ACCOUNTING:

The Nigerian Perspective

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Edited by:

A.C. Ezejelue

A.E. Okoye

CHAPTER THIRTEEN

THE IMPACT OF CREATIVE ACCOUNTING AND FRAUDULENT FINANCIAL REPORTING ON INVESTORS BEHAVIOUR IN THE NIGERIAN SECURITY MARKET: AN OVERVIEW

Mrs. Adegbaju Abiola[*]

&

Mrs. Umorem Adebimpe

INTRODUCTION

Recent reports of high-profile company failures have cast the spotlight on creative accounting and renewed the call for published financial statements that show a full and accurate picture of a company's performance and position. If a company fails to provide meaningful disclosure to investors about where it has been, where it is and where it is going, the value of the company may be eroded, and shareholders will lose confidence in the company. After the collapse of Enron in 2001, creative accounting and fraudulent financial reporting have become issues of concern in the nation's financial environment. It is clear that the age-old profession of accounting owns its share of creative thinkers. It is also clear that no profession or occupation should be excluded from creativity. Today's news is rift with case after case of mis-reporting of financial results. Many were a direct result of financial managers taking advantage of "loop holes" in today's accounting standards. There are significant cases of accounting irregularities that resulted in landmark changes in accounting standards. There are weaknesses in today's accounting standards and this makes it easy to manipúlate figures. Every set of financial statements presents its own unique set of "Red-Flags" in accounting crimes. There is a need to know how to review financial reports, identify signals of creative accounting and to equip investors and depositors so as not to loose their investment.

The process of wealth creation in a Capitalist economy like ours is the one based on trust. The investors release their money in form of investment to companies and organizations to produce goods and service for the benefit of the Nation. The investment decision is based on financial information of the company they have in form of financial statement. Therefore, good financial reporting is essential to the effective functioning of capital markets and the productive allocation of economic resources.

[*] Mrs. Adegbaju Abiola & Mrs. Umorem Adebimpe are lecturers, Covenant University, Ota, Ogun State.

The integrity of the financial reporting process, as well as the safety and soundness of the firms is important to our National economy. This is because this aid the investment decision and investment is important to National development. It is impossible to raise capital to support the production of goods and services without a measure of confidence in the system of governance over the wealth creation and distribution process, particularly the system of Accountability.

The investor must have confidence in the financial reporting process before he can commit its fund to capital formation process and this is largely dependent on availability of accurate, material and timely reliable information on the firm he intends to invest in. The capitalist economy depends largely on effective allocation of capital and it is a function of qualitative information disseminated in the nation security market and the level of reliability placed on such information by the individual investor. It is a matter of great concern to everyone interested in the financial statements of entities when the system cannot be relied upon as a result of 'creativeness' and conniving of the financial managers to deliver inaccurate information to enable participants evaluate the investment opportunities.

Inadequately regulated and unreliable financial reporting process will cause providers of capital to isolate themselves from the capital market, denying the system of needed capital formation potential. Although there have not been cases of any company indicted by the Nigeria security and exchange commission of financial crime, which is one of the problem, but there have been cases of obvious financial crimes but none has been prosecuted in Nigeria court system for such crime.

It should be noted that the Obasanjo administration since inception in 1999 has made a number of spirited moves to attract both local and foreign investors. In order to achieve this, the President embarked on a globetrotting mission that sees him interacting with other fellow presidents and the business community of different countries in order to attract investment. With a more relaxed taxing system, incentives and the creation of Nigerian Investment Promotion commission (NIPC), the country was set to lure private sector finance. In order to achieve its objective, the government took a bold step to privatise all the public enterprises. Bureau of Public Enterprises (BPE) and the National Council on Privatisation (NCP) were set up to oversee the privatisation process and to formulate pragmatic policies. As part of government effort to provide an enabling environment that will be conducive for growth and development of industries, it has stimulated the expansion of domestic production capacity that enhance inflow of foreign direct investment, and shielding existing investments from unfair competition. The federal government of Nigeria has also developed a package of incentives for various sectors of the economy to attract investment with the hope that direct foreign investment will help revive the economy, accelerate growth and development and reduce poverty.

The Nigerian government is aware that to develop the Nigerian economy the private sector has a major role to play because they are seen as the engine for growth and creator of wealth. Investment either local or foreign will lead to increased employment and the development of local technical capacity. That is why it is of paramount interest to all stakeholders in development of Nigerian economy to discourage 'creative accounting' and fraudulent financial reporting knowing fully well that capital formation process in our economy depends largely on the confidence of investors in the financial reporting process.

This is an issue of great concern to professional accountants and the Securities and Exchange Commission as well as the Federal government to protect investors from fraudulent Chief Executive Officers and Chief Financial Officers who may want to defraud investors to enrich themselves. Also, Nigerian investors will be more enlightened and be able to guard against loosing their investment.

According to Wikipedia encyclopedia,"**creative accounting**'' refers to accounting practices that deviate from standard accounting practices. They are characterized by excessive complication and the use of unusual ways of characterizing income, assets or liabilities. These results in financial reports that are not at all dull but have all the complications of a novel, hence the appellation "creative." Sometimes the words "innovative" or "aggressive" are used. " The term is used more seriously and disparagingly to refer to systematic misrepresentation of the true income and assets of business organizations. "Creative accounting" on this scale has led to a number of recent accounting scandals, and many proposals for accounting reform - usually centering on an updated analysis of capital and factors of production that would correctly reflect how value is added. (Oral Amat 1999).

The objective of this research is to establish the impact of creative accounting and fraudulent financial reporting on investment behaviour of Nigerians.

The remaining part of the paper is divided into four parts. Part 11 deals with the literature review, Parts III – V deals with the research methodology, the analysis of result and the recommendation and conclusion respectively.

Hypothesis

Ho – Creative accounting and fraudulent financial reporting have no significant impact on investors' behaviour in the Nigerian security market.

H1 – Creative accounting and fraudulent financial reporting have significant impact on investors' behaviour in the Nigerian security market.

LITERATURE REVIEW

After the collapse of Enron in 2001, spirited efforts have been made by the Institute of Chartered Accountant of Nigeria (ICAN) to organise seminars, workshop and conferences to dissect the issue and look for possible ways to avoid similar situations in Nigeria. There have been contributions in terms of seminar papers but there has not been any empirical study on the possible impact of creative accounting and fraudulent financial reporting on investment behaviour of Nigerians.

Ogungbe (2003) defined financial reports as 'reports guided by statutory laws and requirements, which must be certified as complete, accurate, consistent and truly representative of the activities of an organisation by professional accountant.' She concluded that professional accountant could add value to financial reporting by structuring his report to reflect and demonstrate good corporate governance, which will include all information necessary to give the stakeholders a clear idea of the operations of the business. Good corporate governance based on integrity and transparency rather than rigid rules, which can be, circumvented or manipulated to conceal fraud whereas professionalism thrives on goodwill and integrity.

Oriol (1999) defined creative accounting as 'a process whereby accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business'. A strict application of this definition makes no moral judgment about creativity in accounting. As in every other creative pursuit, crime and creativity stand independent of each other.

Griffiths (1986) commented that:

> *Every company in the country is fiddling its profits. Every set of published accounts is based on books, which have been gently cooked or completely roasted. The figures, which are fed twice a year to the investing public, have all been changed in order to protect the guilty. It is the biggest con trick since the Trojan horse. . . In fact this deception is all in perfectly good taste. It is totally legitimate. It is creative accounting.*

Jameson (1988), cited in Oral Amat (1999) pointed out that:

The accounting process consists of dealing with many matters of judgment and of resolving conflicts between competing approaches to the presentation of the results of financial events and transactions... this flexibility provides opportunities for manipulation, deceit and misrepresentation. These activities - practiced by the less scrupulous elements of the accounting profession - have come to be known as 'creative accounting'.

It is obvious considering the economic situation in Nigeria that much of the apparent growth in profits, which had occurred in the 1980s, was the result of accounting sleight of band rather than genuine economic growth. Naser (1993) cited in Oral Amat (1999) defines 'creative accounting as the transformation of financial accounting figures from what they actually are to what preparers desire by taking advantage of the existing rules and/or ignoring some or all of them.'

In all of these definitions given above, some basic facts emerged. Creative accounting is perceived to be common and it is seen as deceitful and undesirable practice. This has implication on financial reporting. The basic theory of financial reporting is the fact that it must meet the expectation need of the user Treadway commission (1999) defined fraudulent financial reporting as "intentional or reckless conduct, whether act or omission, that results in materially misleading financial statements" This could be as a result of internal environment; such as poor systems of internal control and management ignorance or poor attitude. And external environment, which consist of Business environment, Legal environment and Economic environment.

Fraudulent Financial Reporting is defined as the intentional preparation of misleading financial statements which can result from, distortion of records, falsified transactions, and misapplication of accounting principles.

Fraudulent Financial Reporting has the following characteristics

a. Manipulation, falsification, or alteration of accounting records or supporting documents

b. Misrepresentation in, or intentional omission from, the financial statements of events, transactions, or other information

c. Misapplication of accounting principles relating to amounts, classifications, timing, presentation, or disclosure

Fraudulent financial reporting can have significant consequences for organizations and for public confidence in capital markets. High-profile cases of fraudulent financial reporting raise concerns about the credibility of the Nigerian financial reporting process and the roles of auditors, regulators, and analysts in financial reporting. For instance, there are obvious cases of creative accounting and fraudulent financial reporting in Nigeria as reported by Ahmed (2000), of which a few cases include

- Alpha Merchant Bank plc, accounting problems and market manipulation.

- Lever Brothers plc, - Exaggerated profits because of questionable accounting methods resulting in the creation of a false market securities.

- AP Petroleum plc – False financial reporting.

- The exposure of the N600 million shares scam by Nestle Nigeria plc at the company annual general meeting which led Nigeria Stock Exchange (NSE) to taking drastic actions against 26 stock broking firms suspected to be involved in fraudulent sale of shares. The regulatory body was currently investigating this, according to the exchange, and was latter reported to the Police Force, which instantly commenced investigation.

According to the Treadway Commission Report of 1999, "fraudulent financial reporting is frequent where founders and board members owned a significant proportion of the companies that committed fraud."

Hackenbrack (1993) stated that "no company, regardless of size or business, is immune to fraud. He argued that normal business activities introduce incentives and opportunities that can lead to fraud."

Sutherland (1940) argued that 'the culture of an organization and of its industry contribute to white-collar crime. He outlined a theory of differential association, in which illegal behaviour "is learned in direct or indirect association with those who already practice the behaviour.'

Geriesh (2003) shows that:

Four characteristics of an organisation's culture can predispose a company to consider fraudulent financial reporting as a legitimate accounting policy decision. Such characteristics include, companies that engage in related-party transactions, companies that have founders that still exert major influence over the company, companies that engaged few professional accountants, and companies that exhibit a history of illegal violations.

Finney (1986) found that companies convicted of illegal actions have a history of prior violations and a corporate culture that condones wrongful activities. These and other studies suggest a slippery slope of illegal behaviour that begins with minor violations, develops into a culture that sanctions illegal behaviour, and eventually leads to fraudulent financial reporting.

REASONS FOR CREATIVE ACCOUNTING

One commonly accepted incentive for the systemic over-reporting of corporate income which came to light in 2002 was the granting of *stock options* as part of *executive compensation* packages. Since stock prices reflect earning reports, stock options could be most profitably exercised when income is exaggerated, and the stock can be sold at an inflated profit.

According to Ul Haq (2002)

The problem of creative accounting is not new, primarily due to the market that is unforgiving of companies that miss their estimates. I recently read of one major US Company that failed to meet its so-called "numbers" by one penny, and lost more than 6 percent of its stock value in one day. These pressures to "make the numbers" often result in earnings management and a consequent decline in the quality of financial reporting. Companies try to meet or beat expectations of analysts in order to grow market capitalisation.'

The Korean Times cited in Ul Haq (2002) carried a front cover story about companies (which were named) punished for manipulating accounting books. The Korean Financial Supervisory Commission (FSC) took powerful punitive actions against 13 companies suspected of having been involved in dubious accounting practices, the so-called "accounting fraud" or "windowdressing" settlements, during the 1999-2000 fiscal year. In the story, a senior FSC official expressed his anxieties over the illegal practices, saying, "The Korean fears of an Enron type scandal have become a reality. They tried to boost their corporate value through offshore funds, and derivatives in the process of account settlements in the fiscal years of 1999 and 2000,''

Domash (2004) suggested three ways to recognised creative accounting practice:

> You can sidestep many of these disasters in waiting by watching for three red flags -- signals that management may be using creative accounting to mask flagging growth. You can uncover these red flags by perusing a company's financial statements. Yes, you'll need to dust off your calculator, but it's not difficult, and you'll find it well worth the effort. **Red Flag No. 1: Accounts receivables that outpace sales, Red Flag No. 2: Deteriorating gross margins, Red Flag No. 3: Count the cash.**

Mulford (2002) cited in Donash (2004) explained that 'companies engaged in creative accounting because of the expected rewards. These rewards may include a favourable effect on share prices, lower corporate borrowing costs due to an improved credit rating, incentive compensation plans for corporate officers and key employees, and/or political gains.'

Naser (1993) cited in Ul Haq (2002) perceives that the accounting system in Anglo-Saxon countries are particularly prone to such manipulations because of the freedom of choice it permits to choose accounting policy management perceive is more favorable to the organization.

Most analysts and accountants readily admit that accounting standards are almost incapable of dealing with complex deals. Banks very often structure products for companies that deliberately exploit these weaknesses and finance directors can use these structured products to enhance their bonuses without adding value to the company. Analysts and shareholders of Enron, Elan and WorldCom have learnt to their cost, that lack of awareness of these accounting pitfalls can yield unpleasant surprises. As a consequence of the recent multi-billion dollar accounting scandals, many shareholders no longer trust accountants and auditors, placing greater faith in analysts to see through creative accounting practices. To restore business and public confidence, accountants must come to grips with the complex nature of creative accounting and devise strategies for addressing them. There is a need to identify the weaknesses in the current accounting standards and see how easy it is to manipulate figures. All sets of accounts present warning signals.

Ul Haq (2002) suggested that:

> *Strengthening the audit committee process would be a significant step in the right direction. Unfortunately, some audit committees convene only about twice a year before the regular board meeting for 15 minutes and whose duties are limited to a perfunctory sign-off. Compare this situation with the audit committee which meets 12 times a year before each board meeting; where every member has a financial background; where there are no personal ties to the chairman or the company; where they have their own advisers; where they ask tough questions of management and outside auditors; and where, ultimately, the investor's interest is being served.*

He identified Classification of Creative Accounting Practices as;

- Recognizing Premature or Fictitious Revenue
- Aggressive Capitalization and Extended Amortization Policies
- Misreported Assets and Liabilities
- Getting Creative with the Income Statement
- Problems with Cash-flow Reporting

INVESTMENT BEHAVIOUR OF NIGERIANS

Investment has to do with the management of an investor's wealth, which is the sum of current income and the present value of all future income. Investment involves the commitment of funds to one or more assets that will be held over some future time period. The term investment refers to financial assets and in particular to marketable securities. Investment decision is taken with the belief that the capital invested will yield return.

According to Ann cited in Izedonmi et all (2002), "there are some guides which help potential investors to efficiently invest or allocate their financial resources. The most important of these characteristics is given to include liquidity, which is the ability of an investment to meet its cash obligations."

According to Izedonmi et al (2002),

> *"The importance of investment as an economic exercise cannot be over emphasised. Investment income has a profound impact on the standard of living of the individual investors. The aggregate of the individual and corporate investment is a key element of Macroeconomics. The level*

of a country's investment is the basic determinant of its level of national income and living standard. Hence, increase or growth in a country level of investment has a corresponding effect on the government's services provision, GNP and the standard of living of the people.''

Jegede (2000) categorised investment into two, first is the real assets like property, gold, antique, etc., and the second involves some form of commitment, usually contractual, between the investor and the borrower such as cash deposit, government securities, company stocks and shares.

Anyanwu and Oaikhenan (1995), are of the view that only three types of investment are commonly available and these are:

i. Fixed investments which involve the purchase of newly produced capital goods as production machinery and new buildings, etc

ii. Inventory investments, which have to do with changes in the stock of finished products and raw materials, which are stored in the warehouse.

iii. Replacement investment, which they explained to be capital goods due to their use in the production process.

In an empirical study carried out by Izedonmi et all (2002), the followings were their findings on investment behaviour amongst health workers in Nigeria.

- Majority of them invest in share and stock, which is finance from their salary.
- Investment is an increasing function of the level of income
- High rate of inflation does not impact negatively on their level of investment
- Investment increase with increase in income
- They do not attend Annual General meeting because of time constraints
- Their investment is self-managed; they do not rely on investment managers.
- They are not adequately informed on what goes on in the capital market.

Return is the reward from investing. Expected return is compared with the risk involved before an investment decision is taken. The return on an investment consists of periodic cash payment and capital gain or loss. Investor buy, hold and sell financial asset to earn return on them.

RESEARCH METHODOLOGY

A total of 200 questionnaires were administered to Nigerian working class group, to elicit information on their investment behaviour. One hundred and eighty five (185) were returned and this represents 92.5% of the total questionnaires administered. The analysis of result obtained was based on the 185 returned. Simple percentage and Chi-square statistical techniques were used to analyse the result obtained. This is to establish impact of fraudulent financial reporting and creative accounting on investment behaviour of Nigerians. The elite targeted are mostly Accountants and Bankers in the various ICAN and Bankers tuition houses in Lagos.

DATA ANALYSIS AND RESULT

1. Age group of Respondent:

75% of the respondents fall between ages 25 – 40 years. Only 5% fall below age 25 and 20% are 40 years and above. The age group structure explains that majority of the respondent still in the growing age where there is need to invest for future security.

2. Profession:

31% are in Accounting related profession, 29% are in banking related profession, 24% are in teaching/lecturing related profession, 10% are in law related profession, 6% others. This helps to explain that the respondents are literate and therefore understand what investment means.

3. Highest educational/professional certificate obtained:

Table I

Educational Qualification	No. of Respondent	% of Respondent
Undergraduates	26	14
First Degree holders	78	42
Second Degree holders	65	35
Second Degree and above	16	9
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

42% of the respondents are first-degree holders, 35% are a second-degree holders that is they have a master's degree, 14% are undergraduate and 9% have more than second degree.

4. *Type of Investment holding*

Table II

Type of Investment Holding in the Security market	No. of Respondent	% of Respondent
Ordinary Shares	120	65
Preference Shares	nil	0
Unit Trust	11	6
Treasury Bills	54	29
Debenture Holdings	nil	0
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

5. *Percentage of Income Invested Every Month*

Table III

% of Income Invested Every Month	No. of Respondent	% of Respondent
Less than 5 %	66	36
5 - 10%	86	46
10 - 20%	18	10
20 - 30%	10	6
>30%	5	2
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

Majority of the respondents (120) invest in ordinary shares of companies, and this represents 65% of the total respondents. The other invests in Unit trust and treasury bills, which represent 6% and 29% respectively.

Majority of the respondents invests between 5 – 10% of their income every month, 36% invest less than 5% of their monthly income, 10% invest between 10 – 20% of their income, 6% invests 20 – 30% of their income, while only 2% invest more than 30% of their income on investment. This explains that many are really planning towards the future.

6. *Level of Awareness of Respondents of Securities Market Activities*

Table IV

Informed on Security Market	*No. of Respondents*	*% of Respondent*
Highly informed	*49*	*26*
Well informed	*56*	*30*
Averagely informed	*62*	*34*
Uninformed	*18*	*10*
Total	*185*	*100*

(**Source**: Respondents to our questionnaire 2004)

Majority are highly informed about the activities in the security market. This explains that because of the profession of the respondents, they are conscious of the activities going on in the security market; hence, they take informed decisions.

7. *Gender sensitiveness of investment behaviour*

Table V

Informed on Security market	No. of Respondents	% of respondent
Highly informed	49	26
Well informed	56	30
Averagely informed	62	34
Uninformed	18	10
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

Majority of the respondents (68%) are male. This suggests that female investors are more sensitive and perhaps also more risk averse.

8. *Management of Portfolio*

Table VI

Method of Management	No. of Respondent	% of Respondent
Self	110	60
Stock	21	11
Broker	54	29
Bank		
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

On method of management of portfolio, it was observed that 60% of the respondents manage their investment portfolio themselves. While 11% and 29% rely on their stockbroker and bank to manage the investment for them.

9. *Awareness about creative accounting and fraudulent financial reporting in Nigeria security market.*

Table VII

Degree of Awareness	No. of Respondent	% of Respondent
Well aware	50	27
Aware	50	27
Fairly aware	40	22
Not aware	45	24
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

Majority of the respondents are aware of the creative accounting and fraudulent financial reporting in the security market.

10. Impact of Creative Accounting and Fraudulent Financial Reporting On Investment Behaviour.

Table VIII

Impact on Behaviour	No. of Respondents	% of Respondents
Affect Behaviour Strongly	96	52
Affect Behaviour averagely	54	29
Affect Behaviour fairly	22	12
Not affected	13	7
Total	185	100

(**Source**: Respondents to our questionnaire 2004)

HYPOTHESIS TESTING:

As stated earlier Chi-square statistical technique is used to test the hypothesis formulated for this study.

Hypothesis

H_0: Creative accounting and fraudulent financial reporting have no significant impact on investors' behaviour in the Nigerian security market

H_a: Creative accounting and fraudulent financial reporting have significant impact on investors' behaviour in the Nigerian security market

Result and Implication

To test the above hypothesis, we use the formula

$$\chi^2 = \Sigma \frac{(O-E)^2}{E}$$

Where:
X2 – Chi-square
O: Observed frequency
E: Expected frequency

The following table shows the result obtained using the Microsoft Excel Spreadsheet for the computation of the formula above.

Impact on Behaviour of investors	Observed Frequency	Expected Frequency (Average Response)	$\frac{(O-E)^2}{E}$
Strongly	90	37	75.92
Averagely	50	37	4.57
Fairly	25	37	3.89
Undecided	10	37	19.70
No Impact	10	37	19.70
Total	185	185	123.78

(Source: Respondents to our questionnaire 2004)

It could be observed that at the 0.05% level of significance, the computed χ^2 (123.78) is greater than its critical value of 9.49 at 4 degree of freedom. The implication of this is that the null hypothesis has to be rejected and accept our alternative hypothesis. We therefore conclude that creative accounting and fraudulent financial reporting have impact on the investors' behaviour in the Nigerian security market.

FINDINGS

1. Majority of the Nigerian professionals invest in ordinary share in the security market
2. Among the professional 5% - 10% of their monthly income is invested in the securities market.
3. Even among the professionals majority are averagely informed on the activities in the securities market. This may be due to the poor information dissemination in Nigeria.
4. Investment behaviour is not gender sensitive, but information sensitive.
5. Majority of the investors manage their investment themselves. The finding is in tandem with Izedonmi (2002) that health worker professional do not seek expert in managing their portfolio or in managing them.
6. Many are aware of creative accounting and fraudulent financial reporting in the Nigerian security market.
7. Creative accounting and fraudulent financial reporting impact negatively on investment behaviour amongst the working class group.

RECOMMENDATIONS

1. An investor friendly security market should be the priority of the regulatory agencies, hence adequate measure should be put in place to ensure that investment are safeguarded.
2. Regulatory agencies such as the Securities and Exchange Commission (SEC) and Nigeria Accounting Standard Board (NASB) should be properly funded to meet the required level of regulation expected of them. They will need to invest in information technology and train their staff to be able to deal competently with the issues of 'creative accounting and fraudulent financial reporting.
3. Nigerian professionals especially the reporting accountants and the auditor are to stand up to their responsibilities in caring out accounting and audit duties with due diligence, knowing fully well that there is much at stake.
4. The statement of accounting standard and the generally accepted accounting principles (GAAP) should be thoroughly reviewed to ensure that all loopholes companies take advantage of to maneuver figures are blocked so that every financial statement can reveal the true happenings in the financial statement. Authors of accounting standards must be responsive to the needs of the investors.
5. Investors should be encouraged to seek information and clarifications on all issues in the financial statement before committing their fund to a company. If possible all investors should have a stockbroker who by the nature of their job have access to information on companies quoted on the stock exchange.
6. The Nigerian stock exchange and the Securities and Exchange Commission should defend innocent investors by going extra miles to ensure that quoted companies are sound. For instance, companies should be compelled to submit management letters issued by auditors to the Security and Exchange Commission. So as to know the extent of insiders trading and related party transaction.
7. Companies indicted for fraudulent financial reporting should be openly prosecuted and if possible licence withdraw to serve as a deterrent to other companies.
8. Each investor should have quarterly access to the information needed to judge a firm's financial performance, condition, and risks and have access to critical information.

9. CEOs of companies should personally vouch for the veracity, timeliness, and fairness of their companies' public disclosures, including their financial statements and they should not be allowed to profit from erroneous financial statements. CEOs or other officers who clearly abuse their powers should lose their rights to serve in any corporate leadership positions.
10. A firm's accounting systems should be compared with best practices and not just minimum standards and investors should have unreserved confidence in the independence and integrity of the companies auditors.
11. The primary responsibility for the prevention and detection of fraud rests with management, boards of directors, and audit committees. Management should create a culture that deters fraud and should set clear corporate policies against improper conduct.

CONCLUSION

Our respondents are elites in the society, people who have access to information and an idea on how to read a company financial statement. The investment behaviour of the working class has significant impact on the perceived confidence of investors on the security market.

All basic form of corruption having been practised, what is left is the amendment of our culture and behaviour to be consistent with the upright system of things that we always wish to have. Without a vigorous governance reform now, the Nigerian economy will remain disentangle and shambled. Urgent, credible reform initiatives, with evident demonstration of regulatory commitment will send the signal to prospective offenders that society is taking back its affairs and will no longer tolerate indiscipline to the detriment of the public.

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