GSJ: Volume 8, Issue 7, July 2020, Online: ISSN 2320-9186
www.globalscientificjournal.com

EFFECT OF CORPORATE GOVERNANCE ON ACCOUNTING PRACTICE IN NIGERIA AS A DEVELOPING ECONOMY

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Abstract

This paper investigates the effect of corporate governance on accounting practice in Nigeria developing economy. Three objectives were raised alongside with three hypotheses. The research design adopted for the study is expo facto research design. The population of the study consists of all the 10 companies in the oil and gas sector quoted in the Nigeria Stock Exchange as at December 2018. The time period for the study was 2010-2018, a longitudinal data and binary logistic regression analysis was carried out to determine the desire relationship on the model of the study. The findings reveals that (BOSIZE) has significant and positive relationship with accounting practice (ACCTPRA), Next board independence (BOINDEP) has a significant and positive relationship with accounting practice. The study recommended among others that, companies in Nigeria should improve more on their level of accounting practice by paying closer attention to corporate governance mechanisms as a means of improving on the quality of accounting practice as this will greatly enhance the growth in a developing economy. Also, financial reporting council (FRC) and other the regulatory bodies of financial reporting in Nigeria should come up with a uniformity, mandatory compliance guideline for oil and gas companies to follow in engaging on accounting practice.

Keywords: Corporate Governance, Board Size, Independence, Accounting Practice, Developing Economy

INTRODUCTION

In developed and developing economies the accounting profession and practice is of relevance to public and private sector of the economy such as in the case of Nigeria. Even at this, several sectors have witnessed cases of collapses or failure; in Nigeria for instance, weak corporate governance has been at the core of all recent episodes of crisis in this sector. (Habib, & Azim, 2008; Dombin, 2013)

Corporate governance aided with good accounting practice provides fundamental information to a wide range of policy makers in both the corporate and non-corporate sectors of the economy – shareholders, management, government, creditors and society at large. This information is a vital input to effective and efficient management, and requires attention in practices. More specifically, (Ngwube, 2013) added a dynamic and competing financial institution environment calls for improved observations, measurement and transparent disclosure of operations. As professionals, as stewards, we have a sworn oath of ethical responsibility to do what is right. Our responsibility is first to the public before our personal or boss's interests, failure to do which will result to a chain of negative consequences. (Orazalin, Makarov, & Ospanova, 2014)

One of the most striking differences between countries' corporate governance systems is the difference in the ownership and control of firms that exist across countries. Systems of corporate governance can be distinguished according to the degree of ownership and control and the identity of controlling shareholders. While some systems are characterized by wide dispersed ownership (outsider systems), others tend to be characterized by concentrated ownership or control (insider systems). In outsider systems of corporate governance (notably the US and UK) the basic conflict of interest is between strong managers and widely-dispersed weak shareholders. In insider systems (notably Germany and Japan), on the other hand, the basic conflict is between controlling shareholders and weak minority shareholders. (Vitez, 2014)

These differences are also rooted in variations in countries' legal, regulatory, and institutional environments, as well as historical and cultural factors.

(Sufian, & Zahan, 2013) admitted that one key element of improving microeconomic efficiency is corporate governance. Corporate governance affects the development and functioning of capital markets and exerts a strong influence on resource allocation. It impacts upon the behaviour and performance of firms, innovative activity, entrepreneurship, and the development of active businesses in developing economy. Adewuyi, & Olowookere, 2008

Meanwhile, in transition economies, privatization has raised questions about the way in which private enterprises should be governed. It is thought that poor corporate governance mechanisms in these countries have proved, in part, to be a major impediment to improving the competitiveness of firms. (Adewuyi, & Olowookere, 2008) added that better corporate governance, therefore, both in developed and developing countries should manifest itself in enhanced corporate performance and can lead to higher economic growth.

There is sparse literature as regard the issue of the effect of corporate governance on accounting practice in developing economy especially in Nigeria, while on the other hand, a lot of studies have be conducted on the impact of corporate governance using, other variables most of which subdivide corporate governance based on shareholder and stakeholders .To this end, this paper provides a survey of empirical evidence on the link between corporate governance, accounting practice in developing economy.

Objectives of the Study

The study specifically attempts to achieve the following objectives:

(i) To examine the effect of board size on accounting practice in developing economy

(ii) To examine the impact of board independence on accounting practice in developing economy

(iii) To examine the relationship between ownership concentration and on accounting practice.

Research Hypothesis

Hypothesis one

Ho: Board size has no significant effect on accounting practice in developing economy.

Hypothesis two

Ho: Board independence has no significant impact on accounting practice in developing economy.

Hypothesis three

Ho: Ownership concentration has no significant relationship with accounting practice in developing economy.

Literature Review and Conceptual Framework

Corporate Governance

Corporate governance is a concept that emerged following the growth of corporations in the 20th century, and in particular, following the stock market crash in 1929, which led scholars to argue for corporate governance mechanisms that would allow shareholders to keep companies in check (Wendel, 2014). (Adodepe, 2014) emphasize that a lot of scholars however attribute the considerable interest in corporate governance practices in modern corporations to the high profile collapse of a number of large firms in the US such as the Enron Corporation

Corporate governance is simply defined as the acceptance by management of the alienable rights of shareholders as the true owners of the corporation and their role as the trustees on behalf of the shareholders (Dombin, 2013).

A report by (World Bank, 2006) defines corporate governance as the structures and processes for the direction and control of companies; in order words, corporate governance concerns the relationship amongst the management, board of directors, controlling shareholders, minority shareholders and other stakeholders.

(Dar, Naseem, Rehman & Nazi, 2011) opines that corporate governance serves two major indispensable purpose which are (i)to enhance the performance of corporations by establishing and maintaining a corporate culture that motivates directors, managers and entrepreneurs to maximize the company's operational efficiency thereby ensuring returns on investment and long-term productivity. (ii)it ensures the conformance of corporations to laws, rules and practices which provide a mechanism to monitor directors' and managers' behaviour through corporate accountability that in turn safeguards the investor interest.

(Mgbame, & Onoyase, 2015) emphases that corporate governance has been used in many different ways and the boundaries of the subject vary widely. In the economics debate concerning the impact of corporate governance on performance, there are basically two different models of the corporation, the shareholder model and the stakeholder model. In its narrowest sense (shareholder model), corporate governance often describes the formal system of accountability of senior management to shareholders. In its widest sense (stakeholder model), corporate governance can be used to describe the network of formal and informal relations involving the corporation. More recently, according to (Uwuigbe & Jafaru, 2012), the stakeholder approach emphasizes contributions by stakeholders that can contribute to the long term performance of the firm and shareholder value, and the shareholder approach also recognizes that business ethics and stakeholder relations can also have an impact on the reputation and long term success of the corporation.

The Shareholder and Stakeholders Models of Governance

According to the shareholder model the objective of the firm is to maximize shareholder wealth through allocative, productive and dynamic efficiency i.e. the objective of the firm is to maximize profits. The criteria by which performance is judged in this model can simply be taken as the market value (i.e. shareholder value) of the firm. Therefore, managers and directors have an implicit obligation to ensure that firms are run in the interests of shareholders. (Adewuyi, &

Olowookere, 2008) added that the underlying problem of corporate governance in this model stems from the principal-agent relationship arising from the separation of beneficial ownership and executive decision-making. (Epps, & Ismail, 2008) believed it is this separation that causes the firm's behaviour to diverge from the profit maximizing ideal. This happens because the interests and objectives of the principal (the investors) and the agent (the managers) differ when there is a separation of ownership and control. Since the managers are not the owners of the firm they do not bear the full costs, or reap the full benefits, of their actions.

Therefore, although investors are interested in maximizing shareholder value, managers may have other objectives such as maximizing their salaries, growth in market share, or an attachment to particular investment projects. (Vituz, 2014)

On the other hand the stakeholder model takes a broader view of the firm. According to the traditional stakeholder model, the corporation is responsible to a wider constituency of stakeholders other than shareholders.(Ngwube, 2013). Other stakeholders may include contractual partners such as employees, suppliers, customers, creditors, and social constituents such as members of the community in which the firm is located, environmental interests, local and national governments, and society at large. Orazalin, Makarov, & Ospanova, 2014). This view holds that corporations should be "socially responsible" institutions, managed in the public interest. According to this model performance is judged by a wider constituency interested in employment, market share, and growth in trading relations with suppliers and purchasers, as well as financial performance (Sufian & zahan, 2013)

According to the stakeholder model, corporate governance is primarily concerned with how effective different governance systems are in promoting long term investment and commitment amongst the various stakeholders, (Glogal Reporting Initiative, 2011), for example, states that "the central problem of governance is to devise specialized systems of incentives, safeguards, and dispute resolution processes that will promote the continuity of business relationships that are efficient in the presence of self interested opportunism". (Habib & Azim, 2008)

Shareholders right and firm performance have been seen to be related. Shareholder rights reflect the balance of power between shareholders and management. According to (Ashbaugh-Skaife & Collins, 2005), "A key element of this dimension is whether the firm maintains a level playing field for corporate control and whether it is open to changes in management and ownership that provide increased shareholder value". (Gompers, Ishii & Metrick, 2003) compute a corporate governance index from 24 governance factors grouped into 5 and via this establish a positive association between stronger shareholder rights and higher firm value. (Barber, Kang, & long, 2005) in a cross-sectional study of a large sample of widely-held U.S. Firms find that firms with significant restrictions against shareholder participation have greater propensity to commit accounting misstatement. Firms with weaker shareholder rights have also been found to exhibit significant operating underperformance (Core et al, 2005), higher expected returns (Chen, Chen & Wei, 2004), higher credit ratings (Ashbaugh-Skaife & Collins, 2005).

Chidambaran, Palia, & Zheng, 2007) however, find no significant relationship between shareholders right and firm performance. Debt, corporate governance and performance have been linked together. For instance, debt owed to large creditors is expected to improve firm performance, since the creditors tend to see to it that the firm is well managed (Sanda, Mukailu, & Garba, 2005). (Sakai & Asaoka, 2003) in a panel data of over 400 Japanese firms find that higher debt-asset ratio improves firm performance. This is consistent with Sanda et al (2005) in the case of Nigeria.

(Holmstrom & Kaplan, 2005) note the doubling of large institutional investors' share of ownership of U.S. corporation, and according to them, "the large increase in the shareholding of institutional investors means that professional investors – who have strong incentives to generate greater stock returns and are presumably more sophisticated own an increasing large fraction of U.S. Corporation". This view is also confirmed in Chidambaran et al (2007) where a direct relationship is established between institutional shareholding and performance. However, (Edwards & Hubbard, 2005) find that despite the very substantial growth of institutional ownership of U.S. Corporations in the past 20 years, there is little evidence that they acquire the kind of concentrated ownership positions required to be able to play a dominant role in corporate governance process.

Board size

The issue of board of directors as a mechanism of corporate governance can be looked at from various perspectives. Ogbechie (2010), for instance, cites that board of directors could be subdivided into board size, board leadership, board composition, board independence, board diversity and board culture. Board size according to (Bell, 2011) refers to the total number of directors on the board of any corporate organization; there is no universal ideal number of board sizes, however, there are many schools of thoughts on board size with corresponding justifications. boards are likely to have more knowledge at their disposal. (Adewuyi, & Olowookere, 2008), goes further to define board leadership structure as a situation where two individuals serve in the roles of the CEO and board chairman.

Board size and firm performance have been correlated. For instance, it has been found that the smaller the board size, the more efficient it is expected to be (Adelegan, 2007a). Some studies have been able to confirm the above thesis (Kyereboah- Coleman & Biekpe, 2004; Sanda et al, 2005; Moustafa, 2006) while others (Magbagbeola, 2005; and Chidambaran et al, 2007) refute it. Adelegan (2007a) has found the average board size of Nigerian listed firms to be nine; this is still within the range recommended by Olowookere, 2008) and close to Sanda et al (2005) which recommend a 10-member board for Nigerian listed firms.

Board independence

(Ogbechie & Koutopoulos, 2010) classifies board composition into insider directors (i.e those directors that are managers and/or current officers in the firm) and outsider directors (i.e non-manager directors). He goes further to subdivide outside directors as affiliates (directors who are non-employees but have personal relationship with the company and independent directors who are those that have neither personal nor business relationships with the company. Board independence on the other hand can be defined as the percentage of non-executive directors within the board (Al- Fayoumi, Abuzayed, & Alexander, 2010). The code of best practices of corporate governance stipulates that audit committee should be established with the key objective of raising the standard of corporate governance and should be composed of strong and independent persons (ICAN, 2007). The common number of the audit committee members as found in the course of this research is six. The bulk of annual reports examined indicate that audit committee members are often split between representatives of shareholders and directors (in a 50/50 ratio).

The proportion of outside directors sitting on the board of a firm (board independence) has been proposed to aid firm value. This is based on the arguments that independence is the cornerstone of accountability (Mgbame & Onoyase, 2015), and directors who are independent of the management strive at maximizing firm performance (MacAroy, & Millstein, 2005). Scholars like

Gillian (2001a) have argued contrarily. Their point is that high-powered executives may possess more information with which they influence the independent directors so as to create a systematic bias toward management. In (Ashbaugh-Skaife & Collins, 2005) view board independence is positively related to firm credit ratings, Chidambaran et al (2007) also establish a direct relationship between the number of outsider on the board and firm performance, (Lee et al, 2005) find that board independence strengthens the positive association between firm performance and pay dispersion. (Magbagbeola, 2005) confirms a positive and significant relationship between non-executive director and Nigerian banks return on assets.

Conversely, Sanda, et. al.,2005; Adenikinju, 2005) establish an insignificant relationship between firm performance and board independence in Nigeria, while in (Ogbechie, & Koutopoulos, 2010), more outsiders on the board is negatively related to performance.

Adelegan (2007a) shows that shareholders are adequately represented on the boards of Nigerian listed firms, since 79% of board members are outsiders.

Combining the roles of a firm chairman and CEO in one person (executive duality) is identified as an undue concentration of power which is likely to adversely affect proper decision making and firm performance (CBN, 2006). Sanda et al (2005) employing pooled Ordinary Least Squares regression analysis on panel data for the period of 1996 through 1999 for a sample of 93 firms listed on the Nigerian stock exchange find that separating the posts of CEO and Chair works in favour of the firm.

Ashbaugh-Skaife and Collins (2005) assert that a reduction in the CEO power covary with firm credit ratings. These results are also confirmed in Moustafa (2006). For Nigeria, Adelegan (2007a) establishes that 92% of the boards of directors of quoted firms in Nigeria have chairman different from chief executive officer.

Ownership Concentration

Ownership structure of a firm is characterized by managerial ownership, block holder ownership and government ownership (Arguden, 2010). Block holder ownership represents the percentage of ordinary shares owned by substantial shareholders (5% or more); large block holder ownership therefore means that shares are controlled by a small group of people, hence ownership is concentrated (Mgbame & Onoyase, 2015). Governance mechanisms can be enhanced by block holders who have a strong incentive to closely monitor management, i.e their large shares makes it worthwhile for them to spend time, effort and expense closely to monitor their investments; however, block holders can also create entrenched position in which the majority shareholders abuse their position of dominant control to the detriment of the minority shareholders (Beredugo, & Mefor, 2012).Managerial ownership on the other hand, means a large proportion of shares are owned by the management of the company (Adeyemi, & Fagbemi, 2010), while government ownership indicates that a greater proportion of a firm is owned by the government. Another form of ownership structure identified can be found in the empirical study conducted by Rouf and Harun (2011).

A link between block holding/ownership concentration and firm performance has been established. Block holding refers to the proportion of a firms shares owned by a given number of the largest shareholders. A satisfactory measure of ownership structure as a means of indicating control structure must reflect the distribution of both shareholding and shareholders .And a high concentration shares tends to create more pressure on managers to behave in ways that are value maximising (Sanda et al, 2005). A competing view in the literature suggests that concentrated ownership allows undue influence over management to secure benefits that are detrimental to minority stakeholders (Adeyemi, Fagbemi, 2010).

(Sakai, & Asaoka, 2003) document that an increase in the ratio of blockholders' shareholding improves firm performance in Japan for the period 1979-2001. Sanda et al (2005) also establish same in the Nigerian case.

Other studies like (Moustafa, 2006; Cremers, & Nair, 2003) have similar arguments. On the other hand, (Ashbaugh-Skaife, & Collins, 2005) find firms credit ratings to be negatively associated with the number of blockholders that own at least 5% ownership in the firm, while (Adenikinju, & Ayonrinde, 2001) find no relationship between ownership concentration and accounting profit rates. Saying that ownership Concentration is high in Nigeria with the largest shareholders own an average of 32.65% equity, and an average of 13.42% of equity is owned by directors (Sanda et al, 2005).

Methodology

The research design adopted for the study is expo facto research design. The population of the study consists of all the 10 companies in the oil and gas quoted in the Nigeria Stock Exchange as at December 2018. The 10 companies were selected as the sample for this study. This investigation has adopted the use of the corporate annual report of firms as the source of data. This choice arises due to the fact that they are readily available, accessible and also provides a greater potential for comparability of results. The annual reports of the selected listed firms for the time period of 2010-2018 were used. A longitudinal data is used to account for individual heterogeneity of the sample companies. Binary logistic regression analysis was carried out to determine the desire relationship on the model of the study.

Model Specification

A multiple regression econometric model is specified below. By definition, a multiple regression econometric model is one that seeks to explain variation in the values of the dependent variable on the basis of changes in the independent variables. The assumption is that, the dependent variable is a linear function of the independent variables.

The functional form of the model is express as:

ACCTPRA = F (OWNERCON, BOSIZE, BOINDEP)……………………..…………… (i)

The multiple regressions model with an error term (μt) is express in equation (ii)

ACCTPRA = βo+ β1 BOSIZE + β2 BOINDP + β3 OWNERCEN + μt ………………. (ii)

Where:

βo= constant.

β1, β2 & β3 = coefficients of the explanatory variables

μt = error term over cross section and time.

Operationalization of Variables

Table 1: Research Variables Definition/Measurement

Variables	**Acronyms**	**Operationalization**
Dependent variable Accounting practice	ACCTPRA	Variable are assign a value of “1” if accounting practice issues are disclosed and “0” if otherwise.
Independent variables Board independence	BOINDEP	% of the independent directors on the board of the company
Board size	BOSIZE	Total number of directors on the board of the organisation.
Ownership concentration	OWNERCON	The proportion of shares owned by the managers of the company.

Presentation and Analysis of Result

Table 1: Descriptive Statistics

	ACCTPRA	BOINDEP	BOSIZE	ONWERCON
Mean	1	0.55	9	0.85
Median	1	0.58	9	0.94
Maximum	1	1	16	0.99
Minimum	1	0.06	5	0.08
Jarque-Bera	N/A	1.79	4.25	57.87
Probability	N/A	0.41	0.12	0
Observations	42	42	42	42

Source: Researchers' Compilation (2020)

The results of the descriptive statistics of variables are reported in table 1 above. The results showed that the average accounting practice (ACCTPRA) for the sampled period under consideration is 1. While the maximum and minimum ACCTPRA is respectively 1 and 1. This result is expected since the data on ACCTPRA is a dummy variable representing whether accounting practice activities were reported or not. So the expected statistical values are 1 for mean, minimum and maximum respectively. The value of board size (BOSIZE) is another important variable in our study. The average value of BOSIZE is 9. But it recorded minimum and maximum values of 5 and 16 respectively. The minimum and maximum values of audit committee independence (BOINDEP) are 006% and 1% respectively. On the average, BOINDEP is 0.55%. Our final variable under this consideration is ownership consideration (OWNERCON) which has 0.85%, 0.99% and 0.08% for mean, maximum and minimum respectively.

Aside the mean values, the Jarque Bera statistics and most of the associated probabilities indicated that the distribution of the variables assumes a normal shape.

Table 2: Correlation Matrix

Correlation t-Statistic Probability	ACCTPRA	BOSIZE	BOINDEP	ONWERCON
ACCTPRA	1.000000 ----- -----			
BOINDEP	0.234471 2.853856 0.0050	0.161735 0.955653 0.3460	1.000000 -------- --------	
BOSIZE	0.201913 2.439306 0.0160	1.000000 -------- --------		
ONWERCON	0.094544 1.123691 0.2631	-0.282988 -1.720416 0.0944	-0.086803 -0.508064 0.6147	1.000000 ----- -----

Source: Researchers' Compilation (2020)

In an attempt to explore the relationship between variables used in the study, we carried out correlation analysis using Pearson product moment correlation method. The table 2 above shows the relationship of how the variable relate to one another in the sampled data gathered from our sampled firms. The table shows that the co-efficient of correlation of a variable with respect to itself is 1.000. This indicates that there exists a perfect correlation between a variable with respect to itself. The result also showed that there exist a high positive relationship between board size (BOSIZE) and board independence (BOINDEP) with accounting practice (ACCTPRA). This means that the strength of relationship between BOSIZE and BOINDEP with ACCTRA are quite strong. But ownership concentration (OWNERCON) had negative relationship with accounting practice (ACCTPRA). The statistical implication of this is that BOSIZE and BOINDEP had significant relationships with ACCTPRA since they had p-values >0.05 but OWNERCON had p-value < 0.05.

Table 3: Estimation of variables

Variable	Coefficient Std.	Error	t-Statistic	Probability
C	1.000000	1.60E-15	6.26E+14	0.0000
BOINDEP	1.68E-16	6.87E-16	0.245140	0.0183
BOSIZE	2.50E-15	1.62E-15	1.546871	0.1147
ONWERCON	5.83E-15	1.03E-15	5.654390	0.8079
R-squared	0.370827	Mean dependent variable		16.63380
Adjusted R-squared	0.350627	S.D. dependent variables		2.335295
S.E. of regression	2.275412	Akaike info criterion		4.509964
Sum squared resid	714.4950	Schwarz criterion		4.593227
Log likelihood	-316.2074	Hannan-Quinn criterion		4.543799
F-statistic	3.506374	Durbin-Watson statistic		1.701912
Prob(F-statistic)	0.017144			

Source: Researchers' Compilation (2020)

From the pooled ordinary least square (OLS) regression result above on table 3, it was observed that the goodness of fit for the model is rather impressive. The results show that about 37 percent of the systematic variations in accounting practice (ACCTPRA) are explained in the model. The model has a fairly good explanatory capacity. The F-value of 3.5 shows the overall significance of the entire model. The F-value in the result is significant at the 10 percent level.

The result reveals that board size (BOSIZE) is statistically significant at 5%. Also, board independence (BOINDEP) is statistically significant at 5% level. However, ownership concentration (OWNERCON) is statistically insignificant. The sign of the coefficients of the variables are all positive. The Durbin Watson with a value of 1.7 indicates the absence of first order autocorrelation in the model.

Discussion on Findings

Considering the individual probability values of the explanatory variables, the findings made from the empirical analyses are: Board size (BOSIZE) has significant and positive relationship with accounting practice (ACCTPRA) in Nigeria. Since the probability value of BOSIZE passes that significance test at 5% level of significance hence, we accept the alternative hypothesis that board size has a significant effect on accounting practice. What this means is that, board size is a significant determinant of accounting practice. This goes to show that firms with large board of directors that have sustainable initiative will enhance accounting practice. The findings of studies of Beredugo & Mefor (2012) and Uwuigbe & Jimoh (2012) support our finding in relation with board size.

Next board independence (BOINDEP) has a significant and positive relationship with accounting practice (ACCTPRA) in Nigeria. On account of the test of hypothesis on table 3 above, the probability value of BOINDEP passes that significance test at 5% level. Therefore, we accept the alternative hypothesis that board independence has a significant positive impact on accounting practice. What this outcome means is that independent directors influence accounting practice among Nigeria firms. The studies of Oba & Fodio, (2012) and Johnmani (2013), also found a positive relationship between board independence and accounting practice. The result also shows that ownership concentration (OWNERCON) has insignificant and negative relationship with accounting practice (ACCTPRA) in Nigeria. Following from our test of hypothesis (Table 3 above), the probability value of OWNERCON fails that significance test at 5% level. Therefore, we accept the null hypothesis that ownership concentration does not have positive significant relationship with accounting practice. What this means is that ownership concentration does not influence accounting practice. The finding of this study in relation with ownership concentration is in line with that of Oba &Fodio (2012) but negates that of Ogbechie (2010)

Conclusion and Recommendation

This paper examines the effect of corporate governance on accounting practice. Corporate governance here is examined from the perspective of board size, independence and audit committee independence. Also, the focus of ownership concentration as examined from the annual reports is on managerial ownership concentration. The result of the analysis conducted reveals that audit committee independence, board size, board independence and ownership concentration have positive relationship with accounting practice. This means that the higher the level of audit independence, board size and audit committee independence, the higher of accounting practice quality that will impact on developing economy. These findings support the work of (Ienciu, 2012) who in his study established that board size and independence are factors that significantly explain the level of accounting practice and another work by (Mohiuddin &

Karbhari, 2010) which concluded that audit committee is a mechanism that improves financial reporting. The research findings also indicate that managerial ownership has a positive impact on accounting practice. In addition to this, in the course of examining annual reports of oil and gas companies, it was discovered that a lot of the companies show very little on accounting practice and there are no stringent guidelines for these reports.

Based on these findings, it is therefore recommended that, companies in Nigeria should improve more on their level of accounting practice by paying closer attention to corporate governance mechanisms (board size, independence, and audit committee independence as a means of improving on the quality of accounting practice as this will greatly enhance the growth in a developing economy. Also, financial reporting council the regulatory bodies of financial reports in Nigeria should come up with a uniformity, mandatory compliance guideline for oil and gas companies to follow in engaging on accounting practice.

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