubus (2018), management has been brought under pressure to deliver acceptable earnings per share performance because of the quarterly earnings report.

Theoretical Framework

The theoretical perspectives upon which creative accounting is based and which also provides the theoretical background for analyzing the issue of creative accounting include such theories as the agency theory, resource dependence theory, stakeholders' theory and debt covenant theory. Agency theory argues that there is the tendency for managers to engage in manipulating behavior owing to the conflict of interest between the managers and the shareholders in the allocation of economic resources, (Vladu & Matis, 2010). Resource dependence theory argues that managers dependent on shareholders because managerial compensation is often tied to stock prices and investors have a great can exercise discretion as to where they invest their capital and as such, this might affect how managers account for firm performance. Stakehold-

ers' theory opines that the pressure is on the managers of a firm to adjust accounting figures to suit the interests of stakeholder groups especially the dominant ones (Bankole, Ukolobi & McDubus, 2018). However, this study hinges on the agency theory for the reason being that, agency theory assumes a firm to be a legal fiction that serves as a focus for complex process that is characterized by conflictual features of the objectives of individuals (Vladu & Matis, 2010). This theory suggests that conflict of interests between managers and shareholders is the root cause of creative accounting practices.

Prior Empirical Studies

Škoda, Lengyelfalusy and Gabrhelová (2017) conducted a study on “creative accounting practices in Slovakia after passing financial crisis.” The study found that “companies are forced and under pressure of performing well and this becomes the major motivator of creative accounting.” The study also emphasis that “to be competitive and be in the race of competition, companies are trying to do anything not minding whether it is unethical.” Kamau (2015) analyzed creative accounting practices among listed companies on the Nairobi Stock Exchange in Kenya. The study comprised 64 companies listed on the (NSE). The conclusion of the study is that “there were significant variances in discretionary accruals for various sectors which is an evident that high probability that creative accounting exists across the sectors.”

In a study investigating creative accounting practices in Kenya and their effect on the financial performance of companies listed in the Nairobi Stock Exchange, Nyabuti et al. (2016), found that “avoidance of tax, accelerating of depreciation and smoothing of incomes” were the main creative accounting variables adopted for the study, with evidence that “a strong relationship exists between creative accounting and financial performance among listed companies in Kenya.” Kamau, Mutiso and Ngui (2012) examined “tax avoidance and evasion as factors influencing creative accounting among companies in Kenya” and shows that the practice of creative accounting among companies in Kenya is widely driven by tax avoidance and evasion. Data from thirty-six accountants were collected and analyzed being the stewards of various companies in Kenya

In Turkey, Ozkaya (2014) examined creative accounting practices of government parastatals between the periods 1989 to 2010. It was found that “the fluctuations associated with boom-bust cycles in international capital flows stems

from the persistent hidden liabilities influencing structures of emerging markets with open capital.”

In Nigeria, a study by Odia and Ogiedu (2013), on “the impact of corporate governance and regulatory activities of Nigerian Accounting Standards on creative accounting practices,” The study utilized population which include accountants, users of financial information and regulatory agencies in Nigeria. The result showed that “creative accounting practices were linked to poor corporate governance structures and slack regulations to check the abuses.” Also, Tassadaq and Malik (2015) conducted a study and collected data through structured questionnaire from industrial sector of Pakistan. The study concluded that “a company is involved in frauds or scandals because of several factors like unethical behaviours, agency problem and non-professional attitude.”

Bankole et al. (2018) examined “the effect of creative accounting on shareholders’ wealth.” “Inventory valuation, depreciation policy and debtors’ ageing schedule were used as proxies for creative accounting.” The study found that “frequent changes in inventory valuation method and depreciation policy affect shareholders’ wealth while frequent manipulation of a firm’s ageing schedule had no significant effect on shareholders’ wealth.” Fagbemi, Abogun and Salam (2013) carried out a study to examine the relationship between corporate governance and creative accounting practices using respondents from twenty-five Nigerian companies with headquarters in Lagos-State. Using Pearson product coefficient of correlation and regression analysis to analyze data obtained from respondents, findings from the study suggests a positive and significant relationship between rule observance and creative accounting practices. The study also found evidence showing the existence of a relationship between creative accounting practices and the decision-usefulness of the financial statements.

A study in India by Shah, Butt and Tariq (2011) showed how many companies used the creative accounting techniques to maintain profitability. This is achieved when companies change depreciation policy in order to minimize losses. By this, investors and staffs get assurance and shareholders increase their wealth. Effiok and Eton (2012) appraised “the impact of creative accounting on management decisions of selected companies listed on the Nigerian Stock Exchange.” The study observed that “the application of creativity in financial reporting significantly affects the decision of management to recapitalize the firm upward or dispose of its reserves and concluded that creative ac-

counting through macro-manipulation of financial statements affects a firm's price and capital market performance." Osahon (2012) studied the impact of creative accounting on a firm's value and concluded that creative accounting practices positively affects a firm's value proxied by its share price. Leyira and Okeoma (2014) studied the influence of creative accounting on organizational effectiveness. Using survey data and financial reports of fourteen Nigerian manufacturing firms over a period of five years, the study found weak evidence of a positive correlation between income smoothing, artificial transaction and market share. The study further concluded that many manufacturing firms in Nigeria underperform but practice creative accounting to appear legitimate.

Notwithstanding the body of research on creative accounting, the effect on shareholders' wealth maximization remains unexplored. Based on this gap, the current study hypothesises that:

H₁: Frequent changes in a firm's inventory valuation method have no significant effect on shareholders' wealth.

H₂: Frequent changes in a firm's depreciation policy have no significant effect on shareholders' wealth.

H₃: Frequent changes in asset valuation methods have no significant effect on shareholders' wealth.

H₄: Frequent changes in liability valuation methods have no significant effect on shareholders' wealth.

RESEARCH METHODS

The Sample and Data

The population for this study comprises the twenty (20) consumer goods companies listed on the Nigerian Stock Exchange as at 31st October, 2020. The sample size for the study is ten (10) consumer goods companies. Convenience sampling technique was used to select the samples for this study. The criteria adopted for selection was based on consumer goods companies that published their annual reports for the financial years 2011 to 2019. The study analyzed data using descriptive statistics and inferential statistics.

Model Specification

The models for this study determine the relationship between creative accounting techniques and shareholders' wealth. The simple panel equation predicting the effect of the independent variables on the shareholders' wealth is as stated in equation (i):

$$EPS_{it} = \alpha_{it} + \beta_{1t}INV_{it} + \beta_{2t}DEP_{it} + \beta_{3t}AVA_{it} + \beta_{4t}LVA_{it} + \mu_{it}$$

Where, EPS is the Earnings Per Share, INV is the inventory valuation method, DEP represents depreciation policy, AVA represent asset valuation method and LVA represent a firm's liability valuation method.

Measurement of Variables

In order to explain creative accounting model, it is imperative to identify the variables that constitute creative accounting. Based on extant literature, the focus of most manipulation is frequent changes in inventory valuation method, frequent changes in depreciation policy, frequent changes in assets valuation methods and frequent changes in liabilities valuations methods. Inventory valuation was measured by examining whether the previous year's valuation method differs from the current year. Change in depreciation policies was measured by examining the previous year's depreciation policy on all fixed asset class and compare with the current year to ascertain difference. Valuation of assets or investments in subsidiaries was measured using the absolute change in discount rates used for the valuation of the company's assets or investments in subsidiaries. Valuation of financial guarantees or liabilities was measured using the discount rate adopted to value future financial obligations such as retired benefit plan, long-service award and guarantees to subsidiaries or related parties. Shareholders' wealth was measured using earnings per share as it aids in standardizing companies' earnings over periods of time and make them easily comparable to one another.

ANALYSIS AND RESULTS

Table 1. Descriptive Statistics

	INV	DEP	AVA	LVA	EPS (kobo)
Mean	0.156	0.267	0.133	0.157	224
Standard Deviation	0.364	0.445	0.002	0.017	317
Kurtosis	1.776	-0.868	-0.42	-1.536	16
Skewness	1.933	1.073	-0.45	-0.328	3
Minimum	0.000	0.000	8.8	0.131	-134
Maximum	1.000	1.000	0.170	0.177	2176

Source: Annual Reports of Selected Companies (2020).

Table 1 shows the summary statistics of the panel data extracted from the annual reports of the selected ten (10) fast moving consumer goods for the years 2011–2019. As seen in table 1, the mean of inventory is 0.156. In the data entry, zero represents no change in the method of valuing inventory from the previous year and 1 represents otherwise. A mean of 0.156 suggests an extremely low level of changes in the method the companies use in valuing their inventory. The standard deviation of 0.364 suggests a low deviation from the mean. The summary statistics of depreciation was also shown in table 1 with a mean of 0.267; the data suggest that there was a relatively higher change in depreciation method than inventory valuation method. To put it in perspective, it inclines that on the average, the companies changed their depreciation method about 2.7 times in 10 years.

From table 1, the mean of asset valuation is 13.3% with a standard deviation of 0.2%. This result implies that on the average, the discount rate adopted to value intangible assets is 13.3% with very low deviations from this value. The Kurtosis and Skewness of -0.42 and -0.45 shows that the data is normal-peaked and skewed, although, tilted to the negative side. The minimum and maximum discount rates for valuing assets are 8.8% and 17% respectively. The mean of the discount rate adopted to value liabilities is 15.7% with a standard deviation of 1.7%. This discount rate is higher than that of the discount rates

used in valuing assets, suggesting that FMCG companies downplay on their liabilities than they do with their assets. This is such that discount rates and present values are negatively correlated, meaning, as discount rates increase, present value valuation of the assets or liability decreases, and vice versa. The minimum and maximum rates adopted by the firms during the period are 13.1% and 17.7% respectively.

The earnings per share of the companies was used to measure shareholders' wealth of the companies and as indicated in table 1, the mean is 224 kobo with a standard deviation of 317. This is expected as the share valuation of each company varies significantly. The data is not normally distributed as there were large variations in the data: in some years, the companies had high negative and positive EPS. This is evident in the minimum and maximum values of -134 kobo and 2176 kobo.

Inferential statistics

Table 2. Variance Inflation Factor

	VIF	Tolerance
Inventory Valuation	1.405	0.712
Depreciation Method	2.052	0.487
Asset Valuation	1.637	0.611
Liabilities Valuation	1.788	0.559

Source: author's computations (2020).

Variance Inflation Factor in table 2 was used to ascertain the level of multicollinearity between the independent variables to ensure the assumptions of regressions are not violated. From the result, it can be seen that the VIF of all the variables does not exceed three, hence, suggesting the variables are fit for regression analysis.

Table 3. Heteroskedasticity and Hausman Test

Test	Chi ²	P-value
Breusch-Pagan Godfrey	2.47	0.085
Hausman Test	30.13	0.000

Source: author’s computations (2020).

Table 3 presents the result of Breusch-Pagan Godfrey test which shows a X^2 of 2.47 with a p value of 0.085, suggesting the model is not heteroskedastic and thus fit for panel regression analysis. Hausman test was carried out to ascertain the appropriate panel data regression analysis to adopt in testing the hypothesis. As shown in table 3, the X^2 is 30.13 with a p value of 0.000 suggesting that the fixed effect model is more appropriate, based on the features of the data. Random effect model is best adopted if the test is insignificant at 5% alpha level and fixed effect model is adopted if the Hausman test is significant at 5% alpha level.

Table 4. Fixed Effect Regression Result

Dependent Variable: EPS				
Variable	Coefficient	Std Error	t-statistics	Prob.
R	0.468	286.45		
R square	0.219			
Adjusted R square	0.182			
F Statistics	5.994			0.00
Intercept	818.96	367.94	2.26	0.02
INV	193.16	86.60	2.23	0.02
DEP	41.73	70.67	0.59	0.56
AVA	-6074.5	1689.3	-3.60	0.00
LVA	1111.05	1803.97	0.615	0.54

Source: author’s computations (2020).

The fixed effect panel regression model was presented in table 4 and the result showed a medium positive correlation of 0.468 and an R^2 of 0.219, suggesting that the variables accounted for over 21% of the changes in earnings per share of the FMCG companies. The coefficients of the models showed that inventory valuation had a positive significant effect on earnings per share while the depreciation method had no significant effect on the earnings per share of the companies. On the asset and liabilities valuation side: asset valuation had a strong positive coefficient of the earnings per share while valuation of liabilities has no significant effect on earnings per share. The F-statistics of the model is 5.99 and the associated p value of 0.00 is less than 0.05. Hence, we accept the joint statistical significance of the model and that significant linear relationship exists between the dependent and independent variables.

The evaluation of the slope coefficients of the explanatory variables reveals the existence of positive relationship (193.16) between inventory valuation (INV) and shareholders' wealth (EPS) which is also significant at 5% ($p=0.02<0.05$). Therefore, we reject hypothesis one (H1) which states that frequent changes in a firm's inventory valuation method have no significant effect on shareholders' wealth. Depreciation policy (DEP) has a positive effect on shareholders' wealth as indicated by the coefficient of 41.73 which though was not statistically significant at 5% as the probability value is greater than 0.05 ($p=0.56>0.05$). Therefore, we accept hypothesis two (H2) which states that frequent changes in a firm's depreciation policy have no significant effect on shareholders' wealth.

Asset valuation methods (AVA) has a negative effect on shareholders' wealth as indicated by the negative slope coefficient of -6074.5 which is statistically significant at 5% as the probability value is less than 0.05 ($p=0.00<0.05$). Therefore, we reject hypothesis three (H3) which states that frequent changes in a firm's asset valuation methods do not have any significant effect on shareholders' wealth. Liabilities valuation methods (LVA) have a positive effect on shareholders' wealth as indicated by the positive slope coefficient of 1111.05 which though was not statistically significant at 5% as the probability value is greater than 0.05 ($p=0.54>0.05$). Therefore, we accept hypothesis four (H4) which states that frequent changes in a firm's liabilities valuation methods have no significant effect on shareholders' wealth.

DISCUSSION AND CONCLUSION

The descriptive tool adopted was the summary statistics which showed that a relatively low change in the method adopted by the companies in valuing their inventories. However, depreciation method had a relatively higher level of changes which could be attributed to the change in reporting standards. The result of assets and liabilities valuation showed that the mean discount rates adopted in the valuation of assets was less than the mean discount rate adopted in the valuation of liabilities and guarantees. The firms had options of selecting the most appropriate weighted average cost of capital in arriving at the present value of their assets. From the result of inferential statistics, it can be seen that changes in accounting methods have a strong positive significant relationship with shareholders' wealth. On a more specific note, it was found that the valuation of inventory significantly influences the earnings per share of the companies. As observed from the data collected in the annual reports, the companies had slight fundamental changes in how they valued their inventory which must have caused the positive relationship with earnings per share. This is such that, if the closing inventory is relatively valued higher than the previous year, the cost of goods sold during the period would be less than it should be thereby influencing the bottom line of the company.

The result of the depreciation shows a positive but insignificant effect on the model. From the data obtained, the depreciation was relatively stable across the periods and companies; however, significance was not obtained because the depreciation change was as a result of the adoption of IFRS in 2012. The valuation of assets showed that assets valuation had a negative significant effect on the model. The discount rate for the valuation of assets was used to measure this variable, it is important to note that companies have flexibility in selecting the mode of valuation they want to adopt to value their assets. The implication of adopting a lower discount rate in valuing assets is that the present value of the assets becomes higher, resulting in valuation gains which eventually feed into the income statement, resulting in a potentially overstated comprehensive income for the year. On the flip side, the valuation of liabilities had no significant effect on the model with a p-value of 0.54. As observed from the data collected, there was little flexibility in the discount rates adopted by the companies in valuing their liabilities and guarantees as most of them adopted the closing yield of high-quality corporate bond. This lack of flexibility in adopting

own discount rates could serve as de-motivator to use valuation of liabilities to manipulate the earnings of the company.

Summarily, the strong significance of the change in method of inventory valuation, assets valuation and the over 2 percentage point differences between discount rates for assets and liabilities suggests an element of creative accounting in fast-moving consumer goods. The findings are similar to the findings of Kamau (2015) who concluded that there is a high probability of creative accounting happening among listed companies on the Nairobi Stock Exchange. The findings are also in line with those of Effiok and Eton (2012) and Osahon (2012).

Based on the findings of the study, it is concluded that creative accounting has a significant multi-directional impact on shareholders' wealth of companies in Nigeria. This multi-direction allows managers achieve their desired results in the reported accounting statements of their respective companies. This is such that the discount rates for valuing assets can be increased or decreased to see desired results, used alongside other variables such as the method of valuing the inventory, to influence the gross profit. Also, depreciation can also be used to influence the bottom line of the company and reducing depreciation by changing policies can lead to increased profit before taxation. Further studies may examine the effect of IFRS adoption on creative accounting techniques employed by consumer goods companies in Nigeria.

■■■ REFERENCES

- Adaramola, A., & Atanda, O. (2014). The Relationship between Financial Accounting, Auditing and Market Values of Quoted Firms in Nigeria. *Global Journal of Contemporary Research in Accounting, Auditing and Business Ethics*, 1(1), 22–39.
- Ajibolade, S. (2008). A survey of the perception of ethical behaviour of future Nigerian accounting professionals. *Nigerian Accountants*, 41(3), 54–59.
- Akpanuko, E., & Umoren, N. (2018). The influence of creative accounting on the credibility of accounting reports. *Journal of Financial Reporting and Accounting*, 16(2), 292–310. <http://dx.doi.org/10.1108/JFRA-08-2016-0064>.
- Bakre, O. (2007). The unethical practices of Accountants and Auditors and the compromising stance of professional bodies in the corporate world: Evidence from corporate Nigeria. *Accounting Forum*, 31(3), 277–303. <http://dx.doi.org/10.1016/j.accfor.2007.06.001>.
- Balaciu, V., & Vladu, A. (2009). A Brief Review of Creative Accounting Literature and its Consequences in Practice. *Annales Universitatis Apulensis Series Oeconomica*, 11(1), 170–182.

- Bankole, K.O., Ukolobi, I.O., & McDubus, O.F. (2018). Creative accounting practices and shareholders' wealth. *Accounting and Taxation Review*, 2(4), 58–74.
- Bhasin, M. (2015). Creative Accounting Practices in the Indian Corporate Sector: An Empirical Study. *International Journal of Management Sciences and Business Research*, 4(10), 35–52.
- Bhasin, M. (2016). Survey of Creative Accounting Practices: An Exploratory Study of an Asian Market. *International Journal of Management and Social Sciences Research*, 5(9), 29–41.
- Branka, R., Ivana, K., & Ivo, M. (2018). Creative Accounting-Motives, Techniques and Possibilities of Prevention. *Ekonomski Vjesnik*, 31(1), 193–199.
- Davidson, J. (2002). Communication and Anitithesis in corporate annual reports: A research note. *Economics and Finance Discussion Papers Brunel University*, 02-13.
- Effiok, S., & Eton, O. (2012). Creative Accounting and Mangerial Decision on Selected Financial Institutions in Nigeria. *International Journal of Business Research and Management*, 3(1), 35–47.
- Fagbemi, T.O., Abogun, S., & Salam, M. (2013). The influence of corporate governance on creative accounting practices in Nigeria. *Advances in Management (A journal of the Department of Business Administartion, University of Ilorin)*, 11(1), 1–20.
- Fizza, T., & Malik, Q.A. (2015). Creative Accounting and Financial Reporting: Model Development and Empirical Testing. *International Journal of Economics and Financial Issues*, 5(2), 544–551.
- IASB (2018). International Accounting Standards, IASB, London.
- Kamau, A. (2015). Creative Accounting among corporations Listed in Nairobi Stock Exchange: Sector Analysis. *The International Journal of Business and Management*, 4(1), 161–168.
- Kamau, A., Mutiso, N., & Ngui, M. (2012). Tax Avoidance and Evasion as a factor influencing creative accounting practices among companies in Kenya. *Journal of Business Studies*, 4(2), 77–84.
- Leyira, C.M., & Okeoma, E.C. (2014). The impact of creative accounting on organizational effectiveness: A study of Manufacturing firms in Nigeria. *British Journal of Economics, Management and Trade*, 2107–2122. <http://dx.doi.org/10.9734/BJEMT/2014/7736>.
- Majanga, B. (2015). The Dividend Effect on Stock Price-An Empirical Analysis of Malawi Listed Companies. *Accounting and Finance Research*, 4(3), 99–105. <http://dx.doi.org/10.5430/afr.v4n3p99>.
- Mpinda, M. (2013). The Impact of Dividend Payments on Shareholders' Wealth:Evidence from the vector error correction model. *International Business and Economics Research*, 12(11), 1451–1466. <http://dx.doi.org/10.19030/iber.v12i11.8182>.
- Norri, M. (2013). The challenges of accounts controller for creative accounting techniques. *The Journal of Administration and Economics*, 7(2), 189–202.
- Nyabuti, V., Memba, F., & Chege, C. (2016). Influence of Creative Accounting Practices on the Financial Performance of Companies listed on the Nairobi Stock Exchange in Kenya. *International Journal of Management*, 3(2), 45–59.

- Odia, J., & Ogiedu, K. (2013). Corporate Governance, Regulatory Agency and Creative Accounting Practices in Nigeria. *Mediterranean Journal of Social Sciences*, 4(3), 55–66. <http://dx.doi.org/10.5901/mjss.2013.v4n3p55>.
- Osahon, O. (2012). Creative Accounting and Firm's Market Value in Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 2(3), 38–50.
- Ozkaya, A. (2014). Creative accounting practices and measurement methods: Evidence from Turkey. *Economics e-Journal*, 8(29), 1–27. <http://dx.doi.org/10.5018/economics-ejournal.ja.2014-29>.
- Salome, E., Ifeanyi, O., & Marcel, E. (2012). The Effect of Creative Accounting on the Job Performance of Accountants in reporting financial statements in Nigeria. *Kuwait Chapter of Arabian Journal of Business and Management Review*, 1(9), 1–30.
- Shah, S., Butt, S., & Tariq, Y. (2011). Use or abuse of creative accounting techniques. *International Journal of Trade, Economics and Finance*, 2(6), 531–536.
- Škoda, M., Lengyelfalusy, T., & Gabrhelová, G. (2017). Creative accounting practices in Slovakia after passing financial crisis. *Copernican Journal of Finance & Accounting*, 6(2), 71–86. <http://dx.doi.org/10.12775/CJFA.2017.012>.
- Tassadaq, F., & Malik, Q. (2015). Creative accounting and financial reporting: model development and empirical testing. *International Journal of Economics and Financial Issues*, 5(2), 544–551.
- Ubogu, F. (2019). Effect of Creative Accounting on Shareholders' Wealth in Business Organizations (A study of selected banks in Delta State). *International Journal of Social Sciences and Humanities Review*, 9(1), 19–38.
- Vladu, A., & 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 Oeconomica*, 1(12), 1–33.