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Effect of Creative Accounting on Liquidity Ratios in Selected Commercial Banks in Owerri, Imo State, Nigeria

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Abstract:

The issues and challenges of creative accounting in banking industry have attracted a lot of arguments among accountants. It is as though Nigerian population is divided into two opposing fragments-one fragment (accountants and managers) in support of creative accounting and the other group (users of financial report), opposing the act. This paper aims to find the impact of liquidity ratios in Owerri, Imo State. Result finds that accelerated depreciation has no effect on acid-test ratios as well as Deferred Expenses have no effect on current ratios. Questionnaires structured in Likert Five-scale points were used to gather data. Responses of bank accountants were tabulated and Analysis of Variance (ANOVA) was run on the responses to determine the extent to which these responses vary using SPSS 20.0, while the average responses were measured on the Likert scale for test of hypothesis. From mean responses on the Likert scale, creative accounting had effect on liquidity ratios of selected firms. Since creative accounting deals with fortification of document, it is of the opinion that it should be discouraged.

Keywords: Creativity, accounting and liquidity ratio

1. Introduction

1.1. Background to the Study

Creativity is the act of turning new and imaginative ideas into reality. Creativity is characterised by the ability to perceive the world in new ways, to find hidden patterns, to make connections between seemingly unrelated phenomena, and to generate solutions. It is defined as the tendency to generate or recognize ideas, alternatives, or possibilities that may be useful in solving problems, communicating with others, and entertaining ourselves and others (Sen and Inanga 2005).

Accounting is the documentation, analysing and reporting of all financial transactions associated with a business. Creative accounting follows necessary laws and regulations. It aims to find out some drawbacks of accounting standards. It finds out ways to channelize income, assets as well as liabilities. Instead of creative, 'innovative' or 'aggressive' also sometimes used (Turker and Dilek, 2013). This also refers to the "systematic misrepresentation" of actual income and assets. There have been many reasons for the preparation of creative accounting and among them are; personal incentives, bonus-related pay, benefits from shares and share options, job security, personal satisfaction, cover-up fraud, tax management, management buyouts, debt covenant and manager's self-interest. Creative accounting has many techniques and the most commonly used techniques are: Accelerated Depreciation Method, Deferred Expenditure Method, Masking Contingent liabilities Method among others.

A liquidity ratio is a financial ratio that indicates whether a company's current assets will be sufficient to meet the company's obligations when they become due. The most commonly used types of liquidity ratios are: Acid-Test Ratio, Current Ratio and Cash Ratio.

However, a company with a large amount of inventory that is difficult to sell may have a large amount of working capital and a favourable current ratio, but may not have liquidity. Hence, the inventory turnover ratio and the accounts receivable turnover ratio can provide insights as to a company's ability to convert its current assets to cash in time to pay its obligations when they become due. Since creditors and other investors are interested in such ratios as acid-test ratio, cash ratio and current ratio of a company of interest, managers manipulate financial figures to make their published financial reports favour these ratios with the sole aim to influence investors' decisions.

Those companies most at risk for fraudulent financial reporting tend to be those that have one or more of the following attributes: weak internal control; no audit committee; a family relationship among directors and/or officers; assets and revenue less than \$ 100 million; and/or a board of directors dominated by individuals with significant equity ownership and little experience serving as directors of other companies. Creative accounting is a practice that affects every

aspect of a company and those that do it deny often, owing to the implications and the reactions of users of such reports who thought that they have made the wisest investment decision with regards to the published financial reports available (Healy and Wahlen, 1999).

1.2. Statement of Problems

Over the years, researchers on creative accounting have focused so much on the effects of doctored financial reports on shareholders' wealth but only a few studies exist on the effect of creative accounting on financial ratios, especially on liquidity ratios of firms. Therefore, this literature gap is what this study intends covering.

1.3. Main Objectives of the Study

The main object of this study is to examine the effect of creative accounting on liquidity ratios in selected commercial banks in Owerri, Imo State.

1.3.1. Specific Objectives

Specifically, the study aimed at achieving the following:

- To examine the effect of accelerated depreciation on acid-test ratios of the selected commercial banks in Owerri, Imo State.
- To determine the effect of deferred expenses on current ratios of the selected commercial banks in Owerri, Imo State
- To find out the effect of masking contingent liabilities on cash ratios of the selected commercial banks in Owerri,

1.4. Hypotheses

Based on the above objectives, the following hypotheses were formulated;

- H₀₁: accelerated depreciation has no effect on acid-test ratios of the selected commercial banks in Owerri, Imo State.
- H₀₂: Deferred Expenses have no effect on current ratios of the selected commercial banks in Owerri, Imo State.
- H₀₃: Masking contingent liabilities have no effect on cash ratios of the selected commercial banks in Owerri Imo State.

1.5. Scope of the Study

This study was limited to a few commercial banks in Owerri, in Imo State and they were First Bank of Nigeria Limited, Union Bank of Nigeria Plc, Access Bank Plc and Zenith Bank Plc.

1.6. Limitation of the Study

One of limitations was that the study was limited to a few selected commercial banks, which means may not be applicable in other non-selected banks. Secondly, the studied focused on commercial banks and which may not be applicable to non-commercial banks. Thirdly, many bankers denied ever publishing a creative financial report as they feared that the study may break confidentiality but some still opened up privately. Despite all these, the study was successful.

2. Review of the Related Literature

2.1. Conceptual Framework

Financial record is a fundamental component obligatory for business control system to function successfully. Current accounting procedures allow an extent of option of policies and professional judgment in ascertaining the system of measurement, criteria for recognition, and even the meaning of the accounting body. The application of this policy option can encompass a purposeful nondisclosure of financial data and manipulation of accounting information, thereby making the transaction look more profitable (or less profitable for tax purposes) and financially stronger than it's supposed to be. With this practice, users of accounting information are being misled and this constitutes a threat to corporate investment and growth (Turker and Dilek, 2013).

Creative accounting, as a matter of method, is not objectionable however. When unprincipled elements make intrusion, the resultant accounting details becomes anything but true and fair. Creativity in accounting of a business entity may arise under three different financial market conditions. The first is an entity floats, the second happens when the entity whose shares are already listed in a stock exchange picture of its financial conditions. Finally, an entity having its shares listed in the stock exchange may declare and pay high dividends based on inflated profits (Turker and Dilek, 2013).

2.1.1. History of Creative Accounting

Influencing figures for the purpose of getting a favourable impression is as old as planet earth. Balaciu and Vladu (2010), confirmed this when they say- the ambition of making figures more appealing or the opposite, as the case may be, is as old as 500 years and Luca Paciolo had shaped the practices of creative accounting in his book *De Arithmetica*. Venetian trade men at those times recorded the transactions between themselves by double-entry book keeping with ink and quill-pen in main and subsidiary books. If there arose any inconsistencies the inkwell was occasionally knocked over

on these books in order to make entries illegible. This example shows that manipulative behaviour of trade or business people is not a new phenomenon it goes back to centuries ago.

2.1.2. Creative Accounting in Nigeria

Creative accounting systems have been on the high side in Nigerian industry as many business entities present foully exaggerated and deceptive position of financial transactions in order to draw wary investors or get undeserved accounting position. It is apparent that the extent of window dressing of financial statements in Nigeria has to the highest degree violated all known ethical procedures of the accounting and auditing profession. There is high list of cases linked to creative accounting practices in Nigeria. Consequently, recent change of board members in Cadbury Plc, Nigeria was as a result of doctoring of accounts to cover up certain inadequacies and unscrupulous deals perpetuated by the management. Likewise, the corporate failures of most Nigerian bank Chief Executive Officers are linked to creative accounting (Brijesh, 2013).

2.1.3. Purpose for Creative Accounting:

Owsen, (1999), summarizes the purpose for creative accounting as follows:

- Personal incentives,
- Bonus-related pay,
- Benefits from shares and share options,
- Job security,
- Personal satisfaction,
- Cover-up fraud,
- Tax management,
- Management buyouts,
- Debt covenant and
- Manager's self-interest.

2.1.4. Factors Influencing Creative Accounting

According to Charles (2015), there are many factors regarded as the reasons of applying creative accounting techniques in financial report of an organization, they includes among others:

2.1.4.1. Income Smoothing

It is a common tendency to show a stable movement of expansion in profit compared to show unstable one.

2.1.4.2. Manipulate Profit to Tie in to Forecasts

This highly conservative, accounting policy happens where managers attempt to meet up with the forecasted for the year.

2.1.4.3. To Maintain or Boost the Share Price

This accounting practice also helps to maintain as well as influence the share price. For this it seems that the company is less risky.

2.1.4.4. Insider Dealing

Chance of getting benefitted from inside knowledge.

2.1.4.5. Circumvent Contractual Rights, Obligations and Constraints

This is common where companies are subject to various types of contractual rights, obligation and constraints based on the amount reported on the accounts;

2.1.4.6. Avoid Government Regulations:

Where government regulates the activities of companies not to exploit the economy, companies tend to choose accounting methods that tend to reduce their reported profits;

2.1.5. Techniques of Creative Accounting

According to Ezeani&Ogbonna (2012), there are various ways through which managements of an enterprises manipulate accounting data in the financial reports of their companies, they include but not limited to: Overestimating revenues, Accelerated depreciation, Lowering depreciation charges, Deferred expenses, Masking contingent liabilities

2.2. Creative Accounting and Investors

Prospective Investors need Financial Statements to assess the viability of investing in a company. Investors may predict future dividends based on the profits disclosed in the Financial Statements. Therefore, Financial Statements provide a basis for the investment decisions of potential investors. But when the financial statement is created or doctored, it has the following effects on investors:

- Illusionary Hope: all investors' hopes are raised high on seeing that the disclosed profit of an interested company is reasonable enough. How devastating will it be when it will be discovered that the perceived profit is just fake!?
- Wrong investment Decision: all investors are risk takers but it hurts most when the risk is maximized by deceptive information that leads to making a wrong investment decision in the midst of profitable investment alternatives.
- Economic Loss: The main effect creative accounting has on investors is the economic loss. Investing in a company that is near bankruptcy simply because the company painted a healthy financial report. Many investors have been victimized across the country in this regard.
- Psychological trauma: human life is much attached to their wealth. Not all investors have the ability to endure greater economic losses. Such losses are bound to alter the brain chemistry, leading to psychosis, fainting or even death, if care is not taking.
- Skepticism: losses incurred due to deceptive financial report may kill the spirit of investing even in a genuine business. This stage is makes many companies suffer in a long run, on the basis that investors are no longer interested in their shares no matter how reasonably profitable they have displayed their share price in the market (Ijeoma, 2014).

2.3. Liquidity Ratio

The ability to pay short term debt is known as liquidity ratio. The liquidity ratios are a result of dividing cash and other liquid assets by the short term borrowings and current liabilities. They show the number of times the short term debt obligations are covered by the cash and liquid assets. If the value is greater than 1, it means the short term obligations are fully covered.

Most common examples of liquidity ratios include current ratio, acid test ratio (also known as

2.4. Types of Liquidity Ratios

- Acid-Test Ratio
- Cash Ratio
- Current Ratio
- Working Capital

2.4.1. Acid-Test Ratio

The term 'Acid-test ratio' or quick ratios basically used for evaluating whether a company has adequate liquid assets to pay the company's short-term liabilities. The formula for the acid-test ratio is:

Quick ratio = (Cash + Accounts receivable + Marketable securities) / Current liabilities

As for a company or business it very tough to convert all its inventory into cash within a short period of time, this is the reason why inventory is not included for testing this ratio.

2.4.2. Advantages

- Easy to understand.
- Don't require too much knowledge about finance and accounting.
- It helps in measuring how well a company's current assets pay-off its current

2.4.3. Disadvantage

- Mostly dependent on accounts receivable and current liabilities.
- Influenced by the company's management through fictitious financial information
- A small mistake in calculation cause serious problem with huge problematic outcome

2.4.4. Cash Ratio

Cash ratio (also called cash asset ratio) is the ratio of a company's cash and cash equivalent assets to its total liabilities. Cash ratio is a refinement of quick ratio and indicates the extent to which readily available funds can pay off current liabilities. Potential creditors use this ratio as a measure of a company's liquidity and how easily it can service debt and cover short-term liabilities.

Cash ratio is the most stringent and conservative of the three liquidity ratios (current, quick and cash ratio).

2.4.5. Calculation (Formula)

- Cash ratio is calculated by dividing absolute liquid assets by current liabilities:
- Cash ratio = Cash and cash equivalents / Current Liabilities
- Both variables are shown on the balance sheet (statement of financial position).

2.4.6. Advantages of Cash Ratio

- Cash ratio is the most stringent and conservative of the three liquidity ratios.
- It looks at the most liquid short-term assets of a company.

2.4.7. Disadvantages of Cash Ratio

- Cash ratio is not as popular in financial analysis as current or quick ratios,
- Its usefulness is limited.
- There is no common norm for cash ratio. In some countries a cash ratio of not less than 0.2 is considered as acceptable but ratios that are too high may show poor asset utilization for a company holding large amounts of cash on its balance sheet.

2.4.8. The Current Ratio

It is a measurement to assess the liability of a company. The current ratio indicates a company's ability to meet short-term debt obligations. It shows if a firm has enough resources to pay debt for next 12 months. Whether short term loans can be paid or not is getting indicated by this. The current ratio is also known as the working capital ratio. Commonly acceptable current ratio is 2; it's a comfortable financial position for most enterprises.

2.4.9. Calculation (Formula)

- The current ratio is calculated by dividing current assets by current liabilities:
- The current ratio = Current Assets / Current Liabilities
- Both variables are shown on the balance sheet (statement of financial position).

2.4.10. Advantages Current Ratios

1. The higher the ratio, the more liquid the company is. Acceptable current ratios vary from industry to industry.

2.4.11. Disadvantages Current Ratios

1. For most industrial companies, 1.5 may be an acceptable current ratio. There is no common ratio for current.

2.4.12. Working Capital

It denotes the amount by which the value of a company's current assets exceeds its current liabilities. It denotes the ability to meet current obligations. It also indicates how much liquid assets are available with the company. State of liquidity, efficiency and overall health is getting indicated by this measurement. The number can be positive (acceptable values) or negative (unsafe values), depending on how much debt the company is carrying.

Calculation Working capital (net working capital) = Current Assets - Current Liabilities

2.5. Effects of Creative Accounting on Liquid Ratios

- Acid-test ratio as a financial indicator that measures liquidity ratio has cash, account receivables, marketable securities against current liabilities and all these components can be influenced by the management through creative accounting such as figures manipulation, writing off some current liabilities or increasing beyond the usual range cash reserves, which invariably reduces the availability of cash to settle short term obligations. Any of the mentioned creative accounting methods can affect the acid test ratio of a company.
- Cash ratio, though not popular, measures the most liquid assets of a company and its components are cash, cash equivalent and current liability. Many a time, management may increase current liabilities to reduce profit for the purpose of tax management. This technique of creative accounting, invariably affects the cash ratio when calculated by creditors who are contemplating on what loan decision to make. When certain inventories that are cash equivalent are manipulated, the cash ratio will change. Sometimes favourable to the firm, other times, unfavourable to the firm. If favourable to the firm, it means that creditors have been influenced to believe that such a firm can effectively pay off her short term debt and as such can be invested in.
- Current Ratio has two major components which are current asset and current liability. These two components are prone to managerial manipulation to influence creditors' decisions. When current asset is increased, current ratio will increase. When current liability is increased, current ratio will decrease. If the aim is to make creditors believe that the company is safe to be given a short term loan, the current asset will be slightly increased against the current liability.
- Working capital is got from two components which are current asset and current liability, which of course can be influenced by management. Reducing figures for current liability will eventually increase the working capital. When current liability is written off completely via creative accounting, and the account is published, investors will be made to believe that the company has enough working capital to undertake any profitable business venture and they will have no option than invest in their monies.

2.6. Prevention of Creative Accounting

Creative accounting can be prevented via the following methods:

- by reducing the number of permitted accounting methods or by specifying circumstances in which each method should be used. The latest developments in International Accounting Standards are pursuing the objective of reduction in accounting choice. (IASB, 2003).
- Abuse of judgment can be curbed in two ways. One is to draft rules that minimize the use of judgment. The other is to prescribe 'consistency' so that if a company chooses an accounting policy that suits it in one year it must continue to apply it in subsequent years when it may not suit so well.

- Artificial transactions can be tackled by invoking the concept of 'substance over form'.
- The timing of genuine transactions is clearly a matter for the discretion of management. However, the scope to use this can be limited by requiring regular revaluations of items in the accounts so that gains or losses on value changes are identified in the accounts each year as they occur (Onolet *al.*, 1999).

2.7. Theoretical Framework

A theory is a system of ideas intended to explain something, particularly one based on general principles (Becket, 2006). Theories explain relationships between variables. The theoretical frameworks for the understanding of the accounting manipulation practices among others are underpinned by the following theories:

2.7.1. Resource Dependency

Performance on the part of the managers might be affected if shareholders were concerned with whether managers had sufficient control over their firms. This focuses more on external organizations. Customers are the main resource on which career of managers depend a lot (Akenbor and Ibanichuka, 2012).

Managers are viewed by Pfeffer and Salancik's (1978) to be reasonably dependent on shareholders given that managerial compensation is often based on stock price and investors have a great deal of discretion over where they invest their capital. Schlachter (1990) argue that managers can create a false impression of control by taking credit for the business successes and at the same time accepting responsibility for negative outcomes. This gives confidence to investors and shareholders that the managers are in control.

Hillman, Withers, and Collins (2009) explains that the resources dependency theory has been applied broadly across the research domain to explain how organizations reduce environmental interdependence and uncertainty. Nienhüser (2008) stated that resources dependency theory can be used to explain the organizational processes and structures to a certain extent.

2.7.2. Agency Theory

Being developed by Stephen Ross, Agency theory explains the motivations for creative accounting. It highlights on the separation of firm ownership from the management (Jenson and Meckling, 1976; Fama and Jensen, 1983; Brijesh, 2014). It mentioned that problems happen when the principal (owners, shareholders) employs the agent (board/management) to undertake a number of duties on their behalf for a reward.

Thus, the management acting in the capacity of an agent to the principals owes principals fiduciary duty of care to run the organization in the best interests of the owners for a given reward (Berle and Means, 1932; Jenson and Meckling, 1976).

Since the agent (manager) must woo the trust of the principal (shareholder) by maximizing profit within the shortest period of time, he is under pressure to break through by all means. One of the means is by presenting a created account that artificially makes the business profitable to invest in and attracting more investors and encouraging them to invest. This deceptive means eventually pumps money into the business and maximizes profit on a short run, making Principal (shareholder) earn dividend as early as possible.

Secondly, the business may be in distress yet agent wishes to keep the trust of his principal intact, but dividends due to shareholders are no longer coming up adequately on a long run, the agent (manager) is under pressure to create an account that makes the business extremely less profitable than the situation is, as to reduce tax burden. The surplus will be used to reward shareholders. Some other times, the agents embezzle the surplus. Since the principal-agent contract is based on rewards and incentives, a lot of financial records can be doctored to ensure rewards and incentives flow well (Amat and Gowthorpe, 2004).

2.7.3. Information Theory

The information perspective or theory according to Ball, (2013) is a key element underpinning the study of the creative accounting phenomenon. Managers may choose to misuse their privileged position to exploit shareholders by managing financial reporting disclosures to their advantage (Schipper, 1989). It may be quite difficult for individual stakeholders to detect accounting manipulation practices by management due to their insufficient personal skill and indifference or unwillingness to engage in a detailed financial analysis (Effiok and Eton, 2012).

Wittenberg-Moerman, (2008) suggests that conservative reporting decreases information asymmetry regarding a borrower and increases the efficiency of the secondary trading of debt securities.

2.8. Empirical Review

An exhaustive analysis on creative accounting has been done through a work of Fizza and Qaisar (2015). This work not only highlights the ethical responsibility but also impacted other variables like role of auditors, role of government regulations or international standards, impact of manipulative behaviours etc. Findings show that frauds or scandals happen because of unethical behaviours, agency problem and non-professional attitude. Government rules as well as comments of auditors play a crucial role.

It was concluded that ethics plays an important and positive role in financial reporting. The more ethical values, means lesser manipulative behaviours. So, the manipulative behaviours only destroy the image of any company.

Ahmed (2017) in a work aims to find out the impact of creative accounting ethics techniques on the reliability of financial reporting. The result indicated that creative accounting techniques used by management negatively to affect the reliability of financial reporting. Akenbor and Ibanichuka (2012) did empirical investigation of creative accounting for Nigerian

banking industry. With 25 managers and 25 accountants and twenty-five (25) recapitalized banks revealed that to improve market value of shares is the major reason for creative accounting practices in Nigerian Haruna and Emmanuel (2017) in a work entitled '*Analyzing the critical effects of creative accounting practices in the corporate sector of Ghana*', this study revealed that the practice of Creative Accounting is an attempt to gain advantage in a form to the managers and companies. Also, it shows that the current GAAP create a gap that can permit and encourage the practice of Creative Accounting. It was equally revealed that one of the best ways to prevent the practice of Creative Accounting is to enforce both preventive as well as strong enough punitive measures on those that engage in Creative Accounting practice. This paper found out that creative accounting variables enhance profitability. The result of the studies reveals a significant relationship existing between income smoothing and profitability.

It was recommended that effective rules and regulation of accounting practice should be put in places within the organization to forestall the incidence of Creative Accounting. Also, it was recommended that GAAP usage should be subjected to basic SAS and IAS standards.

3. Methodology

3.1. Research Design

A descriptive survey design was adopted hence the data were mainly opinion based.

3.2. Study Area

The study took place in four different commercial banks along bank road in Owerri metropolis and the selected banks were First Bank, Union Bank, Access Bank and Zenith Bank.

3.3. Population Size

60 accountants from four selected commercial banks were the target population.

3.4. Source of Data Collection

Since data concerning creative accounting is mainly opinion based, the source of data collection in this study was primary source.

3.5. Instrument of Data Collection

Questionnaire structure in Five-point Likert Scale in agreement/relevance with statements ranging from a scale of (5) for Strongly Agreed, (4) for Agreed, (3) for Strongly Disagreed, (2) for Disagreed to (1) for Undecided was an instrument for data collection.

3.6. Validity and Reliability of Instrument of Data Collection

A few copies of the structured questionnaire were shown to the supervisor for validation and the same copies were taken to Heritage bank for test of reliability.

3.7. Sampling Size

Yamene sample size formula was used in determining the sample size for the study, where:

n = corrected sample size,

N = population size

e = margin of error (5%)

$$n = \frac{N}{(1 + Ne^2)} = \frac{60}{(1 + 60 \times 0.05^2)} = 52$$

3.8. Sampling Technique

52 copies of the questionnaire were shared by simple random sampling among the selected accountants working in the four selected commercial banks. But only 40 copies were appropriately filled and retrieved.

3.9. Method of Data Analysis

Analysis of Variance (ANOVA) was run on the responses to determine the extent to which these responses vary using SPSS 20.0, while the average responses were measured on the Likert scale for test of hypothesis.

3.9.1. Decision Criteria

- When the difference between significance value and F-critical value is larger than 0.05, it means their responses vary differently to a great extent.
- Null hypotheses are either accepted or rejected based on where the mean responses of the respondents fall on the Likert scale of 5, 4, 3, 2 and 1.

4. Data Analysis and Result

Likert Statement: Accelerated depreciation has no effect on acid-test ratios of the selected commercial banks in Owerri, Imo State.

Financial Institutions	Strongly Agreed (5)	Agreed(4)	Disagreed(3)	Strongly Disagreed (2)	Undecided (1)	Total
First Bank	2	1	1	2	4	10
Union Bank	2	4	0	3	1	10
Access Bank	2	1	2	1	4	10
Zenith Bank	3	4	0	1	2	10
Total	10	10	3	7	11	

Table 1: Showing Responses of Surveyed Accountants
Source: (Field Survey, 2019)

Financial Institutions	Number Of Investors(N)	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
First Bank	10	3.21	1.476	.467	2.14	4.26	1	5
Union Bank	10	2.61	1.578	.499	1.47	3.73	1	5
Access Bank	10	2.90	1.595	.504	1.76	4.04	1	5
Zenith Bank	10	2.71	1.703	.539	1.48	3.92	1	5
Total	40	2.85	1.545	.244	2.36	3.34	1	5

Table 2: Showing Descriptives for Hypothesis One
Source: Researcher's Computation (SPSS. 20.0)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.101	3	.700	.277	.842
Within Groups	91.000	36	2.528		
Total	93.101	39			

Table 3: Showing Anova Results for Hypothesis One
Source: Researcher's Computation (Spss. 20.0)

- Interpretation

Since the difference between the significance level (.842) and F-critical value (.277), in Table 3, is greater than 0.05%, there is a significant difference in the responses of the various Bank investors. But measuring the different bank investors' total mean responses on a Five-Point Likert Scale in Table 2, (2.85), which favoured strongly disagreed on the Likert scale. Therefore, accelerated depreciation had effect on acid-test ratios of the selected commercial banks in Owerri, Imo State.

- Likert Statement: Deferred Expenses have no effects on current ratios of the selected commercial banks in Owerri, Imo State.

Financial Institutions	Strong Agreed(5)	Agreed(4)	Disagreed (3)	Strongly Disagreed (2)	Undecided	Total
First Bank	3	1	2	1	3	10
Union Bank	4	2	0	3	1	10
Access Bank	0	5	2	1	2	10
Zenith Bank	3	1	1	0	5	10
Total	10	9	5	4	11	

Table 4: Showing Responses the Surveyed Accountants
Source: (Field Survey, 2019)

Financial Institutions	Number Of Investors(N)	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
First Bank	10	2.50	1.476	.467	2.14	4.26	1	5
Union Bank	10	2.50	1.567	.496	2.18	4.42	1	5
Access Bank	10	2.50	1.751	.554	1.55	4.05	1	5
Zenith Bank	10	2.50	1.524	.482	2.01	4.19	1	5
Total	40	2.50	1.533	.242	2.61	3.59	1	5

Table 5: Showing Descriptives for Hypothesis Two
Source: Researcher's Computation (Spss. 20.0)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	1.500	3	.467	.186	.905
Within Groups	90.200	36	2.506		
Total	91.700	39			

Table 6: Showing Anova Results for Hypothesis Two
Source: Researcher's Computation (Spss. 20.0)

- Interpretation

Given that the difference between the significance level (.905) and F-critical value (.186) in table 4.6, is large hence greater than 0.05%, there is a significant difference in the responses of the different bank investors over the publication of creative accounting. Measuring the total mean response on a Five-Point Likert Scale in Table 5, (2.50) favoured strongly disagreed, which means deferred expenses had effect on current ratios of the selected commercial banks in Owerri, Imo State

- Likert Statement: Masking contingent liabilities have no effect on cash ratios of the selected commercial banks in Owerri Imo State

Financial Institutions	Strongly Agreed (5)	Agreed(4)	Disagreed(3)	Strongly Disagreed (2)	Undecided (1)	Total
First Bank	4	2	0	0	4	10
Union Bank	4	2	0	0	4	10
Access Bank	4	4	0	0	2	10
Zenith Bank	4	3	0	1	2	10
Total	16	11	0	1	12	

Table 7: Showing Responses of Surveyed Accountants
Source: (Field Survey, 2019)

Financial Institutions	Number of Investors(N)	Mean	Std. Deviation	Std. Error	95% Confidence Interval for Mean		Minimum	Maximum
					Lower Bound	Upper Bound		
First Bank	10	2.50	1.370	.477	2.13	4.36	1	5
Union Bank	10	2.50	1.578	.489	1.48	3.73	1	5
Access Bank	10	2.50	1.692	.503	1.76	4.05	1	5
Zenith Bank	10	2.50	1.703	.633	1.58	3.98	1	5
Total	40	2.50	1.645	.269	2.38	3.54	1	5

Table 8: Showing Descriptives for Hypothesis One
Source: Researcher's Computation (SPSS. 20.0)

	Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	2.100	3	.700	.287	.851
Within Groups	92.000	36	2.538		
Total	94.100	39			

Table 9: Showing Anova Results for Hypothesis One
Source: Researcher's Computation (SPSS. 20.0)

- Interpretation

Since the difference between the significance level (.851) and F-critical value (.287), in Table 3, is greater than 0.05%, there is a significant difference in the responses of the various Bank investors but measuring the different investors' total mean response on a Five-Point Likert Scale in table 4.7, (2.50), which fell on the Likert scaling range of strongly disagreed. Therefore, it showed that masking contingent liabilities had effect on cash ratios of the selected commercial banks in Owerri, Imo State.

5. Discussion of Findings, Conclusion and Recommendation

5.1. Discussion of Finding

It was observed that:

- Increasing provision for depreciation reduces availability of cash to pay for short term obligation, and as such, affecting acid-test ratios of the selected commercial banks
- Deferring expenses increase the amount of cash required for settling short term obligation and as such, affecting current ratios of the selected commercial banks.
- Masking contingent liabilities makes an organization have enough cash to handle immediate short term obligation.
- The literatures reviewed, showed that accelerated depreciation will increase acid-test ratio, making creditors believe that the selected firms is not risky to give a short term loan
- The choice of accounting method creates loophole for the perpetrating of creative accounting.
- Creative accounting is unethical and has adverse effects on users of financial reports.

5.2. Conclusion

Therefore, although the use of creative accounting is a common practice among accountants and managers of many firms but that does not mean that it is a legal practice as it has been at the base of most accounting scandal recorded over years. Since creative accounting affects acid-test ratios, current ratios and cash ratios, it is concluded that creative accounting had effect on liquidity ratios of the selected commercial banks in Owerri, Imo State.

5.3. Recommendation

The study recommends that the need for a stronger regulatory regime with effective enforcement mechanisms for ensuring compliance with accounting and auditing standards cannot be over emphasized. This should improve quality of financial statements as misstatements of financial statements would attract prosecution of offenders. Thus, the enthronement of a more stringent regulatory regime with effective enforcement mechanism will ensure compliance with accounting and auditing standards. Adoption of one set of global financial reporting standards known as international financial reporting standard (IFRS) must be embraced by alloperators of accounts or those performing an accounting duty as this may help reduce judgmental errors, thereby bringing everyone on the same page.

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Appendix

Letter of Respondent

School of Postgraduate Studies,
NnamdiAzikiwe University,
Akwa,
Anambra State.

Dear Respondent(s),

A student of the above-mentioned school is carrying out a study on 'Effect of Creative Accounting on Liquidity Ratios of Selected Commercial Banks in Owerri'. Your response is very important in this study. Therefore, you are kindly required to tick (✓) on the answer box your selected option.

Thank you.

Yours faithfully,
Ofurum Emmanuel, I.
(Researcher)

Likert Statements

Option	Likert Scaling	Selection Box
Strongly Agreed	[5]	()
Agreed	[4]	()
Strongly Disagreed	[3]	()
Disagreed	[2]	()
Undecided	[1]	()

Table 10: Accelerated Depreciation Has No Effect on Acid-Test Ratios of Selected Commercial Banks in Owerri, Imo State

OPTIONS	LIKERT SCALING	SELECTION BOX
Strongly Agreed	[5]	()
Agreed	[4]	()
Strongly Disagreed	[3]	()
Disagreed	[2]	()
Undecided	[1]	()

Table 11: Deferred Expenses Have No Effect on Current Ratios of Selected Commercial Banks in Owerri, Imo State

Options	Likert Scaling	Selection Box
Strongly Agreed	[5]	()
Agreed	[4]	()
Strongly Disagreed	[3]	()
Disagreed	[2]	()
Undecided	[1]	()

Table 12: Masking Contingent Liabilities Have No Effect on Cash Ratios of the Selected Commercial Banks in Owerri Imo State