

# THE CHALLENGES OF CREATIVE ACCOUNTING IN NIGERIA

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## ABSTRACT

*The study looked at the concept of creative accounting and the various senses the term is occasionally used. It noted that issues of finance are all involving and too complex to have only one set of watertight rules governing it. As a result, accounting standards provided alternative methods of treating some items. Sometimes, some corporate organizations go beyond the flexibility limits allowed by the accounting profession, in order to achieve some pre-determined results. This marks the point of departure. While some accountants and financial analysts see the practice as good, depending on application, others believe it is entirely destructive. In the light of the above, the study looked at the ways through which creative accounting is perpetrated in organizations and common reasons for such practice. Furthermore, the ethical implications of creative accounting were discussed against the background of some accounting principles and concepts. The study concluded that creative accounting has become one of the emerging problems of the accountancy profession and therefore requires concerted effort to stem the tide. Finally, the authors recommended, among other things the introduction of forensic accounting in the country to check the increasing incidence of creative accounting.*

## INTRODUCTION

Generally speaking, professionals are regulated, in one way or the other, by sets of rules, which start from the conduct of the activities of the profession to the behaviour of members. While some professions are lightly regulated, others are regulated heavily. The nature or business of professions goes a long way in determining how it should be regulated.

Accounting profession happens to be one of such professions that are strictly regulated. To that effect, preparation and presentation of financial statements of corporate bodies are bound by laws and accounting standards. To break these is an offence and it is enforced as such. Judges enforce the letter of the law and where there are loopholes, the law may be changed (Study world 2008).

However, issues of finance are all involving and too complex to have a set of watertight rules governing it. (Study world 2008) hence, accounting standards provide alternative methods of treating some items. For instance, SAS 4 and SAS 22 provide different methods for

stock valuation and treatment of goodwill respectively.

It therefore follows that many companies deliberately choose methods of accounting that tend to give their companies the best competitive advantage in their industry. Sometimes, companies go beyond the rules of the accounting profession in order to positively and consistently project their companies to the unsuspecting investors under a relatively new terminology called creative accounting.

Some accountants and financial analysts see creative accounting as a good financial instrument capable of producing positive or negative results while others see it, only as a destructive weapon that must be eliminated from the accounting profession. Consequent upon the above, it becomes absolutely necessary to x-ray the term creative accounting with a view to understanding its ethical implications.

This paper shall therefore, discuss the topic

