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Creative Accounting and Financial Performance of Food and Beverages Companies in Nigeria

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Abstract: *The study examined the relationship between creative accounting practices and financial performance of food and beverage companies in Nigeria. The study was guided by four specific objectives, four research questions and four research hypotheses. The study adopted aggressive earnings management and income smoothing as the dimensions of creative accounting practices while return on asset and return on equity were used as the measures of financial performance. The study was anchored on Ethical theory. The study adopted survey research design. The population of the study comprised twenty food and beverage companies in Nigeria that are listed on the Nigerian Stock Exchange as at December 2020 while the sample size consisted of fifty-two (52) accountants, auditors and managers selected food and beverage companies in Rivers State. Simple random sampling was used to select the respondents. Structured questionnaire was the data collection instrument used. Frequencies, simple percentages and weighted mean scores were used to analyse the demographic data of the respondents and other items of the questionnaire while Pearson Product Moment Correlation was used to test the hypotheses formulated at 5% level of significance. Statistical Package for Social Sciences (SPSS) version 21 aided the data analysis. The results of the study showed that: aggressive earnings management has a positive and significant relationship with return on asset, aggressive earnings management has a positive and significant relationship with return on equity, income smoothing has a positive and significant relationship with return on asset, and lastly, income smoothing has a positive and significant relationship with return on equity of food and beverage companies in Nigeria.The study concluded that creative accounting practices has significant positive relationship with financial performance of food and beverage companies in Nigeria. The study recommended among others that creative accounting practices should be considered as a serious crime while accounting bodies, law courts and other regulatory authorities need to adopt strict measures to stop the practice and punish the offenders.*

Key words: *Aggressive earnings Creative accounting, financial performance, foods and beverages firms, income smoothing.*

INTRODUCTION

The main objective of financial reporting is to provide information about the wealth performance and financial health of a company. Though it is true that financial statements are likely to be the most effective way of conveying information to the public, it should be noted when reading the reports; the figures may not necessarily show a true and fair view and might also be misleading (Ibanichuka & Ihendinihu, 2012). However, the accounting process and regulatory framework prescribed by the different regulatory agencies in the accounting profession gives room for discretionary judgments by the accountants. Trying to resolve conflicts between the competing different approaches in which the results of financial events and transactions are presented, provides opportunity for manipulation, deceit, and misrepresentation. These negatively practiced activities by the less scrupulous elements of the accounting profession are popularly known as creative accounting (Idris, Kehinde, Ajemunigbohun & Gabriel, 2015).

According to Amat and Gowthorpe (2014) creative accounting also known as aggressive accounting is the process that deals with matters of accounting appraisal, conflicts, items and events. This flexibility gives room for manipulation, deceit, and misrepresentation. Hence, the accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business. Creative accounting is also accounting practices that may or may not follow the letter of the rules of accounting standard practices but certainly deviate from those rules and regulations. It may be characterized by excessive complication and using innovative ways of characterizing income, assets and liabilities. It involves the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell stakeholders (Haruna & Emmanuel, 2017).

On the other hand, the subject of financial performance has received significant attention from scholars in the various areas of business and strategic management. It has also been the primary concern of business practitioners in all types of organizations since financial performance has implications to organization‘s health and ultimately its survival. Financial performance is a subjective measure of how well a firm can use assets from its primary and non-primary modes of business and generate revenues. The term, financial performance, is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation (Kohlar, 2015).

However, the real causes of creative accounting according to Akenbor and Ibanichuka (2012) lie in the conflicts of interest among different interest groups. Managing shareholders‘ interest is to pay less tax and dividends. Investor-shareholders are interested to get more dividends and capital gains. Country‘s tax authorities would like to collect more and more taxes. Employees are interested to get better salary and higher profit share. Despite this, creative accounting puts one group or two to advantageous position at the expense of others. Notable creative accounting practices variously employed by management or preparers include: deliberate non-recognition of liabilities, aggressive earnings management through the recognition of revenue before they are earned, deliberate recognition of unusual assets, unjustified changes to accounting policies and accounting estimates and profit smoothing through the manipulation of profit figure and off balance sheet financing.

Many terms can be used to describe the practices of changing the facts in accounting, e.g. cooking the books, aggressive accounting, massaging the numbers, window dressing, earnings management etc. The manipulation of financial numbers is prohibited by laws and accounting standards, they are against the spirit of not providing the “true and fair view” of a company that accounts are supposed to. The techniques of creative accounting change over time as accounting standards change (Osemene, Muritala & Olawale, 2014). Creative accounting is a euphemism for accounting practices that tend to manipulate the rules of standard accounting practices or the spirit of those values. They are characterized by dubious complications and use of ‘novel’ ways of presenting income, assets and liabilities. However, creative accounting practice has been increasing in recent years in many firms (food and beverage companies inclusive) in Nigeria to attract unsuspecting investors, or obtain undeserved accounting-based rewards by presenting an exaggerated misleading or deceptive state of financial affairs. It is evident that the extent of window-dressing of firms‘ financial statements in Nigeria has greatly violated all known ethical standards of the accounting and auditing profession. Furthermore, there are many reports of price manipulation, profit overstatement, and accounts falsification by some dubious stewards of Nigerian firms which rendered the financial statements ineffective. The business failures of the past decade have also been closely associated with corporate governance failure as a result of creative accounting which involves a number of parties, management board of directors, auditors, and some investors.

Ijeoma (2014) revealed that the major reason for creative accounting practices in the Nigerian firms is to inflate the operating costs to reduce exposure to taxes. It was further revealed that other key reasons for creative accounting practice among firms in Nigeria include: to help maintain or boost the share price by reducing the apparent levels of borrowing, making the company appear subject to less risk and of a good profit trend , to inflate the amount of operating costs in order to reduce exposure to taxes, to report a steady trend of growth in profit, rather than slow volatile profits with a series of dramatic rises and falls, and to effect changes in accounting policies in order to discourage findings faults in the company’s accounting system. Furthermore, Brank, Ivo and Ivana (2017) asserted that creative accounting can have a positive impact on a company’s business in the short term, but in the long run, it may result in decreased stock prices, insolvency, and even bankruptcy. It is the root of numerous accounting scandals, as well as many accounting reforms, which is why doubts in the transparency and honesty of financial reporting arise. Moreover, Ezeani, Ogbonna, Ezemoyih and Okonye (2012) found that accountants/auditors indulge in creative accounting through profit eroding mechanisms to attract investors and resources in order to boost their financial performance.

However, most of the related studies on creative accounting focused mainly on the impact of creative accounting on financial reporting as well as on investors’ decision in the stock market without highlighting the reasons for such practices. More so, the most of the studies are of foreign origin whose findings may not be compatible with the Nigerian situation considering environmental differences. The few available studies in Nigeria paid less attention to creative accounting practices and its effects on the financial performance food and beverage companies in Nigeria. This creates a gap that this study aims to fill. Based on the above, the point of departure in this study is to fill this existing gap and to provide an empirical investigation of creative accounting and its relationship with financial performance of foods and beverages companies in Nigeria. Specifically, this study intends to:

(i) Examine the relationship between aggressive earnings management and return on asset of food and beverage companies in Nigeria.

(ii) Investigate the relationship between aggressive earnings management and return on equity of food and beverage companies in Nigeria.

(iii) Find out the relationship between income smoothing and return on asset of food and beverage companies in Nigeria.

(iv) Evaluate the relationship between income smoothing and return on equity of food and beverage companies in Nigeria.

LITERATURE REVIEW AND HYPOTHESES

Theoretical Framework

This study adopted the ethical theory. Ethical theory was propounded by Ruland in 1984. According to the theory, companies generally prefer to report a steady trend of growth in profit rather than to show volatile profits with a series of dramatic rises and falls. This is achieved by making unnecessary high provisions for liabilities and against assets values in good years so that these provisions can be reduced, thereby improving reported profits, in bad years. Advocates of this approach argue that it is a measure against the 'short-termism' of judging an investment on the basis of the yield achieved in the immediate following years. It also avoids raising expectations so high in good years that the company is unable to deliver what is required subsequently. Against this is an argument that if the trading conditions of a business are in fact volatile, then investors have a right to know this and that income smoothing may conceal long-term changes in the profit trend. Revinse (1991) considers the problem in relation to both managers and shareholders and argues that each can draw benefits from 'loose' accounting standards that provide manager with latitude in timing the reporting of income. He thinks that the prime role of accounting is a mechanism for monitoring contracts between managers and other groups that provided finance also market mechanisms will operate efficiently, identifying the prospect of accounting manipulation and reflecting the appropriateness in pricing and contracting decisions.

The Concept of Creative Accounting

The term creative accounting was first used in 1968 in a film produced by Mel Brooks. Creative accounting according to Wikipedia (2005) 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". Creative accounting has led to a number of recent accounting scandals, and many proposals for accounting reform that centred on an updated analysis of capital and factors of production that would correctly reflect how value is added (Osisioma & Enahoro, 2016). Kamal (2002) defined creative accounting as the transformation of financial accounting figures from what they actually are to the prepare desires by taking advantage of the existing rules and/or ignoring some or all of them. From the foregoing definition, Nadim (2013) observed that creative accounting is practiced in order to match the interest among parties. Various parties in the society seek to maximise their own interest. Managers wish to pay less tax possible and to report huge profits so they can earn good bonus. Shareholders interest is to earn good dividend, while employees wish to get improved salary and job security, while government wants to collect taxes. Richard, Myrtle and Jack (2008) therefore concluded that creative accounting is any accounting method that fails to conform to the GAAP or prescribed standards and guidelines. Creative accounting is defined as the practice of recognizing revenue in a way that makes a company look better than it is, while still conforming to the Generally Accepted Accounting Principles (GAAP). Agreeing, Ali, Butt and Tariq (2011) sees creative accounting as the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance or position of the company, they reflect what the management wants to tell the stakeholders. It refers to accounting techniques in which financial information is distorted and manipulated in order to present a better financial picture by either increasing or decreasing the profit as the case may be, by giving a misleading appearance of the capital size or structure and by concealing relevant information from existing and potential investors (Idris, Kehinde, Ajemunigbohun & Gabrie, 2012). Creative accounting refers to the aggressive use of choices available under accounting rules, to present the most fattening view of a company possibly in its financial statement (Ijeoma & Aronu, 2013).

Amat, Blake and Dowds (2009) see creative accounting as a process whereby accountants, capitalize on their understanding of accounting rules to manipulate the reported figures in books of account of a business. Naser (2003) sees it as the transformation of financial accounting figures to the desire of the preparers from what they actually are by taking advantage of the existing rules and or ignoring some or all of them. In the view of Gowthorpe and Amat (2005), creative accounting is the deliberate distortion of the communication between entities and shareholders by the activities of financial statement preparers who wish to change the content of the message being transmitted. To Sen and Inanga (2005) creative accounting, also called deceptive accounting, is the application of accepted accounting techniques which permit corporations to report financial results that may not accurately reflect the substance of business activities. Succinctly put by Copeland (2008) creative accounting involves the repetitive selection of accounting measurement or reporting rules in a particular pattern, culminating in the reporting of stream of income with a smaller variation from trend than would otherwise have appeared. Feleaga and Malciu (2012) defined creative accounting as a process through which the accounting professionals use their knowledge in order to manipulate the figures contained in the annual accounts. However, the following description below is the types of creative accounting practice that is currently in use:

a. Sales and lease back transactions: In a transaction where third party is involved such as bank, the chances of creative accounting are more. Thus, supposing an arrangement is made to sell an asset to a bank, then lease that asset back for the rest of its useful life. The sale price under such a 'sale and leaseback' can be pitched above or below the current value of the asset, because the difference can be compensated for by increased or reduced rentals.

b. Amortization of written off development expenditure over the life of asset of a project: In order to produce desired results, a company can amortize written off development expenditure of related asset of a project, just to transfer the cost to next few years. It has been observed that the life of the assets are determined by managers or organizational concerned department and thus long life assets will show depreciation for long time in books of accounts. These judgments or estimations in deciding for assets life may lead to creative accounting for getting desired results.

If managers plan to evade taxes, they may estimate long life of assets of the company to show depreciation at an expense of long term.

c. Transfer pricing methods in multinational companies: Tax advantages and tax differentiation in two different countries gives advantage to the companies to shift their profits in low tax regime countries. Companies are free to decide in transfer pricing method and thus high transfer price can be applied in high tax regime units. Such alternatives are important example of creative accounting. It has been critically observed, that the major reason of occurrence of creative accounting, is choices in accounting methods. According to the accounting standards, companies are free to use any of the method laid down in the system, subject to their convenience. For example, there are three broad methods of inventory pricing stated as follows: FIFO (First-in, first-out), LIFO (Last-in, first-out) and AIM (Average inventory method).

d. Choice in timing of transactions: Companies are free to record the sales or revenues in a manner to show profits of investment which was costing too low at historic price.

There are various dimensions of creative accounting but the dimensions used in this study are aggressive earnings management and income smoothing.

The Concept of Financial Performance

Financial performance can be defined as a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues (Mills, 2008). This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The performance measurement concept indicates that employees can increase the value of the firm by; increasing the size of a firm's future cash flows, by accelerating the receipt of those cash flows, or by making them more certain or less risky (Cadbury, 1992). Carreta and Farina (2010) argue that use of financial performance could still be justified on the grounds that it reflects what managers actually consider to be financial performance and, even if this is a mixture of various indicators like accounting profits, productivity, and cash flow. Financial performance is determined by the following indicators; profit or value added; sales, fees, budget; costs or expenditure and stock market indicators (e.g. share price) and autonomy.

The Measures of Financial Performance adopted in this study are return on asset and return on equity.

Return on Asset: The Return on Asset formula is a straight forward calculation, and its component parts are easily located on a company's financial statements. The Return on Asset ratio often called the return on total assets is a profitability ratio that measures the net income produced by total assets during a period by comparing net income to the average total assets. Return on Asset is an indicator of how a business manages existing assets when generating earnings. If Return on Asset is low, the management may be inefficient while a high Return on Asset figure shows the business is running smoothly and efficiently (Madura, 2015).

According to Shopify (2014) management will look closely at the Return on Asset figure at year end. If the Return on Asset is high, it is a good sign that the business is making the best from what it already has in assets. Combing the Return on Asset with the metric, return on investment may show that further investment is worthwhile and that the business is capable of using new investment efficiently. Examining a low Return on Asset is vital for the efficient running of a business. If the Return on Asset is consistently low it may show that either management are not making enough use of existing assets or that assets within the business are of no longer any use. Falling Return on Asset is always a problem but investors and analyst should bear in mind that the Return on Asset does not account for outstanding liabilities and may indicate a higher profit level than actually derived (Bank of Ghana, 2015). Therefore, Return on Asset is considered as an effective way of measuring the efficiency of manufacturers, but can be suspect when measuring service companies or companies whose main assets are people (Bloomsbury, 2009).

Return on Equity:

Return on equity measures a corporation's profitability by revealing how much profit a company generates with the money shareholders have invested. The earnings number can come directly from the consolidated statement of earnings in the company's most recent annual filling with the Security and Exchange Commission (SEC). The shareholder's equity number is located on the financial statement position; simply the different between total assets and total liabilities, shareholder's equity is an accounting convention that represents the assets that the business has generated. It is assumed that assets without corresponding liabilities are the direct creation of the shareholder's capital that got the business started in the first place. The usual way investors will see shareholder's equity displayed is as book value – the amount of shareholder's equity per share, or the accounting book value of the business beyond its market value or intrinsic economic value.

Empirical Review

Olojede, Iyoha and Egbide (2020) studied the impact of corporate governance mechanisms on creative accounting practices in the listed companies in Nigeria, by means of a longitudinal design for the reason that repeated observation of the same variables are involved (corporate governance mechanisms and creative accounting) over a 13-year period (2005 -2017). The study population was 166 listed companies on the Nigerian Stock, while 70 companies were drawn as sample size, using multi sampling technique. Data was collected from the companies' annual reports and accounts sourced from African Financials, Nigerian Stock Exchange and individual company websites. The study adopted descriptive statistics, correlation, OLS regression, panel fixed effects model (FEM) and panel random effects model (REM) for the analysis and hypothesis testing. The outcome of the study revealed that corporate governance mechanisms jointly have a great significant impact on creative accounting practices (CAP) in Nigeria, but the level of impact differs among individual corporate governance mechanisms. The study recommended the use of both sanctions and moral suasion in compelling compliance with relevant laws, accounting standards and corporate governance codes.

Siyanbola, Benjamin, Amuda and Lloyd (2020)investigated the effects of creative accounting on investment decision in selected listed manufacturing firms in Nigeria's real sector for the period of 2007 to 2017. The study was empirically carried out by extracting related data from CBN statistical bulletin and NDIC annual reports for the period on which regression analysis was used. The result revealed a positive but insignificant effect of creative accounting on investment decisions in listed manufacturing firms in Nigeria's real sector as it reflects in the adjusted R2 of 0.742983 or 74.30%. The study therefore concluded and recommended that proper corporate governance should be applied to ensure that creative accounting is used for stakeholder's benefits.

Ubogu (2019) investigated the effect of creative accounting on shareholders' wealth in business organization: a case study of selected banks in Delta State. The findings revealed a positive and significant relationship between creative accounting and decision making of an organisation. The study submitted that creative accounting affects shareholders' wealth and their various investments decisions because it has a great impact on the share prices of the business organisation. The study suggested that only well and legally audited financial statements should be relied on by shareholders in making important decision.

Essien and Ntiedo (2018) examined the extent to which creative accounting, accounting reports and disclosures provides shareholders and other interested parties with reliable information to permit informed investment decisions and true valuation of firms has remained in doubts. Using survey method, the study revealed that accounting creativity contributes 90% to unfair reporting of firm's operations. Thus, the creativity in those practices is motivated by greed and intention to deceive the public, potential investors and shareholders and increases the rate of enterprise failures at a decreasing rate. However, the study revealed that the many regulations without adequate checks, punishments and rewards creates conducive conditions for creative accounting in providing the opportunity for fantasize and cosmetic financial reporting.

Adetoso and Ajiga (2017) examined creative accounting practices among Nigeria listed commercial banks: curtailing effects of IFRS. Specifically, it examined the effect of IFRS recognition, IFRS measurement and IFRS disclosure requirements on creative accounting practices. The population of the study comprised of all the fifteen (15) listed commercial banks as at July, 2016, located in Akure, Ondo State. Simple random sampling technique was adopted to select the sample size of ten (10) listed commercial banks, out of the fifteen (15) listed in Nigeria Stock Exchange (NSE). The study made use of primary data obtained through questionnaire administered to 98 respondents of the ten (10) sampled listed commercial banks. The said primary data was analysed using quantitative approach through Statistical Package for Social Science (SPSS) Version 21 software. The formulated hypotheses were tested using Multiple Regression Model method. Result showed that in (Ho_1) P-value (0.000) $<\alpha(38.342)$ and F-value (38.342) > the critical value F* (2.829), hence, the hypothesis is rejected. Additionally, it was observed from hypothesis two (Ho_2), that the P-value (0.004) < α (32.871) and F-value (32.871) > the critical value F* (2.829). This means that the hypothesis is also rejected. In respect of hypothesis three (Ho_3), the Pvalue (0.001) < α (42.717) and F-value (42.717) > value F* (2.829). This is an indication that the hypotheses cannot be accepted. The study, therefore, concludes that compliance with IFRS recognition, measurement and disclosure requirements each has significant effects on curtailing creative accounting (manipulation of assets and equity values, income and expenses figures and non-timely recognition of losses) practices among Nigeria listed commercial banks.

Ahmed (2017) aimed to shed light on the impact of creative accounting ethics techniques on the reliability of financial reporting from auditors and academics point of view. The data was collected through a well-structured questionnaire designed and distributed to a randomly chosen sample of certified auditors and accounting instructors in some universities. Descriptive and inferential statistics were used to generalize the results and conclude on the findings. The result deduced that creative accounting techniques used by management negatively affect the reliability of financial reporting. The statutory auditor plays an important role in promoting creative accounting practice in such way that positively affect the reliability of financial reporting.

Umobong and Ironkwe (2017)examined creative accounting and firm's financial performance using secondary data obtained from Nigeria Stock Exchange and tries to ascertain whether food and beverage firms in Nigeria massage income using seasonal trading reports (STR). STR was subjected to Hausmann test for selection of appropriate model and regressed against performance variables return on assets, returns on equity and earnings per share. Test of causality was conducted to determine whether there is causal relationship amongst the variables of study. Result showed STR has no significant relationship with ROA, ROE and EPS and not used to manipulate ROA, ROE and EPS. STR has negative relationships with performance variables. The study concluded that an increase in STR decreases performance.

Akabom (2017) examined creative accounting earnings management, Professional and ethical issues in creative accounting, and their effects on modern financial reporting. In the light of these, the study defines Creative Accounting, listed the types of Creative Accounting methods, highlighted the impacts of creative accounting on financial reporting and provided some examples of how accounts can be fiddled. The study reiterated the fact that Accountancy profession and practice are faced with the challenges of living up to expectation in the rapid advances in technology and business methods, and often times, the Accounting standards lag behind such growths and development.

Nangih (2017) examined empirically the influence of creative accounting practices on the quality of financial statements of oil servicing companies in Nigeria. To achieve the objective of the study, three hypotheses were formulated and stated thus: There is no significant relationship between aggressive earnings management and relevance/verification of financial statements, there is no significant relationship between unjustified changes in accounting policies and estimates and comparability/understandability of financial statements, and there is no significant relationship between profit smoothing and objectivity/faithful representation of financial statements. Survey research design was adopted for the study. Data were collected through well-structured and validated questionnaire and analysed done using ordinary least squares regression technique. Results of the findings revealed that creative accounting practices by oil servicing companies influenced the quality of their financial statements negatively.

Vincent, Florence and Christopher (2016) empirically investigated the influence of creative accounting practices on the financial performance of public limited companies listed in the Nairobi securities exchange in Kenya by means of both descriptive and inferential statistics. Quantitative approach through the use of questionnaires was adopted to help in the collection of primary data for analysis purposes.The secondary data was collected from NSE handbook, relevant textbooks, finance journals, financial statements and the website of public limited companies that were be sampled The target population of the study was top management of public limited companies that is the CEO, directors, top managers and accountants, while a sample of 30 public companies was drawn using purposive sampling..Logistic linear regression technique was used to analyze the relationship between creative accounting practices and financial performance and the correlation between the variables and financial performance. Statistical Package for Social Sciences Software (SPSS) was used in carrying out the multiple regressions to establish the relationship between creative accounting practices and financial performance and the correlation between the variables and financial performance. Financial performance was measured using earning after tax. The study found that a strong relationship exists between creative accounting practices and financial performance.

Goyal (2016) explored the nature and incidence of creative accounting practices with the reference of unethical and ethical considerations of accounting practitioners. The study also explored several definitions of creative accounting and the potential and the range of reasons for a company's directors to engage in creative accounting. Also, the study considered the various ways in which creative accounting can be practised and summarizes some empirical research on the nature and incidence of creative accounting. The study found that creative accounting is a devious tool of accounting affect organizational performance.

Based on the review of literature, the following conceptual framework was designed:The graphic diagram in figure 1 shows the conceptual framework and theinterrelationship among the major variables.

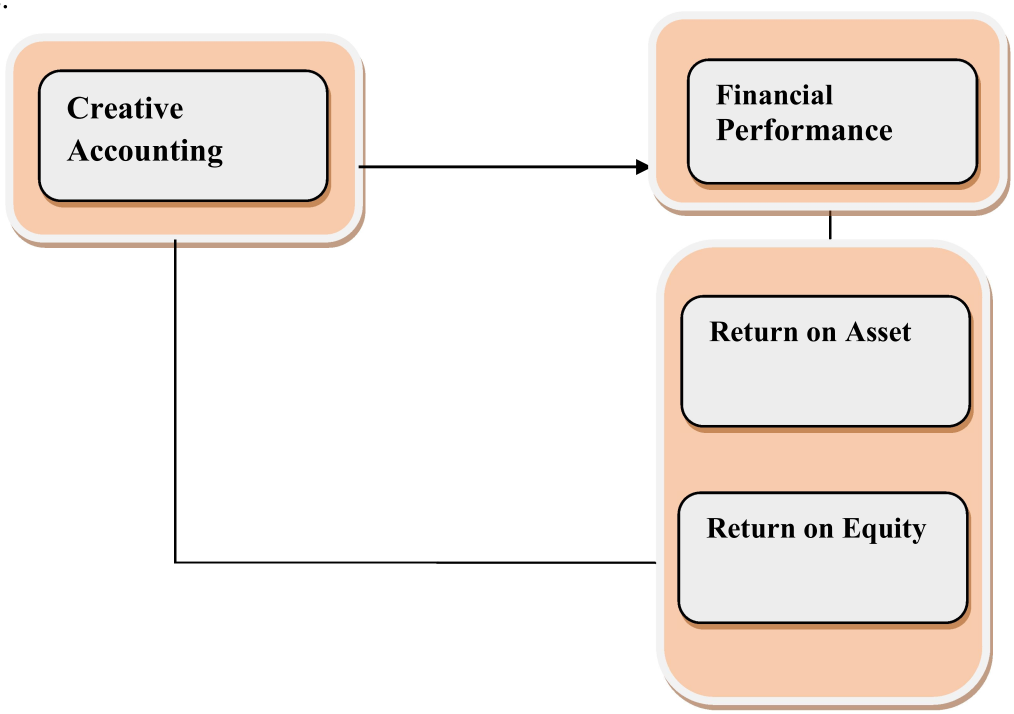

Figure1: Operational Framework of Creative Accounting Practices and Financial Performance Food and Beverages Companies in Nigeria

From the conceptual framework, the following Hypotheses were formulated:

H_{01}: Creative accounting does not have significant relationship with return on asset of food and beverage companies in Nigeria.

H_{02}: Creative accounting does not have significant relationship with return on equity of food and beverage companies in Nigeria.

Table 4: Analysis of Items/Questions on Creative Accounting

S/N	QUESTIONNAIRE ITEMS	VHE (%)	HE (%)	NE (%)	LE (%)	VLE (%)	MEAN	REMARKS
	Return on Asset							
1.	Our company's return on asset has been increasing for the past five years.	16 (32.0%)	22 (44.0%)	7 (14.0%)	2 (4.0%)	3 (6.0%)	3.92	High Extent
2.	There is consistent achievement of high return on asset in our company.	21 (42.0%)	12 (24.0%)	6 (12.0%)	7 (14.0%)	4 (8.0%)	3.78	High Extent
3.	There is high level of efficiency on the part of Management in using the company's assets to generate earnings.	21 (42.0%)	18 (36.0%)	3 (6.0%)	5 (10.0%)	3 (6.0%)	3.98	High Extent

Source: Field Survey, 2022.

Table 4 presents the analysis of response rates for return on asset measured on a 3-item instrument and scaled on a 5-point Likert scale. The results in the table showed that the respondents are in agreement with all the three items on return on asset. This is because each of the items had the weighted mean ratings (3.92, 3.78 and 3.98 respectively) which are above the criterion mean of 3.0 and are therefore accepted.

Table 5: Analysis of Items/Questions on Return on Equity

S/N	QUESTIONNAIRE ITEMS	VHE (%)	HE (%)	NE (%)	LE (%)	VLE (%)	MEAN	REMARKS
	Return on Equity							
1.	Our company's return on equity has been increasing for the past five years.	15 (30.0%)	19 (38.0%)	4 (8.0%)	6 (12.0%)	6 (12.0%)	3.62	High Extent
2.	There is consistent achievement of high return on equity in our company.	16 (32.0%	19 (38.0%)	4 (8.0%)	9 (18.0%)	2 (4.0%)	3.76	High Extent
3.	The capital employed from shareholders of our company has generated higher profit.	23 (46.0%)	15 (30.0%)	2 (4.0%)	4 (8.0%)	6 (12.0%)	3.90	High Extent

Source: Field Survey, 2022.

Table 5 presents the analysis of response rates for return on equity measured on a 3-item instrument and scaled on a 5-point Likert scale. The results in the table showed that the respondents are in agreement with all the three items on return on equity. This is because each of the items had the weighted mean ratings (3.62, 3.76 and 3.90 respectively) which are above the criterion mean of 3.0 and are therefore accepted.

Bivariate Analysis

The section entails a test of the stated hypotheses.

H_{01}: Aggressive earnings management does not have significant relationship with return on asset of food and beverage companies in Nigeria.

Table 6: Analysis of Aggressive Earnings Management and Return on Asset

		Aggressive Earnings Management	Return on Asset
Aggressive Earnings Management	Pearson Correlation	1.000	.634**
	Sig. (2-tailed)	.	.001
	N	**50**	**50**
Return on Asset	Pearson Correlation	.634**	1.000
	Sig. (2-tailed)	.001	.
	N	**50**	**50**

**. Correlation is significant at the 0.01 Level (2-tailed).

Source: Field Survey, 2022.

Table 6 above reveals that there is a strong degree of positive relationship between aggressive earnings management and return on asset of food and beverage companies in Nigeria. This is because the correlation coefficient (r) is positive and greater than 0.50 i.e. r=0.634. Also, since the significant value (*p-value*) of 0.001 is less than *alphavalue* of 0.05, we therefore reject the null hypothesis one (H_{01}) and accept alternate hypothesis one (H_{A1}). The conclusion is that aggressive earnings management has significant relationship with return on asset of food and beverage companies in Nigeria.

H_{02}: Aggressive earnings management does not have significant relationship with return on equity of food and beverage companies in Nigeria.

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Table 7: Analysis of Aggressive Earnings Management and Return on Equity

		Aggressive Earnings Management	Return on Equity
Aggressive Earnings Management	Pearson Correlation	1.000	.672**
	Sig. (2-tailed)	.	.000
	N	**50**	**50**
Return on Equity	Pearson Correlation	.672**	1.000
	Sig. (2-tailed)	.000	.
	N	**50**	**50**

**. Correlation is significant at the 0.01 Level (2-tailed).

Source: Field Survey, 2022.

Table 7 above reveals that there is a strong degree of positive relationship between aggressive earnings management and return on equity of food and beverage companies in Nigeria. This is because the correlation coefficient (r) is positive and greater than 0.50 i.e. r=0.672. Also, since the significant value (*p-value*) of 0.000 is less than *alphavalue* of 0.05, we therefore reject the null hypothesis two (H_{02}) and accept alternate hypothesis two (H_{A2}). The conclusion is that aggressive earnings management has significant relationship with return on equity of food and beverage companies in Nigeria.

DISCUSSION OF FINDINGS

The analysis of this study showed that aggressive earnings management has positive and significant relationship withreturn on asset and return on equityof foods and beverages companiesin Nigeria. This finding relates to that of Akabom (2017) who found that creative accounting such as aggressive earnings management has significant positive effect on financial performance of manufacturing organizations as measured by return on asset.The finding also relates to that of Vincent, Florence and Christopher (2016) who found that creative accounting such as aggressive earnings management and artificial transactionshave significant effect on return on equity of public limited companies.

The findings of the study equally indicate that income smoothing has a positive and significant relationship with return on asset and return on equityof foods and beverages companies in Nigeria. This finding is in accordance with the finding of Ijeoma (2014) who stated that income smoothing directly boosts return on asset Nigerian deposit money banks, and Osemene, Muritala and Olawale (2014) who stated that profit smoothing is positively related to return on equity and dividend pay-out of manufacturing firms in Nigeria.

CONCLUSION AND RECOMMENDATIONS

This study has examined the relationship between creative accounting practices and financial performance of foods and beverages companies in Nigeria. The findings that emanated from the data analysis are:aggressive earnings management has a positive and significant relationship with return on asset and return on equity of foods and beverages companies in Nigeria; and **i**ncome smoothing has a positive and significant relationship with return on asset and return on equity of foods and beverages companies in Nigeria.Based on the finding, the study concluded that creative accounting practiceshave a significant positive relationship withfinancial performance of food and beverage companies in Nigeria.

Based on the findings that emanated from the study, the following recommendations are made:

1. Mangers of food and beverage companies should take responsibility of bad position of the firms. Auditors should provide good information to shareholders and check all the transactions and can ask from the managers any suspicious account or dubious transactions.
2. Creative accounting practices should be considered as a serious crime and therefore accounting bodies, law courts and other regulatory authorities need to adopt strict measures to stop the practice and punish the offenders.
3. There is the need to restore integrity and public confidence to accounting operations, the accountants should be strengthened to respond quickly to the egregious abuses and malpractice in the world of business and impose sanctions on offenders.
4. Finally, accountants in food and beverage companies and other sectors in general, should hold high ethical standards and maintain integrity in all their professional dealings. They need to ensure that the accounting profession rests on ethical principles and value, commanding national and international respect, stopping the unscrupulous practice of creative accounting.

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