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Sequence of Manuscript

I. Title page
II. Abstract (150-250 words)
III. Keywords (3-5)
IV. Introduction
V. Literature Review
VI. Methodology
VII. Results and Discussion
VIII. Conclusion and Recommendations
IX. References (APA 7th Edition)
X. Appendices (if necessary)
XI. Author Biographies (optional)

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THE RELATIONSHIP BETWEEN CREATIVE ACCOUNTING AND FINANCIAL REPORTING QUALITY: A STUDY OF SELECTED BANKS IN NIGERIA

OKAI AGAH ESTHER

ABSTRACT

This research work focused on the relationship between creative accounting and financial reporting quality in selected deposit money banks in Nigeria. Income smoothing and Off statement financial position financing were the creative accounting proxies employed to ascertain their effect on financial reporting quality. Financial reporting quality (FRQT) was measured in terms of qualitative characteristics of financial report as provided by IASB conceptual framework. The research design adopted in this study was survey design because the data used was primary. The population of the study consist of 450 respondents drawn from the ten different deposit money banks in Kogi State. However, the sample size of this study was 212 determined using Taro Yamane formula. Primary data were obtained through Likert 5-points structured questionnaire. In order to examine the cause-effect relationships between the dependent variable and independent variables as well as to test the formulated hypotheses, the study relied on a robust OLS regression analysis. The results obtained from the robust OLS regression analysis revealed that Income smoothing has a statistically positive but insignificant effect on the financial statement quality, off statement financial position transaction has a statistically positive and significant effect on the financial statement quality. Thus, we concluded that creative accounting has significant effect on the financial reporting quality of deposit money banks in Nigeria. The study therefore, among others, recommended that all operators of financial statements should be effectively monitored. More emphasis should be laid in the review of the standard.

Keyword: Creative accounting, Quality,financial reporting, selected banks,Nigeria

1. Introduction

Financial statements play important roles in corporate businesses. Managers' report information concerning their firms to the owners and other interested parties through the financial statement. Considering the importance of financial statements managers ensure that the financial statement presents an enticing view to the investors and owners of the business. One of the means used in misleading the firm owners is through Creative accounting or window dressing accounting which consists of accounting practices that follow required laws and regulations, but deviate from what those standards intends to accomplish. Creative accounting, in its strict sense, involves the transformation of financial accounts using accounting choices, estimates and other practices allowed by accounting regulations. Creative accounting describes the process through which the accounting professionals use their knowledge in order to manipulate the figures included in the annual accounts. It is a problem that has gained importance as Managers of companies have been reported of misinforming users of financial statement using accounting choices, estimate and other practices allowed by accounting regulations (Chakroun & Amar,2021)

Creative accounting has received a great deal of attention in recent times in Nigeria, which has made it become an area of research, it is very much prevalent among companies. There are many reports of price manipulation, profit overstatement, and accounts falsifications by some fraudulent and dubious stewards which render financial reports ineffective (Eze, 2016). This is due to the recent financial scandals that have ravaged companies both in the developed and developing countries, due to the increasing demand for business organizations to be profitable, productive, boost investors' confidence and increase their market shares even with the challenge of coping with the changes in the business environment, hence the need for creative accounting has become the order of the day. The differences which are observed in financial reporting are legitimately prepared from choice of varied accounting policies of the same organization for the same period, this has brought about challenges of credibility to accounting (Dabor & Weintrop, 2015).

Financial reporting quality are those distinguishing characteristics or attributes that make information provided in financial statement useful to user; while in other cases it assists any private enterprise in the maximization of shareholders' wealth. Financial statement provides shareholders with information on entity's financial position, performance and cashflow by providing information about its assets, liabilities, equity, income and expenses, changes and cash flows. Financial statement provides information that is used by interested parties to assess the performance of the manager to make economic decisions. On this note, users may assume that the financial information they receive is reliable to fit its purpose. Accordingly, regulations attempt to ensure that information is produced on a consistent basis in accordance with set of rules that make it reliable to users. However, communication between entities and shareholders may be deliberately distorted by the qualities of financial statement prepared, to alter or make it appear effective and reliable. This type of distortion is often referred to as creative accounting (Beredugo & Ekpo, 2019).

Creative accounting has resulted in massive financial losses for shareholders and other investors, as well as the collapse of several businesses. The existence and detrimental impact of creative accounting on the credibility of financial reporting and firm survival has been seen in the Nigerian corporate sector. A study on a creative accounting scandal at African Petroleum PLC, for example, found that the company's financial statements did not accurately depict the company's financial status. A similar accounting controversy in Cadbury Nigeria Plc in November 2006 raised more concerns than it answered concerning creative accounting(Beredugo & Ekpo, 2019) The frequent collapse of financial banks like Afribank Plc, Spring Bank Plc, Oceanic Bank plc, which were eventually acquired by other banks in Nigeria is another problem that has led to the interest of looking into the practice of creative accounting in the banking sector as more banks keep collapsing including the very recent one; Diamond Bank demise in 2017/2018. Based on these stated problems, the paper intended to achieve the below-stated objectives.

1.2 Objectives of the study

The aim of this study is to examine the relationship between creative accounting and quality of corporate financial statements in selected banks in Nigeria. The specific objectives of this study are to:

i. Find out the effect of income smoothing on quality of financial reporting.
ii. Examine the relationship between off statement of financial position transaction and quality of financial reporting.
iii. Find out whether creative accounting practices affect the financial reporting quality.

1.3 Hypotheses of the Study

The following null hypotheses are formulated for testing.

Ho1: There is no significant relationship between income smoothing and financial reporting quality of selected banks in Nigeria

Ho2: There is no significant relationship between off statement of financial position transaction and financial reporting quality of selected banks in Nigeria.

Ho3: There is no significant relationship between creative accounting and financial reporting quality of selected banks in Nigeria

2. Literature Review and Theoretical Framework

The term creative accounting was first used in 1968 in a film produced by Mel Brooks. Thus, "Creative Accounting" is the most commonly used word in the United States of America (USA), but "Earnings Management" is commonly used in Europe. Creative accounting is also known as Income Smoothing, Earnings Smoothing, Cosmetic Accounting or Accounting Cosmetics, Financial Crafts or Accounting Crafts in other publications (Umobong & Ironke, 2017).

Creative accounting according to Wikipedia (2008) is accounting practices that deviate from standard accounting practices. These practices are characterized by excessive compilation and the use of novel ways of charactering income, assets or liabilities. This results in financial reports that are not all dull, but have all the complication of a novel, hence the name “creative”. A typical aim of creative accounting is to inflate profit figure. However, some companies also reduce reported profit in good years to smooth result. Assets and liabilities may also be manipulated, either to remain within limits such as debt covenant, or to hide problems. Eze. (2016), assert that typical creative accounting tricks include off balance sheet financing, over-optimistic revenue recognition and the use of exaggerated non- recurring items. Every organization desires to achieve its goals, objectives or intended performance of continuous steady growth in profit, increase share prices by attracting more investors so as to get a larger share of their target market and increased productivity. Creative accounting seems to be a readily available tool in the hands of many preparers of financial statements to dress up its financial statements to achieve effectiveness. Studies have revealed that company managers willfully manipulate reported profit to fit their own intentions or goals by selecting certain policies changing accounting estimates and manipulating accruals (Adetoso, J. & Ajiga 2017).

2.1 Financial Reporting and Quality of Corporate Financial Statement

Financial statement (or financial report) is a formal record of the financial activities and position of a corporation or entity. Relevant financial information is presented in a structured manner and in a form easy to understand. They typically include basic financial statements such as statement of financial position, which reports on a company's assets, liabilities and owners' equity at a given point in time; income statement or statement of comprehensive income, which reports on a company's income, expenses and profits over a period of time; statement of changes in equity or equity statement or statement of retained earnings, which reports on the changes in equity of the company during the stated period; cash flow statement, which reports on a company's cash flow activities, particularly its operating, investing and financial activities. For large corporations, these statements may be complex and may include an extensive set of notes to the financial statements and management discussion and analysis. The notes typically describe each item on the statement of financial position, statement of comprehensive income and cash flow statement in further detail. Notes to financial statements are considered an integral part of the financial statements.

Quality of corporate financial statement refers to the attitude that makes the information provided in financial statements useful to users. Information provided in the financial statement needs to be made simple in order to ensure its understandability, relevance, comparability and faithful representation. For analytical purpose, quality of corporate financial statements can be differentiated into fundamental and enhancing quality of characteristics. The fundamental qualitative characteristics (i.e., relevance and faithful representation) are most important and determine the content of financial reporting information. The enhancing qualitative characteristics (i.e., understandability, comparability, verifiability and timeliness) can improve decision usefulness when the fundamental qualitative characteristics are established. This study adopts this model in the measurement of quality of financial statement. (Umobong & Ironke, 2017).

2.2 Fundamental Qualitative Characteristics:

Relevance: Relevance refers to how helpful the information is for financial decision-making processes. The term "relevance" means that financial statements would make a difference to a decision maker. For accounting information to be relevant, it must possess: predictive value, confirmatory value or both. Confirmatory value – Provides information about past events. Confirmatory value enables users to check and confirm earlier predictions or evaluations. Predictive value – Provides predictive power regarding possible future events. Predictive value helps users in predicting or anticipating future outcomes. For example, If a company wants to take a loan from a bank, then the bank will want to know first whether the company will be able to pay them back the loan with interest. Therefore, the company's financial statement should be relevant for the bank in making its decision regarding granting a loan to the company (Beatty, 2017)

Faithful Representation: Faithful representation means a depiction which is complete, neutral and free from error. Faithful Representation refers to an accounting concept that emphasizes accurate reporting of a company's actual financial position in compliance with the International Accounting Standards Board (IASB) and the Financial Accounting Standards Board (FASB). Thus, the firm's financial statements and reports should be unbiased, complete, and independent from material error.

The financial information in the financial reports should represent what it purports to represent that is, the present position of income and expenditure.There are three characteristics of faithful representation namely: Completeness: Neutrality: Free from error:

1.*Completeness* means that all the information that a user needs to understand the economic phenomena is included; It also includes all necessary descriptions and explanations (adequate or full disclosure of all necessary information). The financial statements are supported by disclosures, and the transactions, conditions, and events cover all the related facts that reflect the firm's financial performance and position.

2.*Neutrality* means that the representation is unbiased, it's neither overly optimistic nor overly pessimistic. It is equally necessary to maintain the objectivity of the financial reports by ensuring that these are unbiased and not influenced by any person or group for deriving personal benefits.

3.*Freedom from error:* means that there are no errors in the depiction which would make a difference to the economic decision – the information does not have to be completely accurate but it has to be good enough for decision-making purposes. Simultaneously, the books of accounts should be accurate and should not have any material errors or misstatements that would otherwise impact the viability of such information.

Comparability: good quality information allows users to compare the financial results of a business over time or with other businesses. Comparability also means that the information should enable users to identify and understand similarities in, and differences among, items (IASB, 2010). Information is comparable if it can be compared with similar information about other entities and with similar information about the same entity for another period or date. In line with Madan, (2016). , six constructs are used to evaluate comparability. C1 – C6 means the extent of disclosure of changes in accounting policies, changes in accounting estimates, comparison and effects of accounting policies change, the inclusion of financial index numbers and ratios and lastly information concerning companies' shares.Also for comparability to be achieved, the following must be put in place;consistency,fair presentation and timeliness

Verifiability: different observers can agree on what the information means. Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. It means that different knowledgeable and independent observers could reach a consensus that a particular depiction is a faithful representation (IASB, 2010). Since verifiability refers directly to the assessment of faithful representation, verifiability is most often included as a subnotion of faithful representation.

Understandability: information is understandable to users with a reasonable level of knowledge.This means that the financial statements should be prepared and presented in such a way that it will easily be understood by users.Information is understandable if it can be interpreted without much difficulty. (Dechow, & Skinner, 2020)

Timeliness: information tends to be more useful if it is more current. Timeliness means having information available to decision-makers in time to be capable of influencing their decisions, (IASB, 2010). Generally, the older the information, the less useful it is. Timeliness means the amount of time it takes to make information known to others.

2.3 Dimensions for Corporate Financial Statements

The objective of financial statements is to provide information about the financial position, performance and changes in financial position of an enterprise that is useful to a wide range of users in making economic decisions. Financial statements should be understandable, relevant, represent faithfully the image of the organization. Financial statements are used by users for different purposes: **Management**: They are concerned with internal control, profitability, efficiency and management of assets. They will need the accounting information to know whether the performance of the business needs to be improved by comparing expected performance with actual performance in order to corrective measures or maintain an improved performance.

Owners: They are interested in profitability, stability, growth potential and dividend policy of the organization so as to assess whether the management is running the business to their best interest as well as measuring the risk and rewards associated with the business.

Employees: They are interested in the long term stability and survival of the company on which their jobs depend and on the entity's wage paying ability to know whether to continue working for the business and if so whether to demand for higher rewards or not.

Financial Analyst and advisers: They are interested in the profitability and growth prospects as well as the risk and future returns associated with the business to know whether to advise their clients to invest in the business or not.

Government: The government is interested in profitability of the business to assess the amount of tax the business will pay. They are also interested in its survival to ensure economic development and in other information lie statistics on employment and wage level.

Supplier: They are interested in the liquidity position of the business and their ability to pay so as to know whether to continue to supply and if so whether to supply on credit or not.

Competitors: They are interested in comparative performance of the business to know how to compete against the business or perhaps whether to leave the market on the grounds that it is not possible to compete favourably.

Lenders: They are interested in the liquidity position of the business to know whether to lend more money or to require repayment of existing loans.

The public or community representatives: They are interested in the social responsibility and environment protection policies of an enterprise to know whether to allow the business to expand its premises to provide economic support for the business or not.

2.4 Techniques of Creative Accounting

The potentials of creative accounting are found in six principal areas of: income smoothing, reclassification of transaction, off statement of financial position financing, faithful representation, understandability and finally relevance in the presentation of financial statements.

2.4.1 Income smoothing:

Income smoothing is the act of using accounting methods to level out fluctuations in net income from different reporting periods. The process of income smoothing involves moving revenues and expenses from one accounting period to another.Accounting regulations often permit a choice of policy for example, in respect of asset valuation (International Accounting Standard permits a choice between carrying non-current assets at either revalued amounts or at depreciated historical cost). Business entities may,change their accounting policies and figures in order to make it look meaningful. (Dascher, &Malcom, 2016)

2 .4.2.Off-statement of financial position financing: Off balance sheet financing is also sometimes referred to as 'incognito leverage' is an accounting practice where companies keep certain assets and liabilities from being reported on balance sheets. This practice helps companies keep debt-to-equity and leverage ratios low, resulting in cheaper borrowing.Both international and domestic companies use off balance sheet financing for a variety of reasons depending on business goals. Some companies use it as an accounting tool to keep their debt-to-equity ratio low; others use it as a financial performance indicator. Using OBSF, companies can demonstrate whether the company is liquid without creating a negative overview of the company's financial performance. (Ahmed, 2017)

2.4.3 Window Dressing:

Window Dressing in Accounting refers to the manipulation done by the company's management intentionally in the financial statements to present a more favorable picture of the company to the users of financial statement before the same is released to the public.It is an effort made by the management to improve the appearance of a company's financial statements before it is publicly released. It is done to mislead the investors, Companies and other stakeholders who do not have the proper operational knowledge of the financial performance. for example., assets may be overstated and liabilities may be understated. (Ahmed, 2017).

2.5. Theoretical Framework

2.5.1. Agency Theory

The study was anchored on the Agency theory. The theory states that problems are bound to arise in any cooperative exchange when one party (principal) contracts with another (the agent) to make decisions on behalf of the principal. According to agency theory, the firm is a legal fiction which serves as a focus for complex, process in which the conflicting objectives of individual are brought into equilibrium within a framework of contractual relations (Jensen and Meckling, (1976) as quoted by Amat and Gowtharpe (2010).

Agency as widely known is a consensual relationship existing between two parties by which one the agent (Accountants/ Auditors) is authorized to act on behalf of another, the principal (Management/ Stakeholders). Application of agency theory on creative accounting shows that the informational perspective is a key element underpinning the study of the creative accounting phenomenon. A conflict is created by information asymmetry that exists in complex corporate structures between a privileged management and a more remote body of stakeholder.However, the accountant or auditor (agent) who is employed and delegated to prepare the financial statements for the organizations is responsible to the management/ stakeholders to present the accounts of stewardship of the organization. Managers, accountants or auditors may choose to exploit their privileged position for private interest, by managing financial reporting disclosures in their own favour. The informational perspective assumes that accounting disclosures have an information content that possesses value to stakeholders in providing useful signals. The accountant (agent) therefore, must prepare an accounting statement that depicts true and fair view of the various transactions carried out by the organization according to the accounting principles, policies and standard.

The relevance of the agency theory to this study is that accountants at times corroborate with the management either to increase or decrease (inflate) the financial statement. Accountants instead of rendering the accounts of their stewardship with a true and fair view rather co-join with the boss to manipulate accounting figures.

2.6 Empirical Review

Sanusi and Izedonmi (2014) questioned senior corporate auditors about their experiences of creative accounting. They were able to conclude that a significant proportion of all categories of companies employ creative accounting techniques to some extent. Madan (2016) modeled the discretionary component of bad debt provision in order to identify the discretionary elements of accruals. Bennis (2017) discussed the class of income smoothing with the use of extraordinary items, with results based on the study of 62 US companies, indicate that income smoothing does take place. A later large scale of study of classifying income smoothing (Dempsey, Hunt & Schoeder, 2017) found that managers showed a propensity to report extraordinary gains on the financial statement and extraordinary losses on the retained earnings statement. Moreover, this research found that the propensity to report in this way was significantly greater in non-owners managed firms. Dascher and Malcom (2015) analyzed data over several years for 52 firms in the chemical industries sector relating to four income smoothing variables: pension cost, dividends from unconsolidated subsidiaries, extraordinary charges, credits and research and development costs. They concluded that their results were consistent with the hypothesis that deliberate smoothing had taken place and that large provisions against uncertain levels of future loss are highly dependent upon the judgements made by management. Watts and Zimmerman (2019) cited several studies that found “compelling evidence” of income smoothing via accruals in banks and insurers. Tassadaq and Malik (2015) examined management manipulation of accounting information within two firms (internal and external) and drew up both interviews and questionnaires data. The research found that managers acknowledge manipulative behaviours and short-term presentations. Black, Seller and Manly (2017) examined non-current asset sales as creative accounting tools, using a very large data set of observations from Australia, New Zealand and United Kingdom. They found that where the relevant accounting standards are permissive, managers would exploit the potential for creative accounting via timing of asset sales. Such behaviours are curtailed once the provisions of accounting standards are tightened. However, amongst their conclusions, they observe that there is every reason to believe that firms can shift creative accounting activity among a variety of methods. So, even if, certain loopholes in regulation are eliminated, creative accounting behaviour is likely to persist.

3. Methodology

The study utilized the survey research design. This design was suitable for the study because the data used was primary and acquired through the use a self-constructed questionnaire. The design permitted the examination of independent variables in respect of their relationship with the dependent variable. The population of this study was made up of staff of 450 staff members of ten selected deposit money banks in Kogi State. In determining the sample size for the target population for this study, Taro Yamane (1973) statistical formula was applied and this formula was suitable for this study because the population of this study was known and the formula is given as;

$$n = \frac{N}{1+N(C)^2}$$

Where;
n = sample size,
N = population size,
C = level of significance or error (0.05) Thus

$$n = \frac{450}{1+450\,(0.05)^2}$$

$$n = \frac{450}{1+450\,(0.0025)}$$

$$n = \frac{450}{1+1.125}$$

$$n = \frac{450}{2.125}$$

n = 212

Purposive sampling technique was adopted to select the 212 respondents used in this study. This sampling technique was suitable for this study because only key staff members of the banks were the targets. However, the useable sample size of this study was 195 as only these numbers actually filled and returned the copies of the questionnaire. This study made use of primary data obtained from the researcher's self-constructed and well-structured questionnaire. These questionnaires were administered to the 212 respondents from 10 selected banks located in Kogi State. The Linkert 5-point questionnaire was adopted to collect information from the respondents. The Questionnaires coded as 5-Strongly Agree, 4-Agree, 3-Undecided, 2-Disagree, and 1-Strongly Disagree. Furthermore, both the dependent variable and the independent variables were being operationalize using a 5-point Likert Scale Questionnaire. A weighted average was obtained for each response of the participants relating to the Questionnaire question of the variables under study. The robust ordinary least square (OLS) regression technique was employed in analyzing the data. The descriptive statistics was also employed to examine the characteristics of the data in terms of mean. Standard deviation, maximum and minimum values. Spearman rank correlation analysis was adopted to evaluate the association among the variables, and check for possible collinearity among the variables of interest. However, some critical diagnostic tests were carried out on the Least Square regression result so as to validate the least square regression estimates. Simple regression model as guided by a linear model as given below;

Quality of financial reporting

= F (Creative accounting) (1)

$$FRQT = \beta_0 + \beta_1 \; IS \quad (2)$$
$$FRQT = \beta_0 + \beta_2 \; OSFP \quad (3)$$
$$FRQT = \beta_0 + \beta 3 \; CA \quad (4)$$
$$FRQT = \beta_0 + \beta_1 IS + \beta_2 OSFP + \beta 3 \; CA + \mu \quad (5)$$

FRQT = Quality of Financial Reporting (dependent variable)
IS = Income Smoothing (independent variable, Ho1)
OSFP= Off Statement of Financial Position (independent variable, Ho2)
CA= Creative accounting (independent variable,H03)
β0 = Constant
β1 - β4 = Slope Coefficient
μ = Error term

Data Presentation, Analysis, Discussion and Conclusion

As aforementioned, mathematical, and statistical techniques are used to present the analysis of the questionnaire administered and retrieved from the respondents. However, the number of retrieved questionnaire and age distribution of the respondents are analyzed below;

Analysis of questionnaire

Particularly, a total of 212 questionnaire were sent out to the respondents for data generation as shown in the table below:

Table 4.1: Analysis of Questionnaire Administration

Questionnaires	Copies	Percentage
Retrieved	195	92%
Un-retrieved	17	8%
Sent copies	212	100%

Source: Author's computation (2024)

Table 4.1 shows that out of the 212 copies of the questionnaire that was sent, 195 of them were retrieved. This represented 92% of the total questionnaire sent and this was the number that was used for analysis in the subsequent sections that will follow. However, 17 of the questionnaires could not be retrieved representing 8% which is not significant.

Gender Distribution of the Respondents

The study also presents the analysis of the gender distribution of the respondents of which the questionnaires were successfully retrieved. This is shown in table 2.

Table 4.2Percentage distribution of respondents by sex

Gender	No	Percentage
Males	102	52%
Females	93	48%
Total	195	100%

Source: Author Computation (2024)

Also, from the retrieved questionnaire and as seen from the table 4. 2 above, it is observed that 102 of the respondents were males, which represented about 52% of the total questionnaire retrieved. Similarly, 93 of them were females representing 48% of the total questionnaire retrieved.

Age distribution of the respondents

The study also presents the analysis of the age distribution of the respondents of which the questionnaires were successfully retrieved. This is shown in table 4.3.

Table 4. 3: Percentage distribution of respondents by age

Age	No	Percentage
18-22	27	14%
23-27	70	36%
28-32	65	33%
33 and above	73	17%
Total	195	100%

Source: Author Compilation from field work (2024)

The table 4.3 shows that 27 of the respondents were in the age bracket of 18-22, representing 14% of the Respondents. 70 of the respondents was in the age bracket of 23-27, representing 36% of the Respondents. 65 of the respondents were in the age bracket of 28-32 representing 33% of the respondents. 33 of them were in the age brackets of 33 and above, representing 17% of the total respondents.

Regression result of the relationship between creative accounting on financial statement quality

	FRQT Model (OLS)	FRQT Model (Robust Regression)
CONS.	1.306	1.382
	{0.004} **	{0.002} **
IS	0.157	0.153
	{0.064}	{0.08}
OSFP	0.560	0.527
	{0.000} ***	{0.000} ***
F-stat/Wald Stat	34.10 {0.0000} ***	31.62 {0.0000} ***
R- Squared	0.4170	0.4170
VIF Test	1.06	
Hettero. Test	6.96 {0.0084} **	

Note: (1) bracket {} are p-values; (2) **, ***, implies statistical significance at 5% and 1% levels respectively.

Test of Hypotheses

Ho1: There is no significant relationship between income smoothing and financial reporting quality of selected banks in Nigeria

The results obtained from the OLS regression analysis revealed that the variable of Income smoothing {0.153 (0.08)} as an independent variable to financial reporting quality have a statistically positive and insignificant effect on the financial reporting quality of the selected banks in the study. Hence, the null hypothesis that income smoothing has no significant effect on the financial reporting quality of selected banks in Nigeria was accepted. This implies that Income smoothing has an insignificant effect on the financial reporting quality of selected banks in Nigeria during the period under study.

Ho2: There is no Significant Relationship between Off Statement of Sinancial Position Transaction and Financial Reporting Quality of Selected Banks in Nigeria

The results obtained from the robust OLS regression revealed that the variable of Off statement of financial position transaction {0.527 (0.000)} as an independent variable to financial reporting quality have a statistically positive and significant effect on the financial reporting quality of the selected banks in the study. Hence, the null hypothesis that Off statement of financial position transaction has no significant effect on the financial reporting quality of selected banks in Nigeria was rejected. This implies that Off statement of financial position transaction has a significant effect on the financial reporting quality of selected banks in Nigeria during the period under study.

Ho3: There is no significant relationship between creative accounting and financial reporting quality of selected banks in Nigeria

The results obtained from the robust OLS regression revealed that the variable of Creative accounting as an independent variable to financial reporting quality have a statistically positive and significant effect on the financial reporting quality of the selected banks in the study. Hence, the null hypothesis that Creative accounting has no significant effect on the financial reporting quality of selected banks in Nigeria was rejected. This implies that Creative accounting has a significant effect on the financial reporting quality of selected banks in Nigeria during the period under study.

DISCUSSIONS OF FINDINGS

- **Income Smoothing and Financial Reporting Quality of Selected Banks in Nigeria**

Particularly, the findings revealed that Income Smoothing insignificantly improved financial reporting quality of the selected banks. Income smoothing may conceal long-term changes in the profit trend.It may help maintain or boost a company's share price by reducing the apparent levels of borrowing, thereby making the company less susceptible to risk, and by creating the appearance of a good profit trend. This helps the company to raise capital from new share issues, offer their own share in takeover bids, and resist takeover by other companies.

- **Off Statement of Financial Position Transaction and Financial Reporting Quality of Selected Banks in Nigeria**

Particularly, the findings revealed that off statement of financial position transaction significantly improved financial reporting quality of the selected banks. The study notes that Off-Statement of financial position or incognito leverage, usually means an asset or debt or financing activity not on the company's statement of financial position. Total return swaps are an example of an off-statement of financial position item. Is an accounting practice where companies keep certain assets and liabilities from being reported on balance sheets. This practice helps companies keep debt-to-equity and leverage ratios low, resulting in cheaper borrowing.Both international and domestic companies use off balance sheet financing for a variety of reasons depending on business goals.

- **Creative accounting and financial reporting quality of selected banks in Nigeria**

Particularly, the findings revealed that creative accounting significantly improved financial reporting quality of the selected banks. The study notes that creative accounting is achieved for income smoothing,, that is improving reported profit in bad year. Creative accounting also arises because companies are subject to various forms of contractual rights, obligations and constraints based on the amounts reported in the accounts.

Conclusion

Creative accounting plays a significant role in the preparation of financial reporting by corporate entities that entails the use of income smoothing, window dressing and off-statement of financial position financing. A company is involved in frauds or scandals because of several factors like unethical behaviors, agency problem and non professional attitude. Based on the outcome of the study, it is, therefore concluded that creative accounting exist in DMBs in Nigeria and it significantly affects quality of financial reporting.

Recommendation

The following suggestions were made in line with the findings:

i Accounting bodies, the government and all operators of financial statements should be effectively monitored. More emphasis should be laid in the review of the standard. This would ensure integrity and public confidence.

ii. The Nigerian Accounting standard Board (NASB) should be empowered to draft a well structured framework of accounting regulation, accept, review and investigate financial statements of all companies quoted on the NSE to ensure compliance with GAAP,CAMA and other financial reporting Act.

iii.The regulatory agencies in Nigeria should ensure the urgent need for practice monitoring to commence in order to raise the quality of financial statement globally. This would prevent companies from employing misleading reporting practices of creative accounting.

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