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CREATIVE ACCOUNTING METHODS AND CORPORATE FAILURE IN NIGERIA

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ABSTRACT

This study examined the relationship between Creative Accounting Methods and Corporate Failure in the Nigeria, specifically Aviation Industry. To carry out this study, Income smoothing, Accounting policy choice and Artificial transactions were used as proxies of creative accounting and Corporate failure as our endogenous variable, the motivation for this research was born out of observed incessant liquidation of air transport firms, some dead almost on arrival and public outcry against the poor management of the industry. the study design adopted was a blend of exploratory and explanatory survey. The study sourced its data from primary sources using structured questionnaire, and the data analysis was done using multiple regression analysis with the aid of SPSS version 25 to test the hypotheses formulated for this study. The results showed that creative accounting has a positive effect on corporate failure, specifically income smoothing and artificial transactions revealed the presence of creative accounting techniques in the industry. However, accounting policy choice showed a contrary result, though this did not invalidate the fact that there is the presence of creative accounting practices in the industry, given the cumulative coefficients of the proxies of independent variable. Based on the research findings, this study concluded that creative accounting techniques has significant effect on corporate failure. And recommended amongst others: the need to discourage the practices of creative accounting in the industry.

KEYWORDS: Creative, Accounting, Methods, Corporate, Failure.

1 INTRODUCTION

The concept of failure may mean different things to different people and different organizations, depending on the area of weakness and inability to achieve set goals or inability to meet societal, industrial or even government expectation of organizations. Its effect cuts across all human endeavours and professions, hence the need to place this important construct on the front burner for discussion. Akpotu and Israel, (2013), argued that corporate business failure has remained a

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threat to sustained economic growth around the globe, and that the situation is made worse as a result of the contemporary global business networks. They explained further that, even with the evolution of corporate governance practices and other strategic managerial and stakeholders' actions failure of firms still remains unabated. While Marius, 2009 drew attention to various research works trying to interpret failure with various models and giving it a clearer definition all to no avail. Because no one universal definition exists, implying that different fields of studies may view and interpret failure as it affects them, thereby making the study of failure an adventure of a sort. In addition, Bamgboye, (2017), sees corporate failure as when a company becomes insolvent and goes out of business, and also that companies that fail have obviously performed badly. The author contended that after a company has failed, it should be possible to analyze the reasons why failure happened and what went wrong. It means that managerial expertise is required to identify the signs of failure in advance, and take steps to deal with the problems and prevent it from happening. It's believed that the ultimate reason for business failure is poor leadership otherwise here referred to as bad management. Because when there is no Leadership there exist bad management, the business becomes vulnerable to external influences from the environment like unhealthy competition, turbulence, fast-moving economy etc., also within the business bad management exposes the business to all manner of sharp practices that may not be in its best interest, the result in most cases could be lack of motivation among staff and management which if allowed to go on unabated could culminate to failure of business.

However, the International Accounting Standard (ISA1) specified the general purpose of financial statements and the objectives of same, to include provision of information about the financial position of companies, its performance and cash flows that is useful to a wide range of users in making economic decisions. Reality has proven otherwise as most preparers of financial statements presents self-serving statements to the detriment of the wider users.

The awareness of creative accounting techniques recently may have broadened the consciousness of financial statements users, thereby attempting to bridge the information gap herein refers to as ''information asymmetry'' in business globally, but the concept is not new in the accounting profession neither is it an illegal practice when performed within the bounds of acceptable accounting provisions. Syed and Safdar, (2011), opined that the subject of Creative Accounting is normally portrayed, maligned as negative act. As soon as these words "Creative Accounting" are mentioned, the image that emerges in one's mind is that of manipulation, dishonesty and deception. They viewed creative accounting as a tool which is much like a weapon and depending on whose hands it is; it could be beneficial or harmful as weapon itself is almost always innocent. Again Ibanichuka and Ihendinihu, (2012), argued that "Creative accounting is the transformation of financial accounting figures from what they actually are to what preparers' desire, by taking advantage of existing rules and/or ignoring some or all of them".

Corporate failure is a monumental problem bedeviling the business community globally, and Nigeria is not immune to this problem. Particularly, the aviation industry in Nigeria which is our focus in this study. Different measures have been taken by the government to salvage the situation with little or no success. Studies abound in other climes about corporate failure, especially in the aviation industry but those studies and recommendations may not be applicable in Nigeria because of differences in political, economic and social cultural environments. A number of researchers have considered creative accounting in relation to different research areas of interest to them, like Ibanichuka and Ihendinihu (2012) focused on the bank and insurance companies, Efiok and Eton (2012) were interested in companies listed in Nigerian stock exchange, Nangih (2017) chose oil servicing companies in Nigeria, Atu, Atu, Enegbe, and Atu, (2016) considered quoted companies in Nigeria, Maria and Hina, (2016) showed interest in the manufacturing industry, Sanusi and Izedomi (2013) considered Nigerian commercial banks etc. Empirical studies on the relationship between creative accounting methods and corporate failure in the Nigerian aviation industry to the best of our knowledge remains very scanty or nonexistent, hence, the choice of this research area to fill the gap.

1.1 Objective of the Study

The specific objectives of the study are stated thus: to

i determine the effect of income smoothing on corporate failure

ii investigate the effect of accounting policy choice on corporate failure iii evaluate the effect of artificial transactions on corporate failure

1.2 Hypotheses:

H_{O}:1 there is no significant effect of Income smoothing on corporate failure
H_{O}:2 there is no significant effect of Accounting policy choice on corporate failure
H_{0}:3 there is no significant effect of Artificial transactions on corporate failure

2.1 Literature Review

Creative Accounting: creativity in accounting is the application of accounting ingenuities in the practice and preparation of annual reports of companies, taking advantage of the inherent flexibilities in the accounting standards. According 123Financial (2020), "The use of methods of recording financial information abo ut a company, which are legal but which do not show the real situation clearly, usually making the company seem more successful than it really is." Therefore, creativity in accounting is not an illegal act to the extent that it does not breach any accounting standard, however most self-servicing accountants might go overboard the take advantage of creativity in manipulating accounting records to the detriment of the unsuspecting users.
In the context of this study we considered the following proxies, to further explain creative accounting:

i **Accounting Policy Choice**: The statement of accounting standard number '8', allows companies and financial statements preparers the opportunity to choose from amongst many accounting policies the one that is best suitable for their operations. Fekete, Damagum, Mustaţă, Matiş and Popa (2010) opined that, financial accounting theory allow companies to choose their accounting (including evaluation) methods in order to provide a true and fair view on their activities. These choices are captured in the accounting policies of the entities and are the foundation for drawing up and interpreting their financial statements. The implication of this freedom have resulted in the adoption of policies, most times arbitrary to manipulate financial statement which ultimately is referred to as creative accounting practice.
ii **Income Smoothing**: This is a practice by most preparers of financial statements to widow dress accounting records, by levelling the accounts using profitable periods to smoothen the periods of losses. like in the words of Kencana, Mukhtaruddin and Iqbal, (2018), that observed that managers in their determination to make their accounts appear worthy financially, may implement Revenue Smoothing, the intention to decrease strange discrepancies in revenue information within the bounds acceptable in accounting does and ethics.

iii **Artificial Transactions**: these are transactions that have the form of literal market exchange but substantially does not fit what they portray. The intent of these forms of transactions may be to achieve desired financial outcome. Ibanichuka and Ihendinihu, (2012) painted a situation where a firm may have an understanding to dispose property to financial firm and rent it again within the span of usefulness of the property with a mind to alter monetary numbers of the records, principally while disposal cost of deal and hire back could be slanted over or under the worth of the property, since discrepancies could be rewarded for by higher or lower hires. Given this model artificial trading, and particularly 'sales and leaseback' it becomes worrisome why a company would choose to sell and lease what was sold back, it defies ordinary sense and reasoning! But very possible and applicable in accounting mostly when creative accounting and earnings management is the focus.

iv **Corporate Failure**: corporate failure otherwise, business failure is a situation where a business entity is face with going concern issues, that causes it not to be able to continue as a business unit. Arasti (2011) opined that in general, many different terminologies are related to business failure, such as firm closures, entrepreneurial exit, dissolution, discontinuance, insolvency, organizational mortality and bankruptcy. Normally, entrepreneurial failure is referred to as the cessation of an operation for financial reasons. However, in the context of this study our concern is the demise of air firms in the aviation industry in Nigeria, with a long history of airlines liquidating their operations some in the very year of formation.

2.2 Empirical Literature

Ibanichuka and Ihendinihu (2012), in their study, examine the relationship between creative accounting and reported financial performance of banks and insurance companies in Nigeria, and the extent creative accounting impacts on their dividend payout ratio. However, they recommended a more stringent regulatory regime with effective enforcement mechanisms to ensure compliance with accounting and auditing standards. Fizza and Qaisar (2015), studied Creative Accounting and Financial Reporting: Model Development and Empirical Testing Empirical Review. The study concluded that a company is involved in frauds or scandals because of several factors like unethical behaviors, agency problem and non-professional attitude. Efiok and Eton (2012), as part of their contribution to knowledge, conducted an appraisal on the impact of creative accounting on management decisions of selected companies listed in the Nigerian Stock Exchange. They concluded that creative accounting through macro-manipulation of financial statements affects a firm's price and capital market performance. Kumshe (2017), also carried out a study on the concept of creative accounting and earnings management with the aim to analyze the concept of Creative accounting and earnings management not only in terms of its history, but also in terms of motivation, techniques, empirical review and its impact on financial reporting. It was concluded that it would be unrealistic to think that it is possible to eliminate creative accounting or earnings management practices at all, however it would be possible to minimize at least the negative effects of creative accounting by adopting the accounting standards, giving more importance to ethical considerations and decreasing the flexibility of the managers in deciding among different accounting methods. Nangih (2017), lend credence to the discussion by examining empirically the influence of creative accounting practices on the quality of financial statements of oil servicing companies in Nigeria. Result of the findings revealed that creative accounting practices by oil servicing companies influenced the quality of their financial statements negatively.

Akabom (2011), examined creative accounting earnings management, professional and ethical issues in creative accounting, and their effects on modern financial reporting. The study pointed out that, research and education is needed to update the accountant, to develop his initiative and innovations to enable him cope with the challenging and growing business environment. Atu et al (2016), examined the determinants of earnings management using selected quoted companies in Nigeria. They recommended that, there is the need for companies to consider the need to increase their board independence. Again companies must ensure that the auditors' they engage are credible and have a track record of delivering reports that show the actual state of affairs of a company.

Yadav (2013), studied the effect of creative accounting on the performance of the company which uses these techniques to manipulate their accounts to show desired results. The author, proposed that corporate governance can play an important role in financial reporting of the companies because financial report shows the state of affairs of the company and investor's decisions are on the basis of the financial reports of the companies, and recommended professional and manager's ethical responsibility. While Maria and Hina (2016), examined Intellectual modifications (creative accounting) in financial reports. Results of this research explored the positive association between agency problem and creative accounting while corporate governance, company's ethical value, company's future orientation have negative impact on creative accounting. It is also verified that creative accounting has significant negative impact on reliability as well as objectivity of financial reporting. Sanusi and Izedonmi (2013), carried out an empirical investigation on the opinions of experienced staff of commercial banks on creative accounting practices in Nigerian commercial banks, their findings revealed that, the major reason for creative accounting practices in Nigerian commercial banks is to boost the market value of shares; they recommended the streamlining of accounting principles and rules to reduce diversities of professional judgment in financial reporting to help minimize creative accounting practices, also that creative accounting should be considered as a serious crime, therefore effort be made to stop it.

Idris, Kehinde, Ajemunigbohun, and Gabriel, (2012), examined the practice of creative accounting, its nature, techniques, and prevention. Their findings revealed that the practice of creative accounting is always a deliberate attempt to gain undue advantage by management and also to deceive the stakeholders of the firm, by presenting a good view of the financial position of the firm. However, recommended punitive measures against the culprits to stop the practice. Khadijat (2014), carried out an empirical investigation into creative accounting practices in Nigeria. The study revealed that creative accounting practices have adverse effects on the quality of financial information. Therefore, recommended that corporate institutions should comply with the new International Financial Reporting

Standard in order to reduce creative accounting practices. The introduction of punitive measures could also assist in curbing the act of creative accounting in Nigeria.

2.3 Agency Theory

Agency theory as propounded by Jensen and Meckling (1976), explained the fiduciary relationship that exists between the owners of business units and the managers of same. This relationship is to the extent that contemporary businesses have separate ownership from management, meaning that those who have the responsibility to manage most businesses are hired to do so, on behalf of the owners here referred to as shareholders.

Atu, Atu, Enegbe, and Atu. (2016), assert that, the agency theory is based on the relationship between the principal (owners) and the agent (managers). The separation of ownership from management in modern corporations provides the context for the function of agency theory. Modern organizations have widely dispersed ownership, in the form of shareholders, who are not normally involved in the management of their companies. In this instance an agent is appointed to manage the daily operations of the company. This distinction between ownership and control creates the potential for conflicts of interest between agents and principals, which result in costs associated with resolving these conflicts.

This study is hinged on the Agency theory, as evidences abound that the management and ownership of corporate businesses in Nigeria are separated creating the principal/agent relationship. The agency theory has it proponents and opponents, be that as it may the researcher believes that agency relation remains the catalyst to corporate existence as the owners of business units most often may not have the technical knowledge suitable to run their organizations, hence the need to hire an agent(s) with the requisite skills to do so. Though instances are, were the agents may be self-serving, the unethical act may lead to corporate failure. However, agency relationship still remains perhaps the 'necessary evil' in the corporate world.

3 Methodology

The research design adopted in this study is a blend of exploratory and explanatory research (cross sectional survey and purposive sampling) designs. The nature and source of data for this study was from primary source, with the help of well-structured questionnaire. To establish the relationship between the independent and the dependent variables, multiple regression analysis tool was used and the results obtained form the basis for our discussion and conclusions.

We employed the face and content validity in this research, we involved the experts to look at the items in the questionnaire and agreeing that the test is a valid measure of the concept which is being measured just on the face of it. The content validity was achieved by subjecting our questionnaire for review of all the items in the questionnaire for readability, clarity and comprehensiveness and come to some level of agreement as to which items should be included in the final questionnaire. We achieved reliability by ensuring internal consistency, as evidenced from our structured questionnaire, odd/even items like strongly disagree = 1 to strongly agree = 5. Relevant experts were consulted to critically examine the instrument used in this research exercise, and experts' opinion affirmed the reliability of the instrument used in this study. Bolarinwa (2016), painted a clear picture of the need for validity and reliability of instruments in research, the author asserts thus; Validity expresses the degree to which a measurement measures what it purports to measure, and described several varieties, including face validity, construct validity, content validity and criterion validity. While on reliability the author opined that, reliability refers to the degree to which the results obtained by a measurement and procedure can be replicated.

However, a functional form of the model used in this research is specified as follows:

CFE = f[ING, APC, ATS, OVS] ………………………………………………………………… 1

Where

CFE = Corporate Failure

ING = Income Smoothing

APC = Accounting Policy Choice

ATS = Artificial Transactions

OVS = =Other Variables

Accordingly, we specify:

$CFE = \alpha o + \alpha_1 ING + \alpha_2 APC + \alpha_3 ATS + et$ ………………………………………………… 2

The logarithmic transformation of equation 2 is designed to bring the variables to the same base hence the model becomes:

LN CFE = $\alpha o + \alpha_1$ LnING + α_2LnAPC + α_3LnATS + et……………………………………. 3

Where

αo = Intercept term (parameter)

α_1-α_3 = Parameter known as partial regression coefficient

et = Error term or unexplained variable.

4 Results and Discussion

Descriptive statistics

Presented below is the descriptive statistics of the data set collected for this study. These data were keyed into the SPSS version 25 statistical package which generated the result as presented in tables below.

Table: 1

	N	Minimum	Maximum	Mean	Std. Deviation	Skewness		Kurtosis	
Descriptive statistics	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
ING	92	26	35	29.63	1.868	.536	.251	.023	.498
APC	92	30	40	32.95	1.718	1.547	.251	4.695	.498
ATS	92	30	41	33.39	1.851	1.424	.251	3.759	.498
CFE	92	106	116	110.07	2.394	.850	.251	-.020	.498
Valid N (listwise)	92								

Because of the uniqueness of this research, we analyze the result in sections, starting with the descriptive statistics. This is to enable us understand the impact of creative accounting on corporate failure. Table 1 shows the result of the descriptive statistics. From the result, it can be observed that the mean values of CFE, ING, APC, and ATS respectively are 110.07, 29.63, 32.95, and 33.39 with their standard deviations of 2.394, 1.868, 1.718, and 1.851 ranging from 106 to 116, 26 to 35, 30 to 40, and 30 to 41 respectively. The kurtosis as revealed in the table indicates that, ING and CFE with the values .023 and -.020 less than 1are platykurtik. While APC and ATS with values, 4.695 and 3.759 are leptokurtic. In like manner skewness is showed in the descriptive statistics table as; ING and CFE with values .536 and .850, which are less than 1outside the range implying the that there are left skewed. While APC and ATS, with values 1.547 and 1.424, greater than 1, implied that the distribution is rightly skewed. The minimum and maximum values as shown in the table are 26, 30, 30 and 106 for ING, APC, ATS and CFE. With corresponding maximum values thus; 35, 40, 41 and 116.

The result also indicates that, from the respondents sampled in this research, majority of them tilt towards the same line of reasoning as regards the questions posed to them. While mean is used to find the convergence of variables, standard deviation is to find the dispersion of the data. From the descriptive statistics, the mean showed that majority of the respondents, responded alike and the dispersion proved to be minimal. Implying that majority of the firms sampled in the aviation industry are engaged in creative accounting practices, except for few firms that are free from creative accounting practices.

As evidenced from the descriptive statistics result above, a high 29.63% mean for income smoothing with its corresponding, lower 1.868% standard deviation indicates that most of the firms sampled in the aviation industry are engaged in income smoothing practice, except for the 1.868% that are free from such practice. In the same vain we observed, a higher 32.95% mean for Accounting policy choice with corresponding standard deviation lower at 1.718%, also a higher 33.39% mean for Artificial transactions, has a corresponding standard deviation lower at 1.851%. the descriptive statistics result signal that, there is the presence of creative accounting technique practices in the aviation industry.

REGRESSION

Table 2

Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	LnATS, LnING, LnAPC[b]	.	Enter

a. Dependent Variable: LnCFE
b. All requested variables entered.

Model Summary

Table 3

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.769[a]	.592	.578	.00609

a. Predictors: (Constant), LnATS, LnING, LnAPC

Table 3, is model summary, this showed the extent to which the independent variable is able to explain the dependent variable. Statistically, model fitness of 51% and above is considered suitable. From the above result, 'R' denotes the relationship between the combined independent variables with the dependent variable, which is 76.9% between creative accounting variables and corporate failure. R Square is simply the coefficient of variation that shows the extent to which the combined independent variables predict a change or variation in the dependent variable. Our model summary has revealed that, creative accounting variables triggered a 59.2% variation in corporate failure at a standard error of 0.00609, with adjusted R Square of 57.8% this implies that our model is statistically fit for the study.

ANOVA[a]

Table 4

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.005	3	.002	42.525	.000[b]
	Residual	.003	88	.000		
	Total	.008	91			

a. Dependent Variable: LnCFE
b. Predictors: (Constant), LnATS, LnING, LnAPC

Table 4, further affirms the fitness of our model, in our model a sig value of 0.000 suggests that our model specification is statistically fit and satisfies the regression line. It means that a model with a sig value of less than 0.05 levels is considered fit.

Coefficients[a]

Table 5

Model		Unstandardized Coefficients B	Unstandardized Coefficients Std. Error	Standardized Coefficients Beta	T	Sig.
1	(Constant)	1.535	.047		32.843	.000
	LnING	.163	.029	.471	5.707	.000
	LnAPC	.079	.052	.185	1.517	.133
	LnATS	.096	.046	.239	2.081	.040

a. Dependent Variable: LnCFE

Test of Hypothesis

Hypothesis one

The six hypothesis were tested in pairs to establish the relationship between creative accounting methods and corporate failure in the Nigerian aviation industry.

H_O: there is no significant effect of income smoothing on corporate failure

H_1: Income smoothing have a significant effect on Corporate failure

Decision Rule

Accept H_0: if calculated T-statistics value <Tabulated T-Statistic value

Reject H_0: if calculated T-statistics value >tabulated T-Statistics value.

From the regression result,

Calculated T-statistics value = 5.707

Tabulated T-Statistics critical value = 1.984

Since the tabulated T-Statistics value of 1.984 is less than the calculated T-statistics value of 5.707 at 5 percent level of significance, we reject the null hypothesis and accept the alternative hypothesis. It therefore means that Income smoothing does have a significant effect on corporate failure in the aviation industry in Nigeria.

Hypothesis two

H_O:2 there is no significant effect of accounting policy choice on corporate failure

H_1: Accounting policy choice does have significant effect on corporate failure

Decision Rule

Accept H_0: if calculated T-statistics value <Tabulated T-Statistics Value

Reject H_1: if calculated T-statistics value >Tabulated T-Statistics Value.

From the regression result,

Calculated T-statistics value = 1.517

Tabulated T-Statistics critical value = 1.984

Since the calculated T-statistics value of 1.517 is less than the Tabulated T-Statistics value of 1.984 at 5 percent level of significance, we accept the null hypothesis. It therefore means that Accounting Policy Choice do not have a significant effect on Corporate failure in Nigeria aviation industry

Hypothesis three

H_0:3 there is no significant effect of artificial transactions on corporate failure

H_1: Artificial transactions does have a significant effect on corporate failure

Decision Rule

Accept H_0: if calculated T-statistics value <Tabulated T-Statistics value

Reject H_0: if calculated T-statistics value >Tabulated T-Statistics value.

From the regression result,

Calculated T-statistics value = 2.081

Tabulated T-Statistics critical value = 1.984

Since the calculated T-statistics value of 2.081 is greater than the Tabulated T-Statistics value of 1.984 at 5 percent level of significance, we do not reject the null hypothesis. It therefore means that Artificial Transaction have significant effect on Corporate failure in Nigeria aviation industry.

Discussion of findings

This study is unique and specifically focuses on creative accounting, as measured by income smoothing, accounting policy choices and artificial transactions. All variables considered for the study shows positive mean values to corporate failure. However, the largest mean value has been observed in corporate failure, which is not surprising as the variable was measured using two dimensions; bankruptcy and bad management with a value of 110.07. followed by artificial transactions with a mean of 33.39, closely followed by accounting policy choices with a mean value of 32.95 and income smoothing with a mean value of 29.63 respectively. The least variable by mean average is income smoothing with a mean of 29.63. Therefore, all variables showed the presence of creative accounting in the aviation industry, though income smoothing reveals the least mean, this may not be unconnected with the strict provisions in the international accounting standards as adopted and operational in Nigeria, that bars firms from arbitrarily adjusting fluctuations in financial reports from pick periods to periods of loss. A cursory look at the mean values of all the variables sampled suggest that the mean values tilt to each other. This is not surprising, because array of respondents for this study were experienced people in the industry so that their responses seem alike. Hence, most respondents were similar in thoughts, however, this provided a veritable platform to enable us establish the presence of creative accounting in the industry. The descriptive statistics Table showed the mean values of CFE, ING, APC, and ATS respectively 110.07, 29.63, 32.95, and 33.39 with their standard deviations of 2.394, 1.868, 1.718, and 1.851 ranging respectively from 106 to 116, 26 to 35, 30 to 40, and 30 to 41. The essence of using descriptive statistics was to check the raw data for outliers, and confirm if the samples were normally distributed, this was confirmed that samples were normally distributed. It was revealed that, the combined independent variables with the dependent variable, is 76.9% between creative accounting variables and corporate failure from the descriptive statistics result. Our model summary revealed that, creative accounting variables triggered a 59.2% variation in corporate failure at a standard error of 0.00609, with adjusted R Square of 57.8% affirming our model is statistically fit for the study. The three hypothesis were tested, the first relates to income smoothing, and the null hypothesis rejected to accept the alternative hypothesis, the second relates to accounting policy choices and the null hypothesis accepted, while the last relating to artificial transactions, the null hypothesis was rejected. Ultimately, our findings revealed that there is evidence of creative accounting in the aviation industry.

5 Conclusion /Recommendation

This study was carried out to determine the impact of creative accounting methods on corporate failure specifically in the Nigerian aviation industry. The main aim was to investigate how creative accounting techniques practices influence corporate failure in the industry. The results showed that major variables like income smoothing and artificial transactions revealed the presence of creative accounting techniques in the industry. However, accounting policy choice showed a contrary result, which did not invalidate the fact that there is the presence of creative accounting practices in the industry given the mean values and coefficients of the combined variables of the independent variable. Our results indicated that creative accounting had a significant effect on corporate failure in the Nigerian aviation industry. We, therefore, conclude that creative accounting techniques has significant effect on corporate failure. We however, recommend amongst others; The need to discourage the practice of income smoothing and artificial transactions techniques of creative accounting in the industry since they have proven to be prevalent in the industry. Again accounting policy choices should be encouraged, to overcome manipulative accounting practices.

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