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Creative Accounting Practices and Investment: Implications for the Shareholders in Nigerian Public Companies

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ABSTRACT

This study examines the relationship between creative accounting and investment decisions by shareholders in Nigerian public companies. The contemporary viewpoint of financial consultants, firm of auditors and academicians about the relationship was the aim. The survey research design is adopted where 61 professionals comprising chartered accountants, company secretaries, financial consultants/analysts, and seasoned academicians in the accounting profession. Five hypotheses at 5% significance level are tested, while Correlation and Pearson product-moment correlation is used to measure the degree of association between the variables. The findings reveal that creative accounting has significant relationship with investment decision of the investors. It is concluded that most investments in quoted companies are made as a result of the creative accounting practices inherent in financial reports. It is recommended that the Financial Reporting Council of Nigeria and every stakeholder should act to ensure that corporate governance practice is actually achieved for a sound financial reporting practice.

Keywords: *Creative accounting, Investment decision, financial reporting, corporate governance, shareholders.*

INTRODUCTION

The term 'Creative Accounting' is the deviation from accounting standards and taking advantage of loopholes in accounting standards, to manipulate accounting figures (Mulford & Comiskey, 2009). According to Griffiths (1986), companies fiddle its profits as shown in published accounts to deceive the investing public, as a perfect good taste, totally legitimate,

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but deceitful in content. Aside from the use of creative accounting to fill loopholes by management of companies, company accountants apply expert use of accounting skills to make financial reports which showcase blissful business, so as to lure investors into investing in the companies (Nasser, 1993). As opined by Penman (2007), financial accounting reporting standards must be adhered to by companies in their financial reporting, and anything not in line with the standards is not acceptable. However, accounting and finance are too complicated to have a set of water-tight rules hence the quest for creative accounting by directors of companies (Investopedia, 2016).

Companies' annual reports provide a snapshot of the company's financial position. Whether the company will survive in the foreseeable future or not, is depicted by the state of health as reflected in the financial reports. Information in the capital market as digested by investors is a pointer to their decision to invest immediately in the company and also make prognosis for the future (Merchant & Rockness, 1994). This decision will arise principally from the activities of the managers who are the directors in the company. Their activities will culminate into the profit and earnings per share growth of the entity (Thomas, 2002). Dharan and Lev (1993) opine that these directors therefore want to be seen as being effective, and as such would want to use creative accounting practices to present the message to the prospective and current investors. Jameson (1998), however, asserted that creative accounting may be a one-off event or chain of events, but the mission is to distort the figures so that the underlying health of the company is obscured. Techniques of accounting are used by professionals to produce imaginary figures which seem more meaningful than the actual, to serve as bait to investors. When these occur, the 'notes to the accounts' are used as a cover (Meigs, 1993).

Sullivan and Sheffrin (2003) wrote that investment decision is one of the fundamental decisions of business management. Yadav (2014) maintained that individuals choose to take risk in investments with the hope to gain in the future. In Nigeria today, both institutional and private investors actively redirect their resources and invest to create benefits in the future, only to fall into the trap of creative accounting, with the attendant problems it poses for the continuity of the company. As asserted by Stolowy and Breton (2004), investment creates wealth to the investor,

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but where decision to invest is made as a result of books of accounts that are 'cooked' to make the company attractive, the company may not perform as expected and may eventually 'sink' with the investor's funds. The practice of creative accounting is by no means rare or new in the business world. It generally refers to any accounting method that neither follows the prescribed accounting standards and guidelines nor conforms to the generally accepted accounting practice (Mulford & Comiskey). According to Stolowy and Breton (2004), it is any method of accounting which the management of a company desire to present to the financial statements' users, rather than the true position of the organization's affairs. The objective of the study was to find out the relationship between creative accounting inherent in published annual accounts and the investment made by shareholders in quoted companies. The study also wanted to find out if the ethics of professionals, such as the independent auditors, lawyers and accounting academicians can abate creative accounting. The adequacy of provisions made by regulators to checkmate creative accounting in companies was also examined. Overall, the study examined the effect of creative accounting on investments in Nigerian companies.

The gap to be filled in this study is the assertion that most investors in Nigeria invest in companies out of their personal perception, and are not given to business valuation education. Citing a study carried out by Osuala, Ugwuma and Osuji (2012), Zayol, Agaregh and Eneji (2017) said the findings indicated that shareholders in Nigeria do not heavily rely on information from financial statements before they take decision to invest in such companies. Instead, their reliance is on how regular dividends are paid and what the market values of these companies in the stock market are. The study will investigate if professionals in finance and accounting, who are in academics, audit or consultants in firms, have been educating investors, on consultation, on how creative accounting can be detected. If so, does this knowledge affect their investment decisions? The Securities and Exchange Commission (SEC) is the regulating body in Nigeria in charge of financial markets and promoting transparency in corporate financing has been the primary policy.

The study will find out how the enforcement of the requirements of the Company and Allied Matters Act (CAMA 1990) by the Securities and Exchange Commission makes it imperative for public companies to

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comply. Full disclosure principles allow corporate directors (independent directors), SEC and independent auditors to check the excesses of top managements who might have tilted to corrupt practices via creative accounting. Unfortunately, these groups have more often than not, in recent years failed to play their roles, and many corporate top managements have become dominant and unrestrained. This slack in the regulation process gives rise to creative accounting which is indicated by figures manipulation or special arrangement to make the account look better and attractive to investors at the end of accounting period. The attendant problems which the researcher identifies in this practice are: dishonest accounting practices and deviation from accounting reporting standards, failure of the role of audit committee on corporate governance in public quoted companies, and loss on investment by investors.

Mulford and Comiskey (2009) assert that in the law of contract, there is an agency relationship when the principal hire others (the agents) and delegate responsibilities, including decision making, for them to carry out the assignment in good faith on behalf of them (principals). The principal, in this case are the owners of the business (shareholders) and the agent is the management. Penman (2007) posits that the service to be performed by the agent for the principal involves managing a firm or other risk situation which is expected to yield a return or outcome. The problem normally encountered in the principal-agency relationship is that the principal, may however, not be able to obtain the most desirable outcome through the action of the agent (Soyode, 1982). Accounting value and economic value of investments in companies are arrived at through forecasts of future earnings, and accounting principles are used in measuring earnings (Smith, 2006). The generally accepted accounting principles (GAAP) provide constrains on how firms can account for their earnings in business (Thomas, 2002). However, firms have some latitude to choose which accounting methods could be used. It must be noted that their book values and the earnings reported are affected by the choice of accounting methods.

Penman (2007) confirms this assertion and adds inventory valuation and depreciation methods used by firms as factors that affect residual and growth of earnings, price-to-book and price-earnings ratios. He therefore suggests that discounted cash flow valuations be used rather

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than earnings whose valuations can be distorted by accounting methods. This stems from the fact that a firm can use accounting methods to arrive at fictitious residual earnings and rate of returns, higher than factual, which would attract investors to the company. High earnings growth can be achieved superficially by a firm's accounting records. These points were reflected in the works of Sweeny (1994); Trombey (2003); and Williams (2010). Their study found out that the valuation of a firm in real terms is not affected by either residual earnings or earnings growth created by accounting methods chosen by a firm.

According to Merchant and Rocknes (1994), earnings growth and residual earnings can be manipulated by accounting methods or created by real factors, but economic value can only be achieved by the real factors. Nasser (1993) adds that when valuation methods are used appropriately, investment analysts can distinguish the real value added from the one manipulated through the use of accounting methods.

Sometimes, misstatements are made concerning assets and liabilities of an entity. This would result in a false impression about a firm's financial results and position. Critically looking at this direction, financial analysts can have a guide to detect what amounts are misreported, as pictured in the published financial statements of such companies. The key issues raised in detecting creative accounting practices include: Looking out for a linkage between the income statement and the statement of financial position, what assets and liabilities have been misreported, which would eventually result to net income and shareholders' equity misstatements (Mulford & Comiskey, 2009). Closely related to the above is the fact that premature or fictitious revenue may be recognized, or there may be improper assessment of future collectibles. These would however lead to the overvaluation of accounts receivable, according to Schwartz (1982). It was also opined by (2008) that creative accounting could be detected through misreporting the inventory. This could be in any form of inventory overvaluation of what is at hand, or bringing in the value of obsolete goods that are written down, or overstating the physical count. Firms that are using the last-in, first-out (LIFO) method of inventory reporting should be watched carefully. This is necessary as their fourth quarter results may include adjustments for inflation which are material, and whose effects have not been accounted for at the beginning

of the accounting year. This could be indicated in cost of goods sold being charged with purchases that have lower-cost in difference to when they were bought. This is liquidating LIFO, which may boost the results so reported (Mulford and Comiskey, 2009). Sanyaolu and Olatunji (2017) maintained that when investment in debt and equity securities are reported, creative accounting practices may be employed if distinctions are not made in financial reporting concerning which of these investments are available for sale, used for trading, or held to maturity. It is imperative to make the classification in order to determine if there is a fall in market value during reconciliation for gains and losses on sale.

Amat and Blake (1999) explained that operating expenses which are underreported culminates to payable expenses which are understated. This will result in subsequent earnings of the company becoming so high, compared to normal expenses incurred in the reported period. Baker (1993) also linked this scenario up with an under-accrued liability being increased, or settling an obligation through payment made when there has been no accrued liability. Similarly, understated accounts payable is made to be parallel to the cost of goods sold, as well as inventory purchases.

Creative accounting practices also manifest when a less-than-normal effective income tax rate is used to obtain a less-than-normal accrued income tax, while accrued contingent liabilities are recorded, with footnotes indicated, whereas there has been certainty in an obligation incurred with reasonable estimation (Baker, 1993).

Penman (2007) opined that in practice, when R&D investments or advertising and promotion expenses that do not increase assets are expensed, the book value of assets become lower. This is equally true of assets that are excessively written down. He further asserted that low asset values in the balance sheet can also be obtained by using accelerated depreciation for property, plant and equipment, as well as accelerated amortization of intangibles, while high provision for bad debts for receivables are maintained.

Similarly, Yadav (2014) asserts that when there are over bloated estimates for deferred revenue and accrued liabilities, such practices make the rate of returns to the company appear higher than normal. Therefore, firms who succeed to manipulate their Research and Development (R&D) programs generate high net operating assets returns as well as return on

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capital employed in future years when their R&D becomes successful. This happens because subsequently, R&D earnings are compared to the low book values which are low.

The practices of understating book values, according to (2008) are called conservative accounting, but just as future return on net operating assets (NOA) and return on capital employed (ROCE) can be increased by writing down net assets, they can also be decreased by writing up assets. As opined by him, when companies fail to write down impaired assets (writing up assets) this is referred to as liberal accounting. Therefore, both conservative accounting and liberal accounting which come up as a negation of International Financial Reporting Standards (IFRS) form the company's creative accounting practices. In his submission, Jameson (1988) said neutral accounting is a hallmark that shows the difference between conservative and liberal accounting. In neutral accounting, the expected return on equity is the same as the cost of capital, therefore, if there is zero residual income, there is no value added for the investment. Gutman (2002) observes that a higher future profitability than the required return is as a result of conservative accounting, while liberal accounting brings about a lower future profitability.

Fischer and Rosenzweig (1995) assert that as applicable in tax avoidance, where loopholes are explored to reduce tax burden, accounting standards have rooms for interpretation and creative accounting can evolve there from, depending on the understanding of the interpretation. In such a situation, creative accounting may not be seen as illegal. This arises from the fact that the interpretation of the standard and the impact such has on the financial statements of the company might not be sufficiently explicit in the annual report. Mulford and Comiskey (2009) maintained that regulations governing information should be stemmed to avoid nasty surprises which show up in financial reporting.

According to Soyode (1982) as buttressed by Amat and Blake (1999) and Penman (2007), quality analysts advise clients by using accounting integrity as a representative of the firm performance. To avoid creative accounting, it must be confirmed that the accounting method used to package the firm is devoid of accounting shenanigans. Auditors on their part would then issue qualified reports, to alert potential investors. This is how accounting quality analysis can be used by professionals to guide

potential investors. According to Conner (1986), earnings are of good quality, only if they do not reverse in the future. Therefore, if current bad debt estimates are low and earnings are high, the expense to bad debts will be higher in the future while income will be lower. In the same vein, when the current depreciation charge is too low, future depreciation must be higher, otherwise the firm must impair assets or sales of assets will be reported as loss. In another instance, if the cost of restructuring is too high currently, income must be inflated in the future, which will instantly define earnings quality. As opined by Penman (2007) if low earnings are obtainable but undetected, low quality valuations will occur as a result of low-quality forecasts. This low quality accounting which was not detected then exposes the investor to an ill-wind, which shows off in a drop in share price. These manipulations, according to Baldo (1995) are often given a terminology as earnings management.

Livingstone (2007) made an assertion that any manipulation which makes the current income to unjustly swell implies that the future income is borrowed and is accompanied by sales increase or expense decrease, which will have a reverse in the future. On the other hand, when there is manipulated decrease in sales, or increase in expenses, there is apparent reduction in current operating income which is akin to saving and banking income for the future. This also has a tendency to reverse in the future. Conner (1986) opines that companies' management get involved in these manipulations because they want to make profitability look better than what is actually achieved.

As put by Osteryoung (1990), when a new management is involved in writing off so much expense and blames the old management for lower income receivable or losses incurred, it is preparing for more future income to get them rewarded. This is regarded as income shift; a manipulation that shows doubtful earnings quality in the current and subsequent years. This creative accounting hinges on borrowing and saving income for the future where managers' bonuses may be tied to future earnings. The extreme of this is tagged "big bath taking". This arises where a company making a bad loss seeks to maximize the reported loss in those years so that future years will appear better. Aroni, Namusonge and Sakwa (2014) find out in their study that investors use annual reports extensively in making investment decisions. This makes the financial analysts to be

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important and form an integral part of their clients' investment decision concept. Penman (2007) notes that, in analyzing the quality of accounting, the analyst would seek to find out if forecasts comply with the generally accepted accounting principles, and if it does not, it means that relevant aspects of the firm's valuations will be deficient. He therefore advised that the auditor must be close to know the details of the business, because audit quality rests on the auditor based on the board of directors' audit committee. Adedeji (2009) then notes that the analyst must be satisfied with the Auditors' independence to avoid audit failure, as a conflict of interest might make the management to benefit at the expense of the shareholders. This is an ethical consideration of the auditor.

Looking at the transaction quality, Adedeji (2009) asserts that a firm manipulates its business to accommodate accounting by employing GAAP but manipulating the business transactions around the accounting. Two issues are prominent here, which are transactions timing and timing structuring. Transaction timing takes care of how transactions are arranged to bring about income by the timing of revenue and expenditure. It is required by GAAP that revenue be recognized when the customers access goods and services, but firms can manipulate increase of periodic profit by shipping more goods before the end of the period or shipping could be delayed when profits are to be deferred.

On the other hand, Penman (2007) stipulates that expenditure timing causes expenditure to manipulate income. Disclosure quality is concerned with disclosures that are adequate to analyse the business. Penman (2007) says that four types of disclosures are particularly important for valuations which are: (i) to distinguish operating items from financial items in the statements; (ii) to distinguish core operating profitability from unusual items; (iii) to reveal the drives of core profitability and (iv) to explain the accounting method used, so the analyst can investigate the quality of the application of GAAP. Penman (2007) therefore opines that without adequate disclosures, it would be difficult to make forecast from a good measure of current core operating income, as such, low quality disclosures lead to low-quality valuations.

Amat and Blake (1999) write that companies report high profits in lean years when high provisions in liabilities are made against asset values in good years. This practice is known as income smoothing, and it is used

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to tame the volatility of trading conditions by a company. Merchant and Rockness (1994) believe that income smoothing may conceal long-term changes in the profit trend, and as such, this type of creative accounting is prevalent in countries with highly conservative accounting system. The 'income smoothing' effect is particularly pronounced because of the high level of provisions that accumulate over time.

Accounting policy change, according to Livingstone (2007), is a creative accounting practice where company directors may keep an income-boosting accounting policy change in hand to distract attention from unwelcome news. Another area of creative accounting by companies is share price boosting, by reducing the apparent levels borrowing to make the company appear to have less risk, and create the appearance of a good profit trend. This would help the company to raise capital from new share issues, offer their own share in takeover bids, and resist takeover by other companies (Revsine, 1991). Schwartz (1982) submits that if the directors engage in 'insider dealing' in their company's shares, they can use creative accounting to delay the release of information for the market, thereby enhancing their opportunity to benefit from inside knowledge. Dharan and Lev (1993) report poor share price performance in the years following income-increasing accounting changes as a result of income smoothing by some companies. Sullivan and Sheffrin (2003) opine that one reason for creative accounting, which applies to all companies, is because companies are subject to various forms of contractual rights, obligation and constraints based on the amount reported in the accounts, and as such they would want to maintain that status at costs which in future will undermine the company's survival.

Drawing on the provisions of agency theory and positive accounting theory, Revsine (1991) maintains that selective financial misrepresentation hypothesis makes a defense for the practice of creative accounting in the private sector. According to him, managers engage in creative accounting to maximize their entitlements through bonus, and the shareholders would also benefit on the managers' actions when the value of their shares increase. He therefore argued for freezing all existing accounting standards in the private sector, and not using same for the public sector. This is classified as ethical perspective of creative accounting.

To the professional accountant, creative accounting is generally

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regarded as ethically dubious. Conner (1986) notes that the three ethical problems cited most frequently by professional accountants are: conflict of interest, clients' proposal to manipulate accounts, and clients' proposal for tax evasion. In their work, Merchant & Rockness (1994) found out that professional accountants were more critical of abuse of accounting rules than of manipulation of transactions, when presented with scenarios of creative accounting. Merchant and Rockness (1994) found a difference in accountants' attitudes to creative accounting depending on the motivation of management. Creative accounting based on explicit motives of self-interest attracted more disapproval than where the motivation was to promote the company.

Trombey (2003) opines that by applying accounting standards and disclosure rules, there should be accurate reports of companies operating results and cash flows. Anything in the contrary will be indicated in sub-optimal deployment of capital; misallocation of resources; huge payment of opportunity cost by investors. Aside from these, wrong business decisions would be made by customers and suppliers as a result of fictitious financial reports. Loans will not be priced by lenders accurately, owing to inconsistency with assumed real risk. Employees will make poor decisions based on the financial reports of their employers which are not real and competitors would have their strategies distorted. These were the very ideals of the Enron scandal (Conner 1986).

Griffiths (1986) and Jameson (1998) maintain that the current question about the ability of our accounting and reporting framework to communicate meaning information to investors arise, in part, because the economies continue to evolve at a rapid pace while reporting standards and mechanisms are trying to catch up. Griffiths (1986) asserts that the business world has become more complex, so have financial reporting accounting standards and the current prescriptive accounting rules have contributed to a lack of transparency in financial reporting. Mulford and Comiskey (2009) also record that prescriptive accounting rules can create legal problem for preparers and issuers. Smith (2006) asserts that value is calculated by forecasting future earnings, and earnings are measured using accounting methods, yet a firm's value cannot be affected by the accounting method it uses because Generally Accepted Accounting Principles constrain the way that firms can account for their businesses.

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METHOD

In this study, a survey research design was used to investigate the magnitude and direction or nature of the relationship that exists between creative accounting practices and investment in Nigerian quoted companies. The population of this study was 134 which were made up of Chartered Accountants, company secretaries, investment companies and academicians selected from firms and universities in the South-South, South-East, North-Central and North-West geopolitical regions of Nigeria. The chartered accounting firms were a mix of the big four and medium scale firms. The company secretaries and financial analysts were from companies universities in the selected geo-political zones, which were Usman Dan Fodio University, Sokoto; Ahmadu Bello University, Zaria; University of Benin; University of Calabar; University of Port Harcourt; University of Abuja; and University of Nigeria, Nsukka. This was done to have a spread of respondents from at least 65% of the geo-political zones in Nigeria. A sample size of 100 was selected using the Taro Yamane formula. Stratified random sample technique was adopted in the distribution of the instrument. A total of 100 copies of questionnaire were distributed. However, 61 of them responded. The data collected were analyzed using what was adjudged the best psychometric response, a five-point Likert scale.

The hypotheses for this study were developed as follows:

$H_0$1: There is no significant relationship between inconsistency in use of accounting policy and methods and investment decision.

$H_0$2: There is no significant relationship between abuse of professional judgment and investment decision.

$H_0$3: There is no significant relationship between artificial transactions and investment decision.

$H_0$4: There is no significant relationship between timing of genuine transactions and investment decision.

$H_0$5: There is no significant joint relationship between inconsistencies in use of accounting policies and methods, abuse of professional judgement, artificial transactions, timing of genuine transactions and investment in quoted companies.

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The model used was a bivariate statistical analysis, the correlation coefficient, to find out the effect of creative accounting on investments in Nigerian companies. The hypotheses were tested using the data gathered from the primary sources. Having established that a causal relationship existed between the data gathered, it was worthwhile to test for evidence of good correlation. The correlation method was used to test the variables, by use of Pearson Moment Correlation Coefficient to analyze the relationship between creative accounting practices and the investment decision made by shareholders in quoted companies in Nigeria. Creative accounting as independent variable which has proxies as: i) inconsistency of use of accounting policy and methods; ii) Abuse of professional judgment; iii) Artificial transactions; iv) timing of genuine transactions, is regressed against investment decisions.

The general equation for regression is given as:

$$Y = f(X),$$

which means Y depends on X and the equation can be written as:

$$Y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \mu$$

Where, α is the intercept, and $\beta_1, \beta_2, \beta_3, \beta_4$ are the coefficients of the variables respectively, which show the kind of relationship between dependent and independent variables and μ is known as the error term. Therefore,

Y = investment decision.

X = creative accounting and indicated by inconsistency of use of accounting policy and methods; abuse of professional judgement; artificial transactions; and timing of genuine transactions. For this study, we adapted the formula as follows:

Investment decision in companies, ID = „(Creative accounting practices, CAP).

i.e. ID = „(CAP)

So, ID = $a_0 + \beta_1 APM + \beta_2 APJ + \beta_3 AT + \beta_4 TT + \mu$

Where, APM = Inconsistency of use of accounting policy and methods.

AP = Abuse of professional judgement.

AT = Artificial transactions

TT = Timing of genuine transactions.

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The data are presented with tables and analyzed, using SPSS Package. Investment in quoted companies, as the dependent variable was used against the proxies of creative accounting, the independent variable. A confidence interval of 95% was taken and the decision rule was to reject the null hypothesis if the calculated value, p, is less than the alpha value of 0.05 (p Â 0.05) and to accept, if otherwise.

RESULTS AND DISCUSSION

In table 1, the entire pair wise correlation coefficients indicate the actual significance level for each correlation. The table reveals that 'investment' and 'accounting policy methods' (APM) has r of 0.77 which shows a high correlation level, about 77% of relationship. The table also reveals that the p-value is less than the alpha level (p Â 0.05). This was significant at 0.000. Using our decision rule, the null hypothesis 1 was rejected, and the alternate accepted. This means that investment in quoted companies relate significantly with the inconsistencies in the use of accounting policy and methods, as done by management.

Hypothesis 2 on 'abuse of professional judgment' (APJ) and investment was tested. It has r of 0.16, an insignificant relationship of a paltry 16%. However, the table reveals that the calculated p is greater than the alpha level (p Ã 0.05). Therefore, using our decision rule, null hypothesis 2 which says there is no significant relationship between abuse of professional judgment and investment decision is accepted.

In another circumstance, hypothesis 3 on 'artificial transactions' (AT) and investment, when tested has r of 0.84, a significant correlation of about 84%. With table 1 showing the calculated p-value being less than the alpha value (p Â 0.05), the null hypothesis was rejected, using our decision rule. This means there is significant relationship between artificial transactions and investment decision.

Hypothesis 4 is on 'timing of genuine transactions' (TT) and investment. It has a beta value of 0.75, a significant relationship, but had a p-value of 0.000, indicating almost a 0% relationship. Since this value is less than the alpha value (p Â 0.05), the null hypothesis 4 is rejected. This means that there is significant relationship between timing of genuine transactions and investment decision.

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Table 2 shows analysis of variance (ANOVA) which indicates that when the multiple correlation is converted to F, it shows an F ratio of 79.20 that is significant at 0.000. This depicts that all the sub-variables of creative accounting in this study when jointly regressed against investment had a lower p-value than the alpha value (p Â 0.05). A multiple correlation coefficient, R of 0.922 was also realized, indicating a very high correlation. The R^2 value of 0.850 indicates that all the independent variables combined contribute about 85% to investors' decision, from the financial statements they have access to. Therefore, with a lower p-value of 0.000 which is lower than the 0.05 value, the null hypothesis 5 was rejected. This implies that there is significant joint relationship between inconsistencies of use of accounting policies and methods, abuse of professional judgment, artificial transactions, timing of genuine transactions and investment in quoted companies.

Table 3 shows the coefficients of the joint relationship between variables of creative accounting adopted for this study and investment decisions. The regression shows a significant relationship (0.000) in the overall, though the relationship of APM and APJ do not show significant values. The Beta for APM is -0.014 (not significant, p Ã 0.05), 0.094 for APJ (not significant, p Ã 0.05).

CONCLUSION AND RECOMMENDATIONS

The results in this study show that creative accounting practices have significant relationship with investment in these companies. Before arriving at this multiple correlations result between the independent dependent variables, the null hypothesis 2 was earlier accepted. This means though one variable, the abuse of professional judgment by auditors and other professionals does not significantly relate with investment made in quoted companies, it cannot affect the entire results of the correlation. This is in line with an empirical study conducted by Williams (2010) on creative accounting and corporate governance in companies. In any case, the study conducted by Sanyaolu and Job-Olatunji (2017) on the effect of earnings management on shareholders wealth maximization from Nigerian listed firms gave a different result from what we have arrived at. The non-significant relationship, according to them was as a result of strong

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corporate governance mechanism and internal control which were the variables used in the study.

1. In order to improve the quality of financial reporting, quoted companies in Nigeria must adhere to the guidelines of accounting standards globally and must subject to the rules of the game as set by the Financial Reporting Council of Nigeria. This is to ensure that corporate governance practice is actually achieved for sound financial reporting practice.
2. It was recommended that ethical considerations be applied by external auditors in every sphere of the audit undertaking to achieve the required results.
3. It was also recommended that the expectation gap in auditing should be stemmed; hence external auditors have a duty to sensitize the public to know that auditors can overcome management's influence and issue qualified audit report, where necessary.

Table 1: Correlation analysis showing the relationship between creative accounting sub-variables and investment

Pearson Correlation		Investment	APM	APJ	AT	TT
	Investment	1.000	0.770	0.156	0.843	0.747
	APM	0.770	1.000	0.082	0.734	0.754
	APJ	0.156	0.082	1.000	-0.096	0.333
	AT	0.843	0.734	-0.096	1.000	0.516
	TT	0.747	0.754	0.333	0.516	1.000
Sig. (1-tailed)	Investment		0.000	0.115	0.000	0.000
	APM	0.000	.	0.265	0.000	0.000
	APJ	0.115	0.265	.	0.230	0.004
	AT	0.000	0.000	0.230	.	0.000
	TT	0.000	0.000	0.004	0.000	.
N	Investment	61	61	61	61	61
	APM	61	61	61	61	61
	APJ	61	61	61	61	61
	AT	61	61	61	61	61
	TT	61	61	61	61	61

Source: Field work results (2017)

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Table 2: Analysis of Variance (ANOVA) associated with multiple regressions on the joint relationship between variables of Creative Accounting and Investment

Model		Sum of Squares	df	Mean Square	F	R	R^2	Adjusted R^2	Sig.	Result
	Regression	59.262	4	14.816						
	Residual	10.475	56	0.187						
	Total	69.738	60		79.203	0.922**	0.850	0.839	0.000	Significant

**Dependent variable: Investment. *Independent variable: TT, APJ, AT APM
Source: SPSS V.20 Field Data Analysis (2017).

Table 3: Coefficients of the joint relationship between variables of Creative Accounting and Investment

Model	Unstardized Coefficients		Standardized Coefficients	95% confidence interval for B			
	B	Std.Error	Beta	Lower bound	Upper bound	t	Sig.
(Constant)	-1.025	0.224		-1.474	-.576	-4.573	0.000
APM	-0.013	0.093	-0.014	-.199	.173	-0.138	0.890
APJ	0.085	0.053	0.094	-.021	.190	1.609	0.113
AT	0.680	0.080	0.665	.520	.841	8.483	0.000
TT	0.480	0.109	0.382	.262	.697	4.415	0.000

Source: SPSS V.20 Field Data Analysis (2017).

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