EARNINGS MANAGEMENT AND FIRM PERFORMANCE OF QUOTED INSURANCE COMPANIES IN NIGERIA

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Abstract

The study aimed to evaluate the impact of earnings management and firm performance in Nigeria on quoted insurance firms. It adopted the ex-post facto research design. Data for the study were sourced from the financials of the selected companies for the period of 2012-2021 and pooled OLS was adopted for the analysis. The study investigated how earnings management affects various financial ratios and the claims ratio in insurance firms. The results indicated that earnings management had a positive and significant impact on gross premium ratio (GPR), discretionary accruals (DAC), and asset turnover ratio (ATR). The study however recommended that empowering the Nigerian Accounting Standard Board (NASB) to develop a comprehensive and well-structured framework for accounting regulation. This framework would ensure compliance with relevant accounting standards such as GAAP, IFRS, CAMA, and other financial reporting guidelines.

Keywords: Earning Management, Gross Premium, Claim Ratio, Discretionary Accruals, and Asset Turnover ratio

1.0 Introduction

Firm performance has been always identified as one of the major variables in management; it has been specifically addressed due to its broad meanings over the years Kasmaei and Kari (2022). Firms often resort to earnings management by manipulating their accounting policies in order to report target earnings. There are many factors that motivate firms to adopt various accounting policies to manipulate their financial information. 'Market reaction' has traditionally remained one of the most important factors behind earnings management. If the reported earnings of a firm are significantly lower than the original estimates, it may adversely affect the share price of the firm in the market. Moreover, wide variations in earnings of a firm over the years may raise questions about the earnings stability of that firm. Hence, firms may resort to earnings management to smooth out such fluctuations (Barnea, Ronen and Sadan, 1976). Obtaining increased amount of bonus by managers may also act as motivation behind earnings management. Haw, Wu, and Wu (2005) find that the fear of government investigation and intervention may also act as motivation behind manipulating earnings by the managers (Agrawal and Chatterjee, 2015). Observing accounting scandals in several established and emerging economics has made the concept of Earnings Management (EM) more important than ever. Earnings Management (EM) has gained prominence as a result of the appearance of accounting problem in a number of established and emerging economics. The interests of management and owners conflict when the agent (management) separates from the principals (owners). Even when owners and other stakeholders insist on monitoring and measuring managerial decision-making, managers constantly work to advance their own interests. This situation gives rise to earnings management because it is common knowledge that managers closely supervise the preparation of financial statements, using their discretion to report earnings that benefit their own interests. Earnings management refers to a financial reporting practice where managers exercise their discretion in manipulating financial reports and transactions.

Earnings management may be used to deceive business owners or investors through garnished accounting because it is occasionally acceptable to manipulate accounting data without breaking generally accepted accounting principles (Haryudanto and Yuyetta, 2017). Financial statements play a vital role in reflecting a company's performance, management often resort to deceptive practices, manipulating the true representation of financial statements. In order to deceive stakeholders, Organizational managers frequently engage in earnings management, by using creative techniques to manipulate the accounting data.

Earnings Management is intrinsically linked to profit generation. This is because profit produced by a business entity is frequently utilized as a benchmark by readers of financial statements when determining the firm's performance. As a result, management has incentives to manage earnings. So, they cannot ensure that the information supplied to the owner accurately reflects the firm's actual financial position. Earnings management activities may impair the quality of information given in financial statements about profits. The financial statements' low-quality information will have a detrimental effect on the organization's financial performance (Widagdo, Murni, Nurlaela and Rahmawati, 2021). In the works of Akram, Hunjra, Butt and Ijaz (2015), earnings management initiatives are seen to be unfavorable for financial performance.

Warglien and Sacco (2018) opined that earnings management refers to a tactic utilized by company executives and decision-makers to manipulate the numerical values of earnings within financial

statements. This manipulation involves the use of managerial judgments, which may include justifications, speculation, and even deceptive practices. The primary motivations behind earnings management are to serve personal interests, align with organizational objectives, and demonstrate accountability to stakeholders. Therefore, accounting (offering accounts), accountability, and accounting procedures (managing earnings) are the three key components of EM. When certain parties to a commercial transaction have an advantage over others in terms of information, this is known as information asymmetries. While independent auditors and accounting regulations aim to curb opportunistic behavior, there is mounting evidence from academic research and mainstream media indicating that managers exploit their discretion over accounting figures for their own benefit. It will probably be hard to catch because earnings management is deceptive. Early studies on the subject looked at how managerial incentives and choice of accounting method interacted.

Firm performance, in contrast, is a metric for a business that may be influenced by both the company's effectiveness and the market in which it competes. A business's performance can be evaluated using a variety of financial measures. Standard metrics utilized to evaluate financial performance encompass various indicators such as revenue, return on equity, and returns on assets, profit merging, sales growth, capital adequacy, liquidity ratio, and stock prices. However, there is no consensus on a universally accepted definition. Additionally, a company's financial objectives can serve as a yardstick to gauge its financial performance. Moreover, financial performance can be used to describe the overall financial position of a company during a specific period. It may also be used to describe a company's financial standing over a specified time frame. A company's performance is evaluated based on its profitability, ability to fulfill its obligations, and commitment to the business. Performance metrics used by insurance businesses include, among others, the claims ratio, the gross premium, and claims. Gross premiums are what the insurance industry receives as revenue. The premium-to-plus ratio, which gauges an insurer's capacity to withstand above-average losses and its financial soundness, is sometimes used to evaluate it. The ratio of claims expenses to premiums received is known as the claim ratio. By dividing the claims rate by the risk premium rate, the claims ratio is derived. The ratio of claims expenses to premiums received is known as the claims ratio Nigeria Deposit Insurance Commission, 2017).

One of the areas of concentration in the quest for the company's stability and sustainability is earnings management. For an accurate picture of the business, statements of accounts heavily rely on earnings management. The addition of net profit to the firm's profile is known as earnings management. This crucial component of the accounting statement fuels a company and helps management concentrate on the assets and liabilities. The firm's resources are used more efficiently when raising the firm's net worth and performance is the establishment's goal (Ubesie, Nwankwo, and Nwankwo, 2020).

Zhaohui and Taylo Dugan (2017) found evidence that management manipulates accruals to manage profitability without having an immediate impact on cash flow. Examples include underestimating bad debt payments and allowances as well as delaying asset write-off, asset impairments, and the long-term asset salvage value. To achieve predetermined earnings goals, management can also engage in earnings management by influencing real operations through operational choices that have an immediate impact on cash flow. Give examples such as spending on R&D, capital projects, excess output, and selling and disposing of long-term assets.

This study aims to address a research gap by investigating the influence of earnings management on financial performance of quoted businesses in Nigeria, specifically focusing on insurance companies operating in the country.

Objectives of the Study

The broad objective of the study is to assess the impact of earnings management on performance of quoted insurance companies in Nigeria while the specific objectives will be to:

i. Investigate the impact of earnings management on the Gross Premium (GPR) ratio
ii. Examine the effect of earnings management on the claim ratio
iii. Analyze the impact of earnings management on Return on Equity (ROE)

2.0 Literature Review

2.1 Conceptual Review

2.1.1 Earnings Management (EM)

Tabassum, Kaleem, and Nazir (2013) opined that earning is the major factor that represents financial stability and power, as well, Akram et al. (2015) declared it as the health and financial strength of any firm. Based on earnings, different firms and future investors are attracted to companies for investment purposes, resulting in rising stock prices (Debnath, 2017). As earnings are the key index of stock prices, organizations tend to gain specific predicted earnings. Several different techniques and strategies whether legal or otherwise are applied by managers to achieve specific earnings goal. This phenomenon is called earnings management (Cimini, 2015; Tabassum, 2015). In the current global economy, there is a growing concern about the importance of financial reports from economic entities. Giving information to miscellaneous stakeholders and possible investors about how businesses perform financially, and also providing an opportunity to assess the financial health of a firm are the most important aims of any financial report. The main worry now is the existence of earnings management practices in financial reporting processes that manipulate reports and generate misleading financial reports to influence decisions made by investors and stockholders (Kumari and Pattanayak, 2017). In earnings management, accounting techniques are applied in order to provide financial reports and present an excessively positive view of business activities and financial status of the firm.

Financial report is generally believed to play a critical role in facilitating informed financial decision-making. To help consumers make wise decision, financial statement information is supposed to be accurate, reliable and comparable. The financial statements are used by both current and future investors to make investment and support decisions. The posting of financial statements and position is the only way company directors can interact with stakeholders (Ijeoma, 2014). Companies that intentionally produce misleading financial reports or delay the disclosure of recent earnings misguide the consumers of financial statements. According to a study by Perols and Lougee in 2016, fraudulent businesses have a history of manipulating their profits.

Shehu and Abubakar (2017) opined that earnings management refers to the intentional manipulation of financial statements or information with the aim of misleading investors regarding a company's actual financial status or gaining contractual benefits that heavily rely on accounting figures. Administrators primarily utilize earnings accruals as a prominent method to artificially increase or decrease reported income. Earnings accruals are significant in this regard as they encompass earnings components that do not directly correspond to current cash flows with a substantial level of managerial discretion in the calculation.

Earnings, according to Gunny (2018), are "Deliberate manipulation of the external financial reporting process with the objective of personal benefit". Fraudulent according is performed by using accounting techniques to reflect the underlying practices rather than by changing a company's main economic activity. On the other hand, managing actual earnings requires changing a company's core business practices, such as lowering the pricing of a company's good and services at the year end to boost sales and increase earnings for the current financial year. Real earnings management is used by managers within a corporation for a variety of reasons, including avoiding class action lawsuits linked to aggressive accounting choices.

Warglien and Sacco (2016), earnings management is a practice employed by business decision-makers to manipulate earnings figures in financial statements through managerial judgments that involve justifications, speculation, and even dishonesty. The primary motivations behind this practice are personal gains, such as achieving organizational goals and demonstrating accountability to stakeholders. Therefore, accounting (offering accounts), accountability, and account procedures (managing earnings) are the three key components of EM. When certain parties to a commercial transaction have an advantage over others in terms of information, this is known as information asymmetries.

Recent research findings from both academic literature and public disclosure indicate that managers often exercise their discretion over accounting figures to pursue personal gains, despite the existence of standards and independent auditors that aim to curb such opportunistic behavior. Managers might manipulate contractual results or mislead stakeholders about the company's financial performance by engaging in earnings management. It will probably be hard to catch because earnings management is deceptive.

Early studies on the subject looked at how managerial incentives and choice of accounting method interacted. So, based on discretionary accruals, prior research has distinguished earnings management. The money flow from activities and total accruals made up the earnings. Total accruals encompass both discretionary and non-discretionary accruals, representing the overall sum of accounting adjustments made in a given period.

When a company's cash flows are being adjusted, non-discretionary accruals are the accruals that must be included, according to the accounting regulation. Discretionary accruals, in accordance with Dechow (1994), frequently permit managers to manipulate earnings due to the considerable flexibility. Healy introduced the concept of discretionary accruals in 1985 as a means to identify earnings if earnings are not manipulated, while discretionary accruals are influenced by managerial discretion.

Financial Performance

Insurance Key Performance Indicators (KPIs) are measures a firm uses to evaluate its effectiveness and performance. Metrics in the insurance sector can help a company discover areas of operational success and those needing further thought. In order to assess insurance firms and determine which would be the best investment, certain KPIs are routinely employed. Financial performance shows how effectively a corporation can use its resources to produce profits. Return on equity is a measure that shows the profit generated from asset investments after accounting for taxes. This ratio, as defined by Alexander and Hengky (2017) and Dewi and Prasasito (2012), can be utilized to evaluate a company's performance. Additionally, it offers an assessment of the organization's ability to generate economic benefits from its assets.

2.2 Theoretical Review

2.2.1 Signaling Theory

This theory was proposed by Lintner in 1956. The signal is a business decision that informs investors of the management views regarding the company's prospects for the future. Company-released information is essential since it affects the investment choices made by person outside the company. claim (Brigham & Houston, 2017). This information holds significant importance for investors and entrepreneurs as it encompasses relevant details, notes, or visuals pertaining to historical, current, and future factors that impact the company's sustainability and its implications. The information is crucial because it provides details on past, present, and future market condition that may affect a company's ability to survive. Investors are misled by earnings management, which also upholds the notion that the significance of information from reported results has increased. The value of the information in released results may be diminished as a result of earnings management's potential interference with its purpose. This serves as the study's guiding theory.

2.2.2 Agency Theory

Agency theory suggests that a cooperative working relationship exists between the shareholders who delegate authority as the principal, and the company's management as the agent (Jensen and Meckling, 1976). More details about the agent's qualifications, workplace, and employer are available. The principal and agent now have what is known as information asymmetry and conflicting interests, agents are prone to providing the principal with misleading information, particularly when it pertains to the agent's own performance.

The partnership relationship that exists between the principals and their agents or representatives is referred to as agency theory. A striking illustration is when a shareholder or investor acts as the principle while executive management and staff act as agents or representatives of the shareholder or investor. According to agency theory, shareholders or investors are the primary persons or owners of the organization. Executive management is able to effectively represent shareholders by managing the company's operations and their investments to maximize returns for the principal.

According to Clarke (2004), agency theory indicates that the managers or staff in businesses has the option of choosing to be selfish. The shareholders or investors who serve as the principals believe that managers should always work in their best interests when acting as a source of funding. However, the agent who is in charge of managing the company's daily operation in order to maximize wealth may always operate in the principal's best interests. According to Padilla (2000), the agent may act in a self-centered manner and only take actions that would further his or her own personal interests without taking the principal's interest into account. Today, sub-optimization is the norm. the Agency theory was developed to address ownership and control conflicts between principals and their agent or representatives. Bhimani (2008) pointed out that the rules created by the principles, which are focused on maximizing shareholders' wealth and value, govern the agents who represent the principals.

2.2.3 Resource-Based Theory

Barney (1991) and other notable authors such as Wernerfelt, Prahalad, and Hamel, the resource-based view (RBV) emphasizes that competitive advantages stemming from strategic resources can lead to substantial earnings for a company. This school of thought maintains that rather than focusing on the outside environment, organizations should search internally for sources of competitive advantage.

This idea holds that a company's resources can be both tangible and intangible, including financial assets, physical assets, technological equipment,

and intellectual property as well as staff skills. According to the theory, a business can maintain a competitive advantage by collecting and using one-of-a-kind, priceless and uncommon resources that are challenging for rivals to mimic or replicate. These assets are sometimes described as the company's "core competences" or "distinctive capabilities". According to resource-based theory, businesses can gain a competitive edge by putting plans in place that are geared towards enhancing and utilizing their special resources and competencies. A business with its own technology might concentrate on broadening its product line and breaking into new areas where it can take use of its technological edge. In general, the resource-based paradigm emphasizes how crucial a company's assets and capacities are to sustaining its competitive edge and success. A company can set itself apart from rivals and enjoy long-term success in its industry by making the moist of its special and valuable resources.

2.3 Empirical Review

Evidence from Developed Economies

In 2020, Gaetano, Aurelio, Carlo, and Jon conducted a study examining the impact of financial challenges on earnings management strategies within non-listed Italian enterprises. The study investigates how financial difficulties affect the earnings management practices of these companies. The sample for the study consisted of 361 observations from various industries in Italy between 2010 and 2015. This research becomes particularly relevant in recent years as nations focus on developing reliable empirical models to identify potential financial problems within companies.

Salma and Anis (2019) studied the impact of earnings management on financial performance in the euro continental accounting model using evidence from France. The methodology uses the ROA, ROE, Tobin Q, and Marris ratio as its four financial performance measurements. Panel data are used to estimate each regression that is employed. The results showed that earnings management has a negative impact on financial performance when ROA and ROE measurements were applied.

Edi and Vera (2020) studied that influence of business characteristics and efficient corporate governance on earnings management behavior. The study examined how specific business traits and governance practices impact the management of earnings. Purposive sampling was employed for the research samples, while data analysis utilized E-View version 10 software. Three models of discretionary accruals were utilized to examine earnings management behavior. The study findings suggested that corporate characteristics have a significant influence on the behavior related to earnings management.

In 2018, Malofeeva conducted a study examining the impact of adopting IFRS on earnings management in Russia. The sample used for analysis consisted of 361 observations from various industries in Russia between 2010 and 2015. Furthermore, the R-square value demonstrated a good level of approximation accuracy and strong predictive power. The findings suggested that the adoption of IFRS had a significant impact in reducing discretionary accruals, thus indicating a positive effect on earnings management practices in Russia.

2.3.2 Evidence from Developing Economies

In an investigation to ascertain whether profit quality affects company performance, Isam, Malik, and Farsi (2020) collected data. The findings depicted that a higher level of managerial control over behavior and outcomes has a positive impact on earnings quality, leading ot improved organizational success. Furthermore, the study indicated that accounting information with a high level of relevance enhances the quality of earnings,

and when combined with the interaction variables of the environment, it contributes to improved performance.

Rusdiyant and Narsa (2020) explored the influence of business size, leverage, and return on assets on earnings management: an Indonesian firm's case study. The research approach combines quantitative and descriptive techniques. The Indonesia Stock Exchange provided financial statement data from 2014 to 2018 for the study. The Indonesia Stock Exchange's website served as the data source. According to the study's conclusions, leverage and return on assets have a greater impact on managing earnings than firm size. Regression testing's significance value for the company's size is 0.729, which shows that it has no discernible impact on how earnings are managed.

Andry and Dewi (2019) conducted a study that aimed to explore the factors influencing earnings management and its impact on the accuracy of financial statements. The research utilized panel data regression analysis are the methodological approach. The findings from the first model showed that leverage had a slightly significant positive influence on earnings management, while audit quality, firm size, and CGPI had slightly significant negative influence on earnings management.

2.3.3 Evidence from Nigeria

Ubesie, Nwankwo and Nwankwo (2020) assessed earnings management and financial performance of consumer products firms in Nigeria. The study used a simple regression analysis to examine financial statements gathered from three particular Nigeria consumer products companies. The results depicted that earnings management has no impact on the total assets of Nigerian consumer goods companies.

Abdullahi, Norfadzila, Umar, and Lateef (2020) studied the financial factors affecting the profitability and management of earnings of Nigerian listed firms. The study looked into the financial factors that affect how profitable Nigerian listed firms are and how they handle their earnings for the 2010-2018 fiscal years. The study leverage secondary methodology to gather data rom Thompson Reuters Data Stream and the annual reports of publicly traded corporations. To examine the model and analyze the data, multiple regression is employed. According to the study, there is a considerable and favorable correlation between profitability as shown by ROA and earnings capacity.

3.0 Methodology

The study utilized an ex-post facto research design. Ex-post facto research commences after the event has already taken place, without any intervention from the researcher. The selection of the top ten (10) insurance-listed firms was based on criteria such as share price, market access, and motivation for growth. Disproportionate stratified random sampling will be employed to ensure representation from different strata. Between 2012 and 2021, extracted financial information from the annual reports of insurance companies was used for the study. The data was examined using descriptive statistics, correlation matrix, and Pooled Ordinary Least Square (OLS) Regression.

3.1 Population, Sampling and Sampling Techniques

The population of this study is all licensed insurance companies in Nigeria. According to NAICOM (2019), the insurance firms are categorized into:

Table 1: Categorization of Insurance Firm

S/N	GROUPS	NUMBER	PERCENTAGE
1	Composite Insurance Firms	13	22.03%
2	General Insurance (Non Life Companies in Nigeria)	28	47.46%
3	Life Insurance	14	23.73%
4	Re-Insurance	2	3.39%
5	Takaful	2	3.39%

The sample used disproportionate stratified random sampling as well as purposive sampling techniques. The sample is selected as follows:

Table 2: Disproportionate Stratified Random and Purposive Sampling

S/N	GROUPS	NUMBER	PERCENTAGE
1	Composite Insurance Firms	4	20%
2	General Insurance (Non Life Companies in Nigeria)	4	40%
3	Life Insurance	2	20%
4	Re-Insurance	1	10%
5	Takaful	1	10%
	Total	10	

Model Specification

Jones model employed by Uwalomwa, Uwuigbe and Okorie (2015) was leveraged for the study

$$TA/A\,(it-1) = \beta\,(\Delta \text{ in Rev} - \Delta \text{ in Rec})/\,\Delta t-1)_{+\beta\,(PPE/A\,it-1)} + \mu$$

Total Accruals = Net Income less Cash flow from operating activities = Discretionary Accruals + Non-Discretionary Accruals

To estimate discretionary accruals (DAC) the study leveraged the model of Kothari, Kothari, Leone and Wesley (2005)

$$NDA\,it = NDA_{it} = \alpha_1 = \frac{1}{\Delta it-1} + \alpha 2\,\frac{\Delta REV it - \Delta RETit}{\Delta it-1} + \alpha 3\frac{PPE}{\Delta it-1} + \alpha 4^{RDA_{it--1}} + \mu_{it}$$

4.0 RESULT AND DISCUSSION

4.1.1 Descriptive Statistics

	GPR	ROE	CR	DAC	FS	ATR	DAR
Mean	0.371779	0.136149	0.795151	5.652965	20.83897	2.9014	1.684641
Maximum	2.542096	5.661635	11.34709	13.69250	22.95402	2.4773	12.12733
Minimum	0.000741	0.00635	0.004541	-4.642964	4.237770	0.7690	0.085491
Std. Dev.	0.481233	3.413108	0.972284	9.270919	6.112581	1.3200	7.553506
Prob. (Jarque-Bera)	0.08908	0.073000	0.045000	0.023000	0.110900	0.99897	0.033000
N	100	100	100	100	100	100	210

Source: Author's computation (2024)

GPR=Gross Premium Ratio, CR=Claim Ratio, ROE=Return on Equity, DAC=Discretionary Accrual of Firm, FS=Firm Size of firm, ATR=Asset Turnover, DAR=Debt Asset Ratio.

Table 4.1.1 revealed the descriptive statistics of the study; Gross Premium Ratio shows the minimum (0.000741), maximum (2.5420), mean (0.3718) and Std. Dev. (0.4812). ROE indicates the minimum (0.000635), maximum (5.66163), Mean (0.13614) and Std. Dev. (3.41311). Claims Ratio revealed the minimum (0.004541) and maximum (11.34709), mean (0.7951) and standard deviation (0.9723). Firm size has minimum (4.23770), maximum (22.95402), mean (20.83897) and standard deviation of 6.112581. Asset turnover ratio (ATR) shows the minimum 0.7690, maximum (2.4773), mean (2.9014) and standard deviation (1.3200). Devt-Asset ratio shows minimum (0.08549), maximum 912.12733), mean (1.6846), and std. dev (7.5535). Hence, the number of observation is 100. Jarque-bera test depicted that majority of the variables are normally distributed, positively skewed, and lepokurtic in nature, because the probability level of the variables as shown above is greater than 5% (0.05) level of significance employed in the study.

5.0 Concluding Remarks and Recommendation

5.1 Concluding Remarks

Earnings management involves manipulative practices in financial reporting that aim to deceive company owners and investors by presenting distorted accounting information. The study depicted that earnings management, measured by discretionary accruals, has a significant impact on the gross premium ratio, claims ratio, and return on equity. Financial statements play a crucial role in showcasing a company's performance, but management often resorts to misleading tactics by manipulating the true position of these statements through various means. Earnings management serves as a tool for managers to manipulate financial information, making it appear more favorable and deceiving stakeholders. It deviates from standard accounting practices and primarily focuses on achieving short-term earnings management, while the asset turnover ratio and debt asset ratio have a negative but insignificant impact. It also highlights that earnings management practices can influence audit opinion and that poor-quality financial information sends negative signals to investors.

5.2 Recommendations

Regulatory authorities play a vital role in ensuring the integrity, transparency, and reliability of financial statements and annual reports of companies. To fulfill this crucial responsibility, it is essential for these authorities to implement suitable and effective measures that thoroughly access,

analyze, and scrutinize the financial information provided by companies. In summary, the implementation of suitable and effective measure by regulatory authorities is crucial for thoroughly assessing, analyzing and scrutinizing the financial statement of companies. This promotes financial accountability, detects irregularities and fraud, ensures compliance with accounting standards, assesses financial stability and risk management, enforces transparency and disclosure, and encourages independent audits. These measure collectively foster investor confidence, protect stakeholders' interests, and contributes the to the integrity of the financial system.

Efficient procedures should be implemented by regulatory authorities to promptly identify and detect instances of earnings management practices, ensuring that they do not unduly impact investors' assessment. It is crucial to maintain the integrity of financial reporting and protect investors' interests. Implementing efficient procedures is crucial for regulatory authorities to promptly identify and detect instances of earnings management practices. These procedures reduce information asymmetry, maintain investor confidence, strengthen financial transparency, protect investor's interest, enhance regulatory compliance, promote marked efficiency, and foster collaboration with auditors. By taking proactive measures to combat earnings management, authorities ensure that financial reporting remains reliable, credible, and beneficial to all stakeholders in the financial ecosystem.

Furthermore, companies should strive to adopt approaches in financial reporting to enhance the wealth of their shareholders. It is essential for companies to adopt optimal financial reporting practices. These practices contribute to investor confidence, access to capital, risk management, stakeholder trust, compliance with regulations, informed decision-making and strong investor relations. By prioritizing effective financial reporting, companies can enhance shareholder wealth in the long term.

It is crucial to empower the Nigerian Accounting Standard Board (NASB) to develop a comprehensive and robust accounting regulatory framework. This would include the authority to accept, evaluate, and investigate the financial statements of companies listed on the Nigerian Exchange Limited (NGX), ensuring their compliance with Generally Accepted Accounting Principles (GAAP), International Financial Reporting Standards (IFRS), the Companies and Allied Matters Act (CAMA), and other relevant financial reporting standards.

Also, the Financial Reporting Council of Nigeria (FRCN) and other regulatory bodies should enhance their efforts to enforce strict compliance with the financial reporting framework set forth by the International Financial Reporting Standards (IFRS). This will ensure the production of improved and more credible financial reports that are widely accepted.

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