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Original Research Article

Creative Accounting Practices and Shareholders' Wealth

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Abstract

This study was designed to establish 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 reviewed the theories and techniques of creative accounting as well as the determinants of shareholders wealth. Empirical studies on creative accounting were reviewed. So were the scandals caused globally by creative accounting? The study found that frequent changes in inventory valuation and in depreciation policy affect shareholders wealth. It found that frequent manipulation of ageing schedule for the purpose of determining bad and doubtful debts provision had no significant effects on shareholders wealth. The study recommends stricter monitoring of entities to ensure full disclosures of changes in accounting policies with a view to guarding against immoral behaviors.

Keywords: creative accounting, earnings management, ageing schedule, depreciation policy, inventory valuation.

JEL Classification Codes: *M400, M490*

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1.0 INTRODUCTION

Financial reports are produced to show the true and fair state of affairs of business entities so that stakeholders and other users of such information can make informed decisions. However, certain loopholes in the accounting standards provide avenues for the use of Creative Accounting practices, such as the flexibility in the International Financial Reporting Standards (IFRS) that allow companies to choose method and rate of depreciation of assets and inventory valuation method. According to Osisioma and Enahoro (2006) accounting processes and choice of policies resulting from many judgments at the same time are capable of manipulations which have resulted in creative accounting. Bhasin (2013) examined the India‟s Enron, Satyam Computers Creative Accounting scandal. He stated that companies show different depreciation method, life of assets, residual value of assets to fluctuate the earnings. Thus, creative accounting practices do not provide a "true and fair" view of the Financial Statements, since lot of "crunching‟ of financial numbers is done, within the purview of applicable laws and prevailing accounting standards (Madan Bhasin, 2016). Recently, the use of creative accounting has become a controversial issue since there are parties, both in favour and against such practices.

Although creative accounting also called earnings management concepts have become popular in the last two decades, there has always been a desire to manipulate the numbers among business people. Manipulating numbers to get a favourable impression has a long history. According to Balaciu and Vladu (2010), ambition of making figures more or less appealing is as old as 500 years and Lucas Paciolo had shaped the practices of creative accounting in his book De Arithmetica. Venetian traders at those times recorded the transactions between themselves by double-entry bookkeeping with ink and quill-pen in main and subsidiary books. If there arose any inconsistencies the inkwell was occasionally knocked over on these books in order to make entries illegible. This example shows that manipulative behaviour of trade or business people is not a new phenomenon and goes back to centuries ago (Susmus & Demirhan, 2013).

The existence of all sorts of uncertainties, both economic and accounting, in the environment of the enterprise, makes financial statements to be only estimates. The management option for one of these treatments and accounting policies creates the possibility to choose a solution on purpose for the benefit of the enterprise, but this solution may not always lead to a faithful image but more towards a convenient image of the enterprise. Thus, a distortion in financial quality information appears, creating uncertainties regarding the consistency and comparability of information designed for users, in which case we are dealing with intentional accounting, in other words, we are entering the sphere of creative accounting (Zuca & Ioanas, 2012).

Creative accounting refers to accounting practices that follows the letter or rules of standard accounting practices but certainly deviate from the spirit of those rules. Creative accounting practices are different from fraudulent practices and thus are not illegal but immoral in terms of misguiding investors. The practices, which are followed in manipulating the books, are duly authorized by accounting system and thus cannot be considered as a violation of any rule or regulations. It is characterized by excessive compliance and the use of novel ways of characterizing income, assets, or liabilities and the intent to influence readers towards the interpretations of desired results. Creative accounting is the root cause of a number of accounting scandals and many proposals for accounting reform are focusing on removing such practices (Elliott, 2005). Financial statement is the result of the financial accounting process that accumulates, records, analyses, classifies, summarizes, verifies, reports, and interprets the financial data of a business firm, which reflect the financial position, performance and change in financial position of an enterprise (Elliott, 2005). To produce transparent, timely and reliable FS(s), accounting process should follow "objective" and "consistent" set of rules. Recent unpleasant events in the economy, coupled with frequent scandals, have raised questions about the effectiveness of transparency and disclosure practices, especially in the global corporate sector. Collapses of large number of high-profile companies due to widespread and frequent abuse of Creative Accounting practices across the world have left a dirty smear on the effectiveness of the Corporate Governance system, the quality and transparency of the financial reports, and credibility of the audit functions. As a result, the Corporate Governance structures evolve that help in mitigating these agency conflicts (Firth 2007; Dey 2008).

Fraudulent financial reporting has resulted in big corporate failures as in the cases of Enron scandal (2001), WorldCom (2002) which led to introduction of Sarbanes-Oxley Act in USA, Saytam Computer Services Limited (2009) in India and American Insurance Group (2005). Also in Nigeria, Akintola Williams and Deloitte were indicted for facilitating the falsification of accounts of Afribank Plc. (Main Stream Bank PLC) and for deliberately overstating the profits of Cadbury Nigeria PLC. It has reported that between 1990 and 1994, Nigeria lost more than N6 billion ($42.9million) within the banking sector alone. (This Day, 16 October, 2006). (Oluwagbuyi Olusola Luke and Olowolaju Monisola, 2013). This has not only led to loss of investment and jobs but has also made users of financial statement of companies doubt the truth and fairness of the accounting information and the accounting profession as a whole.

Statement of the Problem

Previous studies such as Schipper (1989) have debated that creative accounting practices occur because management has the discretion to choose accounting principles in preparing financial statements. The numerous corporate failures therefore are indication of lapses in the corporate accounting information disclosure practices among corporations globally, Nigeria inclusive. This has had derogative effects on the integrity of financial reporting and the audit profession. Other harmful effects of corporate scandals include massive loss of investors' fund, loss of jobs, disruption of capital market and reduction in the National Gross Domestic Product (GDP) (Adetayo & Ajiga, 2017). There are companies that overstate their financial performance to meet targets and please ever demanding shareholders. According to Fizza & Malik (2015) when decisions that do not always benefit the company immediately are made, the business strategies applied prioritize creating wealth for shareholders to maximize their wealth. The board members must be cautious to maintain satisfaction of shareholders. Manipulation in financial reports benefits only in the short run hence susceptibility to future corporate collapse and scandals. According to Lekaram, (2014), the managers pursue personal interest at the expense of shareholders. They propose huge perks, make defective decisions of investment or participate in creative accounting and fraud. This takes no notice of the fact that shareholders are willing to examine the behavior of management. According to Nyabuti, Memba & Chege (2016), the current trend in Kenyan investment is that companies indicating an increase in shareholders wealth attract more investment and thus increasing share capital. Various methods can be used to influence shareholders wealth as a way of attracting future investment; some legal others illegal.

Furthermore, as Nigeria joined the nations of the world to adopt International Financial Reporting Standard (IFRS), aimed among other things to promote financial information transparency, it is desirable to examine empirically, the effects of IFRS in curtailing creative accounting among listed commercial banks in Nigeria, However, several studies have been conducted on the concept of creative accounting and also on the concept of IFRS adoption both in Nigeria and other countries (Taiwo &

Adejare, 2014). From the literature reviewed, none has considered the effect of inventory valuation, depreciation policy and use of ageing schedule to provide for bad and doubtful debts as instruments in the hand of managers and accountants to manipulate the result of statement of financial position. To meet the identified research gap in literature above, this study was carried out to assist the shareholders and other stakeholders by investigating the effect of creative accounting on the shareholders' wealth before making decisions with regard to potential and current investments in Nigerian companies listed on Nigeria Stock Exchange.

Against the backdrop of the above, the main objective of this study was to establish the effect of creative accounting practices on shareholders wealth of listed companies Nigeria. The specific objectives are to: establish the effects of changes in inventory valuation methods on shareholders' wealth; determine the effects of frequent changes in depreciation policy on shareholders' wealth; and state the effect of not using ageing schedule to determine bad and doubtful debt provision on shareholders' wealth. Based on these objectives, we hypothesized in null form as: Frequent changes in method of inventory valuation does not affect shareholders' wealth, frequent changes in depreciation policy does not affect shareholders' wealth.
And using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth.

2.0 LITERATURE REVIEW

Review of Theories

There are several theories underpinning the study of creative accounting practices. Nevertheless, this study reviewed the agency theory, stakeholder theory, information asymmetric theory, and the debt covenant theory.

Agency Theory

Vladu and Madis (2010), assert that agency theory is the dominant theory in the study of creative accounting. In legal entity, ownership is separated from management. The owners (shareholders) being the principal, hire managers (directors) as the agent to manage shareholders investments. Sydserff and Weetman (1999), pointed out that due to the conflict of interest between shareholders and the directors in the sharing of economic resources, directors are capable of engaging in opportunistic behaviour, hence managers are not objective in preparing accounting statements in stewardship to the shareholders, resulting in information asymmetric between principal and agent.

Stakeholders Theory

This theory supports the statement that firms' financial statements are prepared in response to demand and interest of various groups of stakeholders': shareholders, employees, customers, government agencies, and analysts. Managers are therefore under pressure to manipulate accounting figures with the aim of changing the perceptions of a given group of stakeholders.

Information Asymmetric Theory

According to Kamau et al., (2015), the theory states that there is a possibility of information asymmetry in which the manager has better information about the financial position of the firm than the shareholders and other users. Warfield, Wild & Wild (1995), carried out sample testing of information asymmetry hypothesis and concluded that a significant positive relationship exist between creative accounting and information asymmetry. Additionally, their result argued that the greater the information asymmetry between managers and shareholders, the higher the likelihood the company is involved in creative accounting (as cited by Adetoso and Ajiga in their work titled Creative Accounting Practices among Nigeria Listed

Commercial Banks: Curtailing Effect of IFRS Adoption

Debt Covenant theory

The fundamental of the theory is that firms with huge debts have high incentive to indulge in creative accounting so as not to breach their debt covenants. , DeFond and Jiambalvo (1994), as cited in Alexandra (2006), found out that companies who may not fulfil debt covenants smooth income in the year before the violation through the use of accruals. This indicated that companies indulge in creative accounting to deter possible failure of debt agreements.

For this study, agency theory is adopted as the theory that explains the contractual relationship between agents (directors and accountants) and principal (shareholders). Agency theory pointed out the conflict of interest between the principals and the agents in the sharing of the resources of the company. This explains the reasons why directors may engage in creative accounting to achieve their personal goals. Directors are expected to act in the best interest of the shareholders. But this may not always be the case as pointed out by Padilla (2000) as cited by Onyabuti, Memba and Chege, in their work titled Influence of Creative Accounting Practices on the Financial Performance of Companies Listed in the Nairobi Securities Exchange in Kenya as at 2016. The accountant as the agent of the principal and stakeholders of financial information is expected to discharge his duty according to accounting principles and regulations in order to avoid misrepresentation or falsification of figures. According to Osisioma and Enahoro (2006) stakeholders rely heavily on the financial statement of companies to take investment decisions (Onyabuti et al, 2016).

Techniques of Creative Accounting

Getting Creative with the Income Statement: It includes the practice of communicating a different level of earning power using the format of the income statement rather than through the manner in which transactions are recorded. For example, companies may report a non-recurring gain as other revenue, a recurring revenue caption, or a recurring expense might be labeled as non-recurring. This will result in higher apparent levels of recurring earnings without altering total net income.

Manipulating Inventory: Firms may engage in inventory manipulation by either manipulating the quantity of the inventory or by valuing it. In years when profits need to be increased the quantity can be manipulated by doing a particularly rigorous stock-take. Provisions for absolute and slow-moving inventory and changing the actual method of inventory valuation are the practices of manipulating inventory values (Jones, 2011).

Creative Acquisition Accounting: IFRS 3 provides extensive guidelines on how the purchase price of business acquisitions should be distributed. Yet it leaves room for manipulation of amortizing levels.

Lack of regulation: there are lack of regulation in some areas in every domain. In most countries accounting regulation is limited in some areas, for example in Nigeria there are standards yet for recognition and measurement of financial instruments.

Regulatory Flexibility: Generally, accounting regulations often allow a choice of policy; for example, in respect of assets valuation (International Accounting Standards permit a choice between recording non-current assets at either depreciated historical cost or revalued amounts). The management may decide the change of the policies, and these shifts are difficult to be identified a few years later (Schipper, 1989).

Abuse of Materiality Concept: It includes misusing the concept of materiality by intentionally recording errors within a defined percentage ceiling. Firms indulging in this practice try to find an excuse for it by arguing that the effect on the net income is too small to matter.

Big Bath Charges: In this technique, instead of showing losses for a couple of years, a big loss is shown for a single year by charging all expenses in that year. This may be done if there are apparent reasons for poor profitability in that year and the management feels that by lumping all expenses in one bad year, they can start showing better profits in following years.

Using Cookie Jar Reserves: this refers to over-provisioning for accrued expenses when revenues are high, in order to bring profits down to a level that is safe to sustain in the future." It also includes failure to provide all the accrued expenses to show larger profits during tougher times when needed (Shah and Butt, 2011).

Concept of Shareholders' Wealth

Maximising shareholders' wealth has always been a focus for all companies as a precedence among other corporate issues like corporate social responsibilities. According to Adaramola and Oyerinde (2014), shareholder wealth as the projected future earnings to the firm owners calculated in their present value. These projected future earnings are usually in the form of dividends distributed periodically and proceeds from the trading of share. They also highlighted that dividends are paid to ordinary shareholders out of corporate profits. In their study carried out on listed companies in Nigeria, it revealed that changes in dividend payment could be used to predict share price movement which consequently affects shareholders wealth. However, share prices are dependent on stability and growth of the economy. According to Johannes (2014), Companies report earnings quarterly and this brought about pressure on management to deliver acceptable earnings per share performance. Recent corporate scandals have been attributed to managers' over-emphasis on short-term EPS performance. EPS growth is determined by incomes retained in reserves, loan liabilities, operating leverage and financial leverage. It succor decisions on valuation of share, incentive schemes based on performance of managers and negotiations regarding mergers and acquisitions. Big share price movements are driven by short-term earnings in response to earnings surprises, an objection to the perception of long-term cash flow expectations driving the share price changes.

The Relationship between Creative Accounting and Shareholders' Wealth

Practices of creative accounting has facilitated many companies beyond financial crises than put them into crisis. The fault when it emerges lies with the user of the financial information (Munene, 2016).

Shareholders' wealth is influenced by various factors. These factors include dividend policy, earnings after tax and interests, changes in share prices and market forces. The assumption is that creation of shareholders' wealth is the primary objective of most listed companies; therefore existing and potential shareholders focus on maintaining and building of wealth they have invested in a listed company for an economic gain.

Dividend policy Domash (2002) in a speech before members of the Australian Society of Accountants, stressed that financial statements, which inflate the performances of companies by manipulating figures (that is, through creative accounting) should be stamped out as it puts the investor and other users of accounting information to great difficulties to distinguish between the paper entrepreneur and the truly successful entrepreneur. Fizza and Malik (2015), described the manipulative behaviors of users of financial information and how the practices of creative accounting could be of benefits to them and also lead them into crisis. Manipulations in financial reports benefits only in the short run as it may affect the prices of shares and capital market of firm. They suggested that companies take up actions which will fill the gaps in decisions of management and accounting regulations to ensure the financial reports are based on the actual financial position. This is because investors may take a long term decision with the goal of making profits at a forthcoming date, or may intend to improve their wealth by a transaction of trading with their stocks; a fact dependent on decision making which is influenced by the financial report. When decisions that do not always benefit the company immediately are made, the business strategies applied prioritize creating wealth for shareholders to maximize their wealth.

Earnings after Tax and Interests: Shah, Butt & Tariq (2011) showed how creative accounting was used by companies producing cement during financial crises in the country. Many companies used the creative accounting techniques to remain afloat. Companies showed profits or minimized losses by change of depreciation policy when demand and production of cement was low. This kept investors reasonably comforted and staff relaxed by paying out dividends out of the profits. Shareholders' wealth was increased as per the reported profits. Bakre (2007) in his work, documented various cases in which accountants and external auditors in collaboration with management and director of companies falsify and deliberately overstate accounts. Investigation into financial report of Afribank (Main Stream Plc.) implicated Akintola Williams and Deloitte in facilitating an over statement of the banks account by the management. Other Nigerian cases have also been documented in which a number of professional accounting firms were involved and indicted for anti-social practices in conflict with their professional claims in an attempt to be acting in public interest and it was suggested that the matter needed further investigation (Bakre, 2007). A number of scholars have shown in their studies that many accountants particularly members of the Institute of Chartered Accountants of Nigeria have been responsible for the crisis in the banking and manufacturing sectors in Nigeria (Okike, 2004). These studies reveal that the regulatory framework in Nigeria is weak because members of the professional firms implicated in a number of anti-social practices in Nigeria have not yet been sanctioned. Bakare posit that the key issue in the field of auditing and assurance is to recognise that auditing can be of even greater value, if it looks beyond the traditional financial issues and focuses on areas that matter to a wide range of stakeholders and the public.

Schiff (1993) warn investors in general that, taking a company's financial statements at face value can be a recipe for disaster. Earnings Per Share (EPS), the only number to which investors regularly go wrong by paying too much attention, can be increased by the stroke of an accountant's creative pen. Schiff mentioned six of the many ways companies can manipulate their earnings: (1) hidden pension liabilities, (ii) capitalising expenses instead of writing them off, (iii) receivables or inventories growing faster than sales, (iv) negative cash flow, (v) consolidating owned subsidiary's income and net worth, with the impossibility of receiving the same, and (vi) following seemingly conservative practice in a situation of reverse direction (for example, if layers of lower priced LIFO (last-in, first-out)-cost of inventory are inflated and sold at current prices, current earnings power is overstated) (Akenbor and Ibanichuka,2012).

Kamau, Mutiso and Ngui (2012**),** are of the opinion that tax avoidance and evasion is a motivator of the practice of creative accounting for the purposes of evading and avoiding tax among companies in Kenya. Their study found out that creative accounting is widely practiced among companies in Kenya. The study established that the tax avoidance and evasion is a major motivation that drives practice of creative accounting. Since tax is calculated on the basis of income, it is highly likely that the companies may understate their income so as to reduce the tax burden. Bhasin (2013) examined the India's Enron, Satyam Computers Creative Accounting scandal. He suggested "the increasing rate of white-collar crimes demands stiff penalties, exemplary punishments, and effective enforcement of law with the right spirit." Companies show different depreciation method, life of assets, residual value of assets to fluctuate the earnings. Mangers have role to shows fluctuating profits which puts firms into financial crisis after showing profits and growth in beginning year then they collapsed. To exclude creative accounting from balance sheet auditors and management have to play a big role and provide true and fair view by financial reporting. It is not possible to eliminate creative accounting completely.

Changes in Share Prices: Johannes (2014) argued that share price movements are driven by short-term earnings in response to earnings surprises, this is an objection to the perception of long-term cash flow expectations driving the share price changes. Akenbor and Ibanichuka (2012), researched into the reasons for creative accounting practice in Nigeria banking sector and found out that the main reason is to raise market value of share. Osazevbaru (2012) examined creative accounting and firm's market value in Nigeria. The study concluded that many banks in Nigeria indulged in creative accounting by direct lending to shareholders to buy the bank's shares in order to sustain demand pressure to cause unabated price rise without appreciation in capital base. Sanusi and Izadonmi (2014) observed that the reason behind the creative accounting in Nigerian commercial banks is to boost the market value of share.

Market Forces: Adaramola and Hemadivya (2013) indicated that demand and supply factors have influence on the price of equity shares. Oyerinde (2014) posit that a rise and fall in corporation's market value depend majorly on market forces. Where the companies and economy depicts possibility of stability and growth the share prices have a tendency to rise or stabilise.

3.0 METHODOLOGY

Research Design

The study adopts the survey research design. The population of the study consists of all managers and accountants in all the 57 financial service institutions listed in the Nigerian Stock Exchange. Five banks were sampled from the list of banks listed in the Nigeria Stock Exchange. From this five banks (Guaranteed Trust Bank Plc., First Bank of Nigeria Plc., Access Bank Nigeria Plc., Skye Nigeria Bank Plc. Zenith Bank Plc.) eighty employees were selected and suitable questionnaire was constructed and administered on them. Responses were obtained from seventy people while ten (10) were not returned. The study made use of primary data. The major method of data collection used was structured questionnaire as the primary source of data. The primary data was collected, organized and coded for processing to generate tallies from every response per question.

Method of Data Analysis

On completion of data collection, data was checked for completeness after which it was coded. Data was grouped and arranged according to particular research questions. The data was then analyzed by use of descriptive statistics by help of computer software package Scientific Package for Social Scientists (SPSS) 23 and presented by use of tables. The study used SPSS 23 as a statistical package to analyze the data.

The study considered a significance level of 5% that is, at 95 % confidence level for the analysis. This is to be fixed for all the tools to be used.

4.0 ESTIMATION RESULTS AND DISCUSSION OF FINDINGS

Table 1: What is your position in your organisation?

	Frequency	Percent (%)
Accountants	30	43
Managers	40	57
Total	**70**	**100**

90% of the sampled respondents agreed that their organizations have a depreciation policy applicable to non-current assets while 10% of the respondents have no information on whether their organizations have a depreciation policy.

Hypothesis 1:

Table 2: Frequent changes in method of inventory valuation does not affect shareholders' wealth

Crosstab

			Frequent change in method of stock valuation does not affect shareholders' wealth			
			Agree	Undecided	Disagree	Total
Position in the organisation	Accountant	Count	22	1	7	30
		Expected Count	15.4	6.0	8.6	30.0
		% within Position in the organisation	73.3%	3.3%	23.3%	100.0%
		% within Frequent change in method of stock valuation does not affect shareholders' wealth	61.1%	7.1%	35.0%	42.9%
		% of Total	31.4%	1.4%	10.0%	42.9%
	Manager	Count	14	13	13	40
		Expected Count	20.6	8.0	11.4	40.0
		% within Position in the organisation	35.0%	32.5%	32.5%	100.0%
		% within Frequent change in method of stock valuation does not affect shareholders' wealth	38.9%	92.9%	65.0%	57.1%
		% of Total	20.0%	18.6%	18.6%	57.1%
Total		Count	36	14	20	70
		Expected Count	36.0	14.0	20.0	70.0
		% within Position in the organisation	51.4%	20.0%	28.6%	100.0%

	% within Frequent change in method of inventory valuation does not affect shareholders' wealth	100.0%	100.0%	100.0%	100.0%
	% of Total	51.4%	20.0%	28.6%	100.0%

Source: SPSS Computation

Table 3: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	12.694[a]	2	.002
Likelihood Ratio	14.390	2	.001
Linear-by-Linear Association	5.099	1	.024
N of Valid Cases	70		

Source: SPSS Computation

Hypothesis 2

Table 4: Frequent changes in depreciation policy does not affect shareholders' wealth.

Crosstab

			Frequent change in depreciation policy does not affect shareholders' wealth			Total
			Agree	Undecided	Disagree	
Position in the organisation	Accountant	Count	11	14	5	30
		Expected Count	13.3	8.1	8.6	30.0
		% within Position in the organisation	36.7%	46.7%	16.7%	100.0%
		% within Frequent change in depreciation policy does not affect shareholders' wealth	35.5%	73.7%	25.0%	42.9%
		% of Total	15.7%	20.0%	7.1%	42.9%
	Manager	Count	20	5	15	40
		Expected Count	17.7	10.9	11.4	40.0
		% within Position in the organisation	50.0%	12.5%	37.5%	100.0%

	% within Frequent change in depreciation policy does not affect shareholders' wealth	64.5%	26.3%	75.0%	57.1%
	% of Total	28.6%	7.1%	21.4%	57.1%
Total	Count	31	19	20	70
	Expected Count	31.0	19.0	20.0	70.0
	% within Position in the organisation	44.3%	27.1%	28.6%	100.0%
	% within Frequent change in depreciation policy does not affect shareholders' wealth	100.0%	100.0%	100.0%	100.0%
	% of Total	44.3%	27.1%	28.6%	100.0%

Source: SPSS Computation

Table 5: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	10.665[a]	2	.005
Likelihood Ratio	10.889	2	.004
Linear-by-Linear Association	.135	1	.713
N of Valid Cases	70		

Source: SPSS Computation

Hypothesis 3: Using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth

Table 6: Crosstab

			Using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth			
			Agree	Undecided	Disagree	Total
Position in the organisation	Accountant	Count	19	4	7	30
		Expected Count	18.4	3.0	8.6	30.0
		% within Position in the organisation	63.3%	13.3%	23.3%	100.0%

		% within Using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth	44.2%	57.1%	35.0%	42.9%
		% of Total	27.1%	5.7%	10.0%	42.9%
	Manager	Count	24	3	13	40
		Expected Count	24.6	4.0	11.4	40.0
		% within Position in the organisation	60.0%	7.5%	32.5%	100.0%
		% within Using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth	55.8%	42.9%	65.0%	57.1%
		% of Total	34.3%	4.3%	18.6%	57.1%
Total		Count	43	7	20	70
		Expected Count	43.0	7.0	20.0	70.0
		% within Position in the organisation	61.4%	10.0%	28.6%	100.0%
		% within Using ageing schedule to determine bad and doubtful debt provision does not affect shareholders' wealth	100.0%	100.0%	100.0%	100.0%
		% of Total	61.4%	10.0%	28.6%	100.0%

Source: SPSS Computation

Table 7: Chi-Square Tests

	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	1.119[a]	2	.572
Likelihood Ratio	1.121	2	.571
Linear-by-Linear Association	.333	1	.564
N of Valid Cases	70		

Source: SPSS Computation

Table 8: Results

Effect of changes in:	**Value of X^2 calc.**	**df.**	**Sig. level**	**p. value**	**Table Value f X^2**	**Decision Rule**	**Decision**
Inventory valuation on shareholders' wealth	12.694[a]	2	.05	.002	5.99	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept alternate hypothesis
Depreciation Policy on shareholders' wealth	10.665[a]	2	.05	.005	5.99	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept alternate hypothesis
Bad Debt Provision on shareholders' wealth	1.119[a]	2	.05	.572	5.99	If X^2 calc. > X^2 tab., reject null otherwise accept null	Accept null hypothesis

Source: Authors' Computation

Discussion

From table 8, the result of Chi-Square result of the effect inventory valuations on Shareholders' wealth is statistically significant as the calculated value of Chi-Square is more than the table value at 0.05 level of significance. Also the p value at 0.002 level of significant shows a strong evidence to reject the null hypothesis. This shows that method of inventory valuation affects shareholders'' wealth.

The result of the test of hypothesis two shows that frequent changes in depreciation policy does affect shareholders' wealth as the calculated value 10.67 of Chi Square is greater than the table value of 5.99 at 0.05 level of significance. The P value of 0.005 also indicate strong evidence to reject null hypothesis. This shows that depreciation policy affects shareholders'' wealth.

The result in table 8 shows that using ageing schedule method of provision for bad and doubtful debts do not affect shareholders' wealth as the calculated value of the Chi Square 1.119 is smaller than the table value of 5.99. Also the p value of 0.572 is a little higher than the required value of 0.05. Though the difference is not statistically significant but the calculated value of chi square is too low to the table value, therefore null hypothesis was accepted for this study. Therefore we conclude that there is no statistical relationship between the use of ageing schedule to provide for bad and doubtful debts and shareholders' wealth.

5.0 CONCLUSION AND RECOMMENDATIONS

This study identified frequent changes in method of inventory valuation and depreciation policy as part of the instruments used to give positive image to financial statements. The study recognized that frequent changes in method of inventory valuation and depreciation policy affect shareholders' wealth. The study also found that using ageing schedule to make provision for bad and doubtful debts does not affect shareholders' wealth. Alternative permissible methods are adopted in preparation of financial statements. This is an avenue for manipulations in the financial statements. Regulatory authorities have insisted on adequate disclosures which should show what the differences in alternative treatments would be.

However, it would be impractical to think that it is possible to eradicate creative accounting or earnings management practices. It will be possible to reduce the negative effects by adopting the accounting standards, giving more importance to ethics and managing the flexibility of the different accounting methods. The scope of the current study was limited to the responses of managers and accountants of listed companies in Nigeria. Future research should include other categories of staff other than the ones interviewed in this study. As new creative accounting techniques may emerge in the future due to changes in regulations, managerial policy and new technologies, researchers should identify the need to explore other relevant relationships.

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