IJAAR PUBLISHING®

Scholarly Journal of Management Sciences Research| ISSN: **2955-0793**
Vol. 2, Issue 11 (November, 2023) | www.ijaar.org/sjmsr

CREATIVE ACCOUNTING AND CORPORATE FAILURE IN NIGERIA: MANAGERS PERCEPTION IN LISTED MANUFACTURING COMPANIES

BY

TOKONI, MICHAEL ALAFA
DEPARTMENT OF ACCOUNTING
WESTERN DELTA UNIVERSITY, OGHARA DELTA STATE
tokonialafa@gmail.com
08060025392

&

PAUL, OVIE ADUGBE
DEPARTMENT OF ACCOUNTING
WESTERN DELTA UNIVERSITY, OGHARA DELTA STATE
pauloski38@gmail.com
08157416341, 07064891076

Abstract

The study examined Creative Accounting and Corporate Failure in Nigeria: Managers Perception in Listed Manufacturing Companies. The Theoretical Framework on which the subject of the study was based is the Ethical Theory. The Population of the study comprises Forty Three (43) Listed Manufacturing Companies in Nigeria Stock Exchange. The sample size of the study was Thirty Nine (39) and it was determined by Taro Yamane. Nine (9) Questionnaire Items were drawn from (3) Research Questions and were administered directly to the sampled Managers of the Manufacturing Companies using the Method of Telephonic Interviewing, Google form, Emailing and on the Spot Administering. Descriptive Statistics (Mean and Standard Deviation) was used as method of Statistical Tool. The major findings were that Income Smoothening affect Corporate Failure, Artificial Transaction plays major role in Corporate Failure and Accounting Policy Choice has a great impact on Corporate Failure. It is therefore recommended that the practice of Creative Accounting should be considered a punishable offense by the law and therefore accounting bodies other regulatory authorities need to adopt strict measure to stop the practice and punish offenders.

Keywords: Income Smoothing, Artificial Transactions, Corporate Failure

.

Tokoni, M. A. & Paul, O. A. (2023). Creative Accounting and Corporate Failure in Nigeria: Managers Perception in Listed Manufacturing Companies. *Scholarly Journal of Management Sciences Research*, 2(11), 36-49.

Introduction

Accounting is required because mismanagement of a company's finances can lead to its demise; hence, accounting is the lifeblood of every firm. Accounting, according to Savova (2021), is a critical component of all business settings. It provides critical financial information that is useful to all stakeholders engaged in the decision-making process. The information contained in financial statements is expected to offer an accurate and fair picture of the condition of affairs in the business. Financial statements provide financial data. The primary objective of regulatory entities such as the Companies and Allied Matters Act, 1990 (CAMA), the Financial Reporting Council of Nigeria (FRCN), and the Institute of Chartered Accountants of Nigeria (ICAN), along with established guidelines such as the National Accounting Standard Board (NASB), the International Accounting Standards (IAS), and the International Financial Reporting Standard (IFRS), is to guarantee the adherence to global standards in the preparation and presentation of financial statements worldwide.

The extent of discretion granted to accountants in the accounting process by regulatory authorities is contingent upon the specific circumstances. Due to the inherent flexibility of financial statements, there exists the potential to manipulate them and provide inaccurate information. Creative accounting is defined as those who conduct deeper interventions in the accounting of individual organizations based on subjective interest rather than objective interest (Parke et al., 2018). Creators use accounting information to modify the financial accounts of firms in order to turn them into a form that suits their needs. Those who do creative accounting are referred to as creative accountants. In this scenario, the accountant generates financial accounts for the corporation while exploiting loopholes in a variety of standards to maximize revenues. Following successful demonstrations to consumers, a number of companies, including Cadbury, Enron, WorldCom, and others, went out of business and sold their assets.

The majority of the blame for this liquidation may be attributed to creative accounting practices. Based on the research conducted by the Accounting-Degree Organization (2012), a publication titled "The 10 Worst Corporate Accounting Scandals of All Time" highlights a series of scandals involving prominent American organizations, including Enron, Waste Management, WorldCom, Tyco, Health South, Freddie Mac, American International Group (AIG), Lehman Brothers, Bernie Madoff, and Satyam. These scandals resulted in the dissolution of these organizations due to various forms of deceptive accounting practices. Several Nigerian corporations, notably banks, underwent a same process when they divested their holdings. The erosion of trust in financial reporting in Nigeria and elsewhere has occurred as a direct consequence.

According to the research conducted by Fizza & Qaisar (2015), creative accounting, alternatively referred to as aggressive accounting, income smoothing, earnings management, and related practices, is a financial tactic employed to manipulate a company's financial statement disclosures with the intention of enticing investors to acquire the company's stocks, thereby augmenting the firm's market valuation. This approach is sometimes referred to as creative accounting. The primary inquiry that necessitates resolution is to whether or not the management of these non-operational enterprises engaged in deceptive practices while providing information to clients. If the response is affirmative, what accounts for the auditors' lack of awareness of this matter? The involvement of such businesses in employing new accounting practices, as previously noted, makes a substantial contribution to the resolution. The individuals engaged in the practice of revenue smoothing by employing various tactics to get auditors to compromise their independence and impartiality.

This was a consequence of a corporate governance system that was either inadequate or ineffective. According to Osazevbaru (2012), the aforementioned action can be classified as a form of financial community fraud. The practice of manipulating financial statistics involves the strategic manipulation of accounting practices and adherence to legal requirements, while deviating from the intended purpose of these standards to present a distorted and misleading view on financial accounts (Osazevbaru, 2012). Corporate failure, conversely, is perceived as the state in which a firm becomes insolvent or ceases its operations permanently, as evidenced by the presence of "failure and distress" resulting from fraudulent accounting practices and the manipulation of financial statements known as "window dressing. It is imperative to underscore the significance of highlighting that the ultimate outcome of inventive accounting practices, particularly over an extended period, culminates in company insolvency. Moreover, this failure raises skepticism regarding the standing of the accounting profession, resulting in a decline in global confidence in financial reporting.

Statement of the Problem

The issue of failure within the corporate sector has persisted for an extended duration. It is imperative, both at a national and global level, to comprehensively ascertain the fundamental underlying factor responsible for this failure. Numerous experts have put up a range of theories to account for this failure, with the majority of them being linked to novel accounting practices. These practices have exerted a significant impact on the integrity of the accounting profession and have resulted in a decline in confidence among both internal and external users of financial information. Furthermore, the aforementioned situation has led to a decline in public confidence in financial reporting, so hindering the performance of market securities through a reduction in the investment interest of potential investors.

Munene (2014) asserts that corporations, in their pursuit of meeting the expectations of shareholders and attaining their objectives, may resort to employing innovative accounting practices, including the practice of over-reporting their financial performance. Due to the immediate advantages associated with the manipulation of financial reporting, this behavior can be deemed unethical since it exposes firms to heightened susceptibility to future crises and potential insolvency. Management prioritizes their self-interest over the best interests of the stockholders. This statement fails to acknowledge the potential interest of shareholders in scrutinizing the conduct of management (Lekaram, 2014).

The current situation in Nigeria indicates a rise in the prevalence of innovative accounting practices, as seen by the ongoing investigations targeting several commercial organizations. The issue faced by Cadbury Nigeria Plc was instigated by the manipulation of the company's financial records by its management, with the intention of concealing several deficiencies. Many Nigerian businesses have closed due to fake financial reporting, and the Economic and Financial Crimes Commission (EFCC) has arrested the heads of many banks as a result. The foregoing issue has undermined public trust in accountants and the stability of the financial system. The prevalence of creative accounting practices has witnessed an upward trend in recent years, namely within Nigerian companies.

These practices are employed with the intention of enticing investors with substantial financial resources and obtaining unwarranted accounting-related advantages through the dissemination of inflated and fraudulent financial statements. This strategy is implemented to appeal to investors possessing a substantial amount of personal wealth. It is imperative to undertake an investigation into the extent of the window-dressing standards inside the accounting and auditing profession. A considerable body of research has been dedicated to the investigation of creative accounting, with a predominant emphasis on the impact of

creative accounting on company value and the examination of the factors contributing to business failures in different countries. Therefore, the findings and ideas derived from it may not be applicable within the present situation. Despite the limited number of studies conducted in Nigeria, researchers such as Moses et al. (2020), Ojomolade and Adejowon (2020), and Essien (2021) have directed their attention towards corporate failure, specifically within the aviation and banking sectors. It is important to direct focus on the occurrence of company failure in Nigeria as well. Based on the foregoing, our study would be based on the impact of creative accounting and corporate failures from manager's perspective in listed manufacturing businesses in Nigeria.

Objectives of the Study

1. To ascertain the impact of Income Smoothing on Corporate Failure
2. To determine the role of Accounting Policy Choice on Corporate Failure
3. To ascertain the effect of Artificial Transactions on Corporate Failures?

Research Questions

1. Why do Corporate Organizations involve in Income Smoothening?
2. To what extent does Accounting Policy Choice affect Corporate Failures?
3. To what extent does Artificial Transactions affect Corporate Failures?

Conceptual Review

Concept of Creative Accounting

A creative accounting approach refers to the practice of conducting a financial transaction with the intention of attaining favorable accounting outcomes. According to Al-Natsheh and Al-Okhed (2020), the term "creative accounting" refers to the many actions undertaken to manipulate financial information in order to achieve certain objectives. These procedures encompass the discretionary implementation of accounting rules, instances of financial management fraud, and any other activities undertaken with the aim of generating profits, effectively managing finances, and maintaining income equilibrium. The concept of "creative accounting" encompasses the many actions undertaken to manipulate financial information for strategic purposes. According to Pisar and Bilkova (2019), the term also encompasses the deliberate manipulation of statistical data provided by a certain organization.

As stated by Falcón et al. (2019), creative accounting refers to the practice wherein managers and accountants change corporate information in a discreet manner, resulting in reported outcomes that are secret and first appear devoid of any indications of manipulation. The method sometimes referred to as "creative accounting" is the deliberate manipulation of company information by management and accountants in order to present outcomes that appear to be free from any indication of manipulation. Consequently, the field of accounting is predominantly occupied by individuals with extensive expertise, possessing a considerable amount of creative aptitude and effectively using it.

According to Liberto (2019), the concept of creative accounting is defined in a comprehensive and diverse manner. Creative accounting refers to a collection of accounting practices that are employed with the intention of meeting the requirements imposed by regulatory bodies, while deviating from the desired outcomes sought by these authorities Based on the findings of Androniceanu and Strakova's (2020) research, creative accounting may be defined as a practice within the field of accounting that may or may not adhere to established accounting norms and principles.

Krupova (2001) defines creative accounting as the deliberate manipulation of accounting data with the intention of altering financial statements to align with the preferences of their creators. This practice also involves modifying the procedures through which direct economic transactions are conducted, thereby enabling the attainment of favorable outcomes in the accounts. This idea pertains to the practice of altering accounting information with the intention of transforming financial statements from their accurate representation to a desired outcome as intended by the individuals responsible for their preparation.

Impact of Income Smoothing on Corporate Failure

Many financial statement preparers employ the practice of window dressing in their accounting records, wherein they strategically manipulate the accounts during profitable periods in order to mitigate the impact of losses. Kencana et al. (2018) posit that managers may employ the practice of revenue smoothing with the intention of presenting their financial statements in a manner that seems financially sound. The underlying purpose of this act is to mitigate atypical discrepancies in revenue data, while still adhering to the ethical guidelines set out in accounting.

Role of Accounting Policy Choice on Corporate Failure

The International Accounting Standard provides enterprises and other entities involved in financial statement preparation with the flexibility to select the most appropriate accounting principles that align with their specific business practices. Fekete et. al, (2010) assert that financial accounting theory provides companies with the discretion to select accounting procedures, including assessment techniques, in order to present a precise and unbiased representation of their operational undertakings. The decisions mentioned are reflected in the accounting standards adopted by the businesses, which provide the basis for the preparation and evaluation of their financial statements. The implementation of flexible rules has led to the emergence of arbitrary practices in order to manipulate financial accounts, sometimes referred to as creative accounting practices.

Effect of Artificial Transactions on Corporate Failures

These transactions have the semblance of genuine market trades, although deviate from their depicted nature. The objective of such transactions may be to achieve a certain financial outcome. Ibanichuka & Ihendinihu (2012) presented a hypothetical situation wherein a company enters into an arrangement to sell a property to a financial institution and subsequently lease it back during the property's useful life. The purpose of this arrangement is to manipulate the financial figures recorded; specifically when the transaction costs associated with the sale and leaseback can be skewed above or below the property's value. In such cases, disparities can be exploited through higher or lower rental payments.

In light of the aforementioned paradigm, namely the concept of counterfeit commerce, and more specifically the practice of "sales and leaseback," it becomes challenging to comprehend the rationale behind a corporation's inclination to vend a certain asset and afterwards lease it back. This phenomenon appears to contradict conventional wisdom and logical thinking. However, it is extremely plausible and relevant in the field of accounting, especially when the central emphasis is on creative accounting and profits management.

Corporate Failure

Corporate failure, often referred to as business failure, is a situation whereby a firm or organization has significant doubts over its ability to continue its operations, resulting in a

disruption to its commercial activities (Essien et al., 2021). The failure of a corporation occurs when a significant portion of the financial institutions within the system are incapable of meeting their fundamental obligations to customers, shareholders, and the overall economy due to deficiencies in their financial, managerial, and operational capabilities. This ultimately results in either liquidation or insolvency (CBN, 1997). The failure can be ascribed to several sources, encompassing deficiencies in financial, managerial, and operational realms. The term "corporate failure" lacks a precise definition, as its interpretation varies across researchers, leading to subjective understanding. The occurrence of a firm's failure within the manufacturing business may be attributed to insufficient financial resources to fulfill obligations towards debtors, employees, owners, suppliers, and simultaneously meet the expectations of consumers.

Empirical Review on Creative Accounting and Corporate Failure

The study conducted by Essien et al. (2022) aimed to assess the influence of creative accounting characteristics on the occurrence of corporate failures within the Nigerian Aviation Industry, specifically focusing on local airlines. The study examined several methodologies, such as income smoothing, accounting policy selection, and large bath accounting practices, as indicators of creative accounting. The chosen methodology for this study was the use of a descriptive research survey. This study employed questionnaires as the primary data collection method, with the survey data being collected and analyzed using SPSS 25 and Amos 24. The researchers employed an iterative modification of the ordinary least squares regression analysis to assess the impact of the independent variable. Based on their findings, it can be inferred that inadequate management played a pivotal part in the downfall of Nigeria Airlines. It is advisable to limit the utilization of innovative accounting practices in order to facilitate the long-term viability and uninterrupted operation of an entity.

The study conducted by Etim et al. (2021) explored the correlation between innovative accounting practices and corporate insolvency in Nigeria, with a specific emphasis on the aviation sector. The motivation for this study arose from the observed persistent dissolution of air transport firms, some of which had significant failure upon establishment, with public discontentment over the industry's poor governance. This study utilized income smoothing, accounting policy choice, and fictitious transactions as indicators of creative accounting, with firm failure serving as the endogenous variable. The collected data was subsequently analyzed using SPSS version 25 and subjected to multiple regression analysis. The results of the study indicate that the implementation of novel accounting practices is associated with a favorable influence on the likelihood of company failure. In contrast, the accounting strategy yielded a distinct outcome Based on the empirical evidence presented, the study's conclusions indicate that the use of inventive accounting methodologies has a substantial impact on the occurrence of company failure.

Theoretical Review

Ethical Theory

The notion in question was initially proposed by Immanuel Kant, a prominent philosopher hailing from Germany, during the 18th century. Ethical theory can be perceived as a form of refining for the broader notion of ethics, to a certain degree. The term "ethics" originates from the Greek word "ethos." In the realm of ethics, inquiries analogous to those individuals confront while making judgments are duly considered. In addition to considerations of morality, ethics include the scholarly examination of precise legal and principled frameworks

that elucidate the concepts of right and wrong within specific contextual circumstances. Morality primarily pertains to the norms, values, and beliefs that arise through social processes and have influence over the determination of ethical and unethical behavior.

According to Velayutham (2003), enterprises tend to prioritize the presentation of a consistent upward trajectory in their profitability rather than revealing fluctuations in their monthly revenue. In order to do this, an overemphasis is placed on the allocation of provisions for liabilities, which are established at a disproportionately higher level compared to the valuation of assets during favorable periods. Consequently, this practice leads to an artificial inflation of reported profits. In subsequent periods characterized by decreased asset values, the aforementioned contingencies would be diminished. Supporters of this approach contend that it serves as a safeguard against the phenomenon known as "short-termism," which occurs when the success of an investment is evaluated only based on the immediate yield it produces in the years immediately after its implementation

Methodology

The population consists 43 Listed Manufacturing Companies on the Nigerian Stock Exchange as at December, 2022. The statistical formula used for determining the sample size with 5% limit of tolerable error.

The sample used in this research is determined using Taro Yamani's formula of 1967 is computed thus;

$n = N / 1 + N (e)^2$

Where;

n = sample size

N = population of the study

e = co-efficient of confidence or margin of error

Therefore, using $n = 1 + N (e)^2$

$n = 43 / 1+43 (0.05)^2$

$n = 43 / 1 + 43 (0.0025)$

$n = 43/ 1+ 10.75$

$n= 43/ 1.11$

n= 39 companies

Data was collected using questionnaire which was constructed to reflect the independent variable and dependent variable. Three (9) Questionnaire Items was drawn from (3) Research Questions. Responses from the respondent (43 Listed Manufacturing Companies) regarding the questionnaire items were made on a Four Point Modified Likert Type Scale:

Strongly Agree (SA)	4
Agree (A)	3

Disagree (D)	2
Strongly Disagree (SD)	1

Decision Rule: Weighted Average = $\frac{\text{Total Addition of all Mean in each Item}}{\text{Total No of Items}}$

The Questionnaire was administered to the Respondents (43 Listed Manufacturing Companies). The Researcher adopted the method of face to face administering, Telephonic Interviewing, Emailing and Google Form so as to increase the percentage of the responses.

Descriptive Statistics was used to analyze the data resulting from the study. Descriptive statistics like Mean and Standard Deviation as a measure of central tendency was used in this study to highlight potential relationship between dependent and independent variables, analyze and test the hypotheses so as to determine the generality and acceptance of findings or result in this study.

Analysis of data

Table 1: Mean and Standard Deviation on the impact of Income Smoothening on Corporate Failure in Listed Manufacturing Companies

1	Financial statement preparers employ the practice of window dressing in their accounting records to manipulate accounts during profitable period to mitigate the impact of losses	16 41.0	9 23.1	8 20.5	6 15.4	2.90	1.119	Accept
2.	Income smoothing practice enables discrepancies while adhering to ethical guidelines set by the accounting profession	15 38.5	10 25.6	8 20.5	6 15.4	2.87	1.105	Reject
3.	Income smoothing is a process where managers of corporate entities use accounting technique to level out an unleveled fluctuations in earnings from on accounting period to the other using accounting principles	16 41.0	12 30.8	7 17.9	4 10.3	3.03	1.013	Accept

Field Survey 2023

Decision Rule: Weighted Average = $\frac{\text{Total Addition of all Mean in each Item}}{\text{Total No of Items}}$

$\frac{2.90+2.87+3.03}{3}$

8.80/3 = 2.93

Testing of Hypothesis 1

H_A: There is no impact of Income Smoothening on Corporate Failure

The data analysis shows that financial statement preparers employ the practice of window dressing in their accounting records to manipulate accounts during profitable period to mitigate the impact of losses.This is because their mean of 2.90 and 3.03 is greater than the criterion/grand mean of 2.93. On the other hand, majority of the respondents had a low response that Income smoothing practice enables discrepancies while adhering to ethical guidelines set by the accounting profession.This is because its mean of 2.87 is lower than the

criterion/grand mean of 2.93. Hence, the Null Hypothesis was rejected and the Alternate accepted that there is impact of income smoothening on corporate failure.

Table 2: Mean and Standard Deviation on the role of Artificial Transaction on Corporate Failure In Listed Manufacturing Companies

4.	Financial accounting theory allows companies to choose their accounting methods in order to provide a true and fair view on their activities.	13 33.3	15 38.5	5 12.8	6 15.4	2.90	1.046	Accept
5.	Artificial Transaction involves the manipulation of the financial figures recorded; specifically when the transaction costs associated with the sale and leaseback can be skewed above or below the property's value	18 46.2	9 23.1	8 20.5	2 10.3	3.05	1.050	Accept
6.	Company enters into an arrangement to sell a property to a financial institution and subsequently lease it back during the property's useful life	16 41.0	7 17.9	9 23.1	7 17.9	2.82	1.167	Reject

Field Survey 2023

Decision Rule: Weighted Average = $\frac{\text{Total Addition of all Mean in each Item}}{\text{Total No of Items}}$

$$\frac{2.90+3.05+2.82}{3}$$

$$8.77/3 = 2.92$$

Testing of Hypothesis 2

H_A: Artificial Transaction plays no role in Corporate Failure
The data analysis shows that Financial accounting theory allows companies to choose their accounting methods in order to provide a true and fair view on their activities. Also, they felt that Artificial Transaction involves the manipulation of the financial figures recorded; specifically when the transaction costs associated with the sale and leaseback can be skewed above or below the property's value. This is because their mean of 2.90 and 3.05 is greater than the criterion/grand mean of 2.92. On the other hand, majority of the respondents had a low perception that Company enters into an arrangement to sell a property to a financial institution and subsequently lease it back during the property's useful life.. This is because its mean of 2.82 is lower than the criterion/grand mean of 2.92. Therefore, the Null Hypothesis was rejected and the Alternate accepted that artificial transaction plays major role in corporate failure.

Table 3: Mean and Standard Deviation on the effect of Accounting Policy Choice on Corporate Failure in Listed Manufacturing Companies

10	Artificial transactions have the form of literal market exchange but substantially do not fit what they portray.	15 38.5	10 25.6	7 17.9	7 17.9	2.85	1.136	Reject
11.	The implementation of flexible rules has led to the emergence of arbitrary practices in order to manipulate financial accounts, sometimes referred to as creative accounting practices.	20 51.3	10 25.6	5 12.8	4 10.3	3.18	1.023	Accept
12	Financial accounting theory provides companies with the discretion to select accounting procedures, including assessment techniques, in order to present a precise and unbiased representation of their operational undertakings.	17 43.6	13 33.3	7 17.9	2 5.10	3.15	0.904	Accept

Field Survey 2023

Decision Rule: Weighted Average = $\frac{\text{Total Addition of all Mean in each Item}}{\text{Total No of Items}}$

$$\frac{2.85+3.18+3.15}{3}$$

$9.18/3 = 3.06$

Testing of Hypothesis 3

H_0: Accounting Policy Choice has no effect on Corporate Failure

The data analysis shows that majority of the respondents appeared to feel thatthe implementation of flexible rules has led to the emergence of arbitrary practices in order to manipulate financial accounts, sometimes referred to as creative accounting practices.Also, they felt that Financial accounting theory provides companies with the discretion to select accounting procedures, including assessment techniques, in order to present a precise and unbiased representation of their operational undertakings. This is because their mean of 3.18 and 3.15 is greater than the criterion/grand mean of 3.06. On the other hand, majority of the respondent had a low perception that artificial transactions have the form of literal market exchange but substantially do not fit what they portray.This is because its mean of 2.85 is lower than the criterion/grand mean of 3.06. Therefore, the Null Hypothesis was rejected and the Alternate accepted that Accounting Policy Choice effect Corporate Failure.

Discussion of Findings

Impact of Income Smoothening on Corporate Failure

The study revealed that financial statement preparers employ the practice of window dressing in their accounting records to manipulate accounts during profitable period to mitigate the impact of losses. Income smoothing is a process where managers of corporate entities use accounting technique to level out unleveled fluctuations in earnings from on accounting period to the other using accounting principles. Income smoothing practice enables discrepancies while adhering to ethical guidelines set by the accounting profession.

The finding is in line with Lyu, Yuen & Zhang (2017), who reported that "Income smoothing is a process where managers of corporate entities use accounting technique to level out an unleveled and fluctuations of earnings from one accounting period to the next using accounting principles.

Role of Artificial Transaction on Corporate Failure

The study revealed that financial accounting theory allows companies to choose their accounting methods in order to provide a true and fair view on their activities.They felt that Artificial Transaction involves the manipulation of the financial figures recorded; specifically when the transaction costs associated with the sale and leaseback can be skewed above or below the property's value. Company enters into an arrangement to sell a property to a financial institution and subsequently lease it back during the property's useful life. The finding is in line with Ibanichuka & Ihendinihu (2012) presented a hypothetical situation wherein a company enters into an arrangement to sell a property to a financial institution and subsequently lease it back during the property's useful life.

Effect of Accounting Policy Choice on Corporate Failure

The study revealed thatmajority of the respondents appeared to feel that the implementation of flexible rules has led to the emergence of arbitrary practices in order to manipulate financial accounts, sometimes referred to as creative accounting practices. They felt that Financial accounting theory provides companies with the discretion to select accounting procedures, including assessment techniques, in order to present a precise and unbiased representation of their operational undertakings. Artificial transactions have the form of literal market exchange but substantially do not fit what they portray. The finding is in line with Fekete, et. al., (2020),who affirmed that "financial accounting theory provides companies with the discretion to select accounting procedures, including assessment techniques, in order to present a precise and unbiased representation of their operational undertakings.

Conclusion

The doctoring of financial statements has been in existence for a very long time and it is disadvantageous to every sector of the economy. This study was carried out to determine the effect of creative accounting methods on corporate failure with specification in the Nigerian manufacturing industry. The broad aim was to investigate the effect of creative accounting and corporate failure the industry mentioned earlier. The result showed that key variables like earnings management, income smoothing, artificial transactions and accounting policy choice leads to corporate failure in the manufacturing industry.

Recommendations

The study recommends the need to discourage the practice if income smoothing as it proven to be disadvantageous in the industry. Also, preparers of financial statements should increase on their moral values by putting into practice the ethical code of conduct. This is because the reputation of the accounting profession is at stake. The practice of creative accounting should be considered a punishable offense by the law and therefore accounting bodies other regulatory authorities need to adopt strict measure to stop the practice and punish offenders.

References

Alashi, S.O. Banking Crisis: Causes, Early Warning Signals and Resolutions. Proceedings of the 2002 CBN Annual Conference on Issues in Fiscal Management, Abuja, 2013.

Alomery, M.A., & Alameen, M.A. (2014). Perceptions of external auditors for the risk of creative accounting in Syrian stockholder companies: An empirical study. Arbudfor Studies and Researches, 3, 294-342.

Androniceanu, et. al. (2020). The Moderating Effects of Corporate Social Responsibility on the Relationship between Creative Accounting Determinants and Financial Reporting Quality. *Sustainability* 14: 1195.

Asifu, et. al. (2016). Creative Accounting: Techniques of Application-An Empirical Study among Auditors and Accountants of Listed Companies in Bangladesh, Australian Academy of Accounting and Finance Review, 2(3), 215-245.

Asika, N. (2001). *Research Methodology in the Behavioural Sciences*. Lagos: Longman Nigeria Plc.

Baird, D.G & Rasmussen, R.K. (2015).The end of bankruptcy. Stanford Law Review, 2015:55:751-789.
.

Bankole, K.O. & Dc Dubus, O.F.(2018). Creative Accounting Practices and Shareholders Wealth. Accounting and Taxation Review vol. 2(4)

Beaudoin, et. al. (2015). The Impact of CFOs' Incentives and Earnings Management Ethics on their Financial Reporting Decisions: The Mediating Role of Moral Disengagement. *Journal of Business Ethics, 128, 505-518.*

Beshiru, S, & Prince, F.I. (2014). Nigerian commercial banks and creative accounting practices. *Journal of Mathematical Finance, 4, 75-83*

CBN, (1995) "Distress in the Nigerian Financial Service Industry: ACBN/NDIC Collaborative Study", Page Publishers Services, Lagos.

CBN, (1997) "Financial Sector Distress in CBN Briefs", Research Department, vol. 97, no. 1, pp.12.

Ciocan, C.C. (2017). Motivations in Choosing Creative Accounting Techniques: A Managerial Perspective, Ovidius University Annals, Economic Sciences Series, 17(2), 525-530

Dietz, G. & Gillespie, N. (2012).The recovery of trust: Case studies of organizational failures and trust repair. Institute of Business Ethics (IBE) Occasional Paper 5.Retrieved, 2012. http://www.ibe.org.op_trustcasestudies.pdf

Donli, J.G. (2014). Causes of Bank Distress and Resolution Options. CBN Bullion,2014:28:1.

Ebhodaghe, J.U. (1997). "Safe and Sound Bonding Practices in Nigeria: Selected Essays",

NDIC Publication, Lagos NDIC

Edmister, R. (2017). "An Empirical Test of Financial Ratio Analysis for Small Business Failure Prediction" Journal of Financial and Quantitative Analysis, vol. 7, no. 2, pp. 1477-1493. Doi:10.2307/2329929

Effiok, O.S. & Eton, O.E. (2012). Creative Accounting and Managerial Decision on Selected Financial Institutions in Nigeria. International Journal of Business Research and Management vol.3(1) pp35-47

Eliagwu, et. al. (2020). Creative Accounting and Corporate Failure in the Nigeria Financial Reporting. Researchgate net/publication /346583821

Essien, et. al. (2022). Creative accounting Dimensions and Corporate Business Failure ; The Nigeria aviation equation (2022).*International journal of Research Publication and Review, vol. 3,*

Etim, N.E. & Obianchukw, M. (2021) Creative accounting methods and corporate failure in Nigeria. Global journal of social science

Falcon, et. al. (2019). Creative Accounting Phenomenon in the Financial Reporting: A Systematic Review Classification, Challenges. *Technology Reports of Kansai University* 62: 1–10.

Fekete, et. al. (2020). Explaining Accounting Policy Choices of SME's: An Empirical Research on the Evaluation Methods.European Research Studies, XIII (1).

Fields, et. al. (2019Key Factors That Improve Knowledge-Intensive Business Processes Which Lead to Competitive Advantage. *Business Process Management Journal* 25: 126–43.

Fizza, T. &Qaiser, A.M.(2020). Creative accounting and financial reporting: model development and empirical testing: International Journal of Economics and Financial Issues: 5(2), 544-551.

Gabar, S.N. (2015). The impact of creative accounting techniques on the reliability of financial data, field study on some public companies in Iraq. Algary for Managerial and Economic Science Journal, Alkofa University, 32, 238-264.

George, G. (2015). Accounting Auditing and Business Failure-What Can We Learn from Enron Affair? Proceeding of the Seminar on Perspective on Corporate Governance, Corporate Failure and Business Ethics in Australia and USA Victory University Melbourne, 2015, 1-20.

Graham,et. al. (2019. Internal Control over Financial Reporting, Organizational Complexity, and Financial Reporting Quality. *International Journal of Economics and Management* 13: 331–42.

Healy, M & Wahlen, O. (2019). Financial Information Manipulation and Its Effects on Investor Demands: The Case of BIST Bank. In *Contemporary Issues in Audit*

Management and Forensic Accounting. Edited by Simon Grima, Engin Boztepe and Peter J. Baldacchino. Contemporary Studies in Economic and Financial Analysis. Bradford: Emerald Publishing Limited, vol. 102, pp. 41–56.

Ibanichuka, E.A. & Ihendinihu, J.U.(2012). Creative accounting and implication for dividend payout of companies in the financial sub-sector of Nigerian economy: Mediterranean Journal of Social Sciences, 3 (15) https://www.richtmann. org/journal/index.php/mjs s/article/view/11528.

Idris, et. al. (2012). The nature, techniques and prevention of creative accounting: empirical evidence from Nigeria: eCanadian Journal of Accounting and Finance. 1(1). PP. 26-31.

Imala, O.I. (2014). The Experience of Banking Supervision in Financial Sector Surveillance. CBN Bullion,2014:28:1.

Jensen, M.C. & Meckling, W.H.(2016). Theory of the firm: managerial behaviour, agency costs, and ownership structure. *Journal of Financial Economics*, 3(4), 305– 360.

Khadijat, A.Y. (2014). Creative Accounting Practices: Ethical Challenges in Nigerian Corporate Environment: Department of Accounting, Faculty of Management Sciences University of Ilorin, Ilorin, Nigeria: Conference Paper (PDF available) Sept.

Khamangy, B. & Sadeegy, M. (2015). The real of creative accounting practices in Algerian environment and how to exclude from financial reporting. The Journal of Algerian Enterprises, 8, 61-78.

Kirschenheiter, N. & Melumad, D. (2017). The Effect of Internal Control Weakness on the Asymmetrical Behavior of Selling, General, and Administrative Costs. *Journal of Accounting and Management Vision* 2: 38–53.

Kovacova, et. al. (2019). Systematic review of variables applied in bankruptcy prediction models of Visegrad group countries. Oeconomia Copernicana, 10(4), 743-772.