Introduction

Every investor commits his resources in a company with the aim of getting fair returns on their investment. The reward attributable to investors (shareholders) by investing their resources in a company is mainly dividend which is a function of earnings of the company and other factors like need for retaining parts of earnings for future growth of the company. Sanyaolu, Onifade and Ajulo (2017). Financial statement prepared by a company is a means of communicating to the stakeholders, specifically the shareholders of its performance over the period of reporting. The financial reporting prepared by a company goes a long way in determining investment decision to be made by shareholders as favourable performance measured in terms of reported earnings and dividend signals good performance to shareholders and induce the existing investors and shareholders to invest more and also encourages the would-be potential investors and shareholders to invest in the company.

As the financial statement is a means of measuring and communicating management performance for key economic decision to be taken by investors (shareholders), and putting into consideration the agency problem between the appointed managers and the owners which makes appointed managers to pursue their own self-interest as against that of the company so as to generate fair returns for the investors for the maximization of the wealth of shareholders; management results to one form of unethical accounting practices or the other. The different unethical practices are numerous; such financial statement manipulation is becoming an area of concern to different stakeholders most especially the shareholders and by extension researchers. For the purpose of this study, earnings management will be given prime attention among the other forms of unethical reporting practices. Earnings management is one of the ways management tries to manipulate earnings through the differences between accounting profit and cash profit.

This desire to deceive different stakeholders by managers emanating from conflict of interest has prompted managers to engage in one kind of unethical behavior or the other. One of the ways managers try to deceive the
stakeholders that they are performing well is through earnings management. Earnings management is capable of misleading different stakeholders in taking rational decision such as investment decision.

Global corporate scandals that manifested with the collapse of world prestigious companies such as Enron and WorldCom reiterated the need for an investigation into the quality of financial reports and increased the clamoring for a better governance mechanism worldwide. Hassan and Ahmed, (2012). Earnings management occurs when managers use judgment in financial reporting and in structuring transactions to alter financial reports to either mislead some stakeholders about the underlying economic performance of the company or to influence contractual outcomes that depend on reported accounting numbers Healy & Whalen 1998 as cited in Uadiele (2012). Chen (2012) as cited in Olano, lizam and kasser(2014) affirmed that incidents of corporate frauds in the form of false financial reporting, irregular transactions, inflated revenues and assets, embezzlement have been on the increase world over in this dispensation. The resultant effects of these gross accounting violations are disastrous and have created ripple in the corporate world. Olano, lizam and kasser (2014). The public and especially investors have lost confidence and trust in financial reporting, management team along with their accounting decisions Anja, (2008). This loss of confidence then result to reduction in the amount of investment by investors and Ultimately, it has led to the global collapses of many high profile businesses because of shortage of capital due to low investment (Elisa, et al., 2006). As cited in Olano, Lizam and Kaseri(2014)

Earnings management is based on accrual accounting. Since accrual accounting is to record revenues and expenses in the period they are incurred, with cash probably received and paid later, it creates opportunities for managers to manipulate earnings. However, it does not mean that earnings management is the same as fraud. Dechow et al.(2000) identify three practices on this definition. They are fraudulent accounting practice, earnings management, and legitimate exercise of accounting discretion. The first one is illegal and forbidden by regulators, while the last two are allowed. The key difference between the second and third is the intention of management practices. If the practice intention is to deceive related parties, then the practice is called earnings management; if the practice is not to harm interests of any related parties, the practice is called legal exercise of accounting discretion. The main incentives come from capital market expectation; contracts based in terms of reported accounting numbers and governmental regulation. However, difference sex is between public and private firms in the incentives of earnings management. Healy and Wahlen (1999)

Statement of Problem

The objective of financial statement is to show the affairs of a company as may be reflected by the statement of financial performance and statement of financial position for the reporting period. The financial statement is subject to independent examination by appointed auditor so as to confirm whether the prepared statement of financial performance and statement of financial position for the period shows the true picture of the reporting company. The essence of this auditing process and other institutional settings such as internal control and corporate governance was to ensure that financial statement will be of high quality which is a measure of relevance, reliability, comparability, understandability, accuracy and completeness, this qualities are very germane in guiding the stakeholders, specifically shareholders in making rational decision such as investment decision. However, despite the appointment of auditors and institution of internal control and corporate governance, the financial statement of some companies is still vulnerable to residual financial misstatement and thus leading to their collapse. Owing to this, many researchers in the past have investigated the cause of this misstatement that is leading to companies collapse; many factors have been found to be cause from empirical works of existing author in this area of which earnings management is not excluded. In this regards, Monsuru and Adetunji(2014) conducted a study on Effects of Earnings Management on Dividend policy in Nigeria: An Empirical Note from the perspective of quoted non-financial companies, the results reveals that earnings management has negative relationship with dividend policy of a firm and it is not
significant in the determination of dividend payout of every firm. Consistent with the findings of Monsuru and Adeemi is the study by Faiza Saleem, Mohd Norfian Alifiah on the Effect of Earnings Management on Dividend Policy in Pakistan, the study documents that earnings management has insignificant relationship with dividend policy of selected firms in Pakistan. Also, Atu, Atu, Enegbe and Atu (2016) study on Determinants of Earnings Management in Nigerian Quoted Companies The study finding indicates the existence of negative significant relationship between board size, audit firm type and earnings management In addition, they study also found the existence of a non-significant relationship between firm size, ROA and earnings management

Despite a lot of researches in this area, researchers have focused mainly on manufacturing firms with little focus on other firms. More so, there is no consensus as to the variables of their studies, scope, country and methodologies. Owing to this discrepancies, this study attempts to bridge the gap in knowledge by, investigating, analyzing, contributing reviewing and recommending based on the findings of study on the effect of earnings management on shareholders wealth maximization from the perspective of banks, oil companies, publishing companies and other manufacturing firms listed on the Nigerian stock exchange.

Hypotheses
1. There is no significant effect of earnings management on earnings per share
2. There is no significant effect of earnings management on dividend per share

2 LITERATURE REVIEW
2.1 Concept of Earnings Management

Earnings management is used to describe a situation where the manager who is responsible for the preparation and presentation of the financial statements annual reports has access to more information than other stakeholders; this kind of situation usually creates an information asymmetry problem between managers and stakeholders, which is caused by imperfect markets where the stakeholders do not have all the correct necessary information on a timely basis. Umobong and Akani (2015). The most recent definition of earnings management is the one given by Stolowy and Breton (2004) they defined “accounts manipulation as the use of management’s discretion to make accounting choices or to design transactions so as to affect the possibilities of wealth transfer between the company and society (political costs), funds providers (cost of capital) or managers (compensation plans).” Meaning, management can make accounting decisions that can affect financial statement information positively or negatively. But also, management can act in their self-interest and increase their own wealth (agency theory). In contrast, Palepu and Healy. (2007) argues some earnings management are not carried out with the intention of manipulating earnings but that some accounting choices are driven by the signaling or informativeness role of earnings management which is ordinarily aimed at informing outsiders of the changing business.

Accruals are the most important earnings management instruments that are used by managers to either increases or decrease reported income. This is because they are “components of earnings that are not reflected in current cash flows and a great deal of managerial discretion goes into their construction” (Bergstresser and Phillippon 2003). Earning management activities may arise in two ways Smith, Lipin and Naj (1994).:(i) because management have flexibility in making accounting or operating choices (ii) because managers are trying to convey information to the users.

A number of phrases have been used to describe earnings management, they include income smoothening, accounting hocus-pocus, financial statement management, the numbers game, aggressive accounting, reengineering the income statement, juggling books, creative accounting, financial statement manipulation,
accounting magic, borrowing income from the future, banking income for the future, financial shenanigans, window dressing, accounting alchemy.

2.2 Theoretical Review

Agency Theory
The theory anchoring this work is agency theory. It is relevant to this work because it states the relationship between the management and the shareholders. The theory states that the shareholders are the owners of the company and the managers are the agents appointed by the shareholders for the operation of the company in order to achieve the stated goals. The agents (managers) are expected to act in the best interest of the shareholders who appointed them, but there may be a conflict of interest between the management and the shareholders. To minimize this conflict the shareholders incur agency cost so that the appointed managers can act in the best interest of the shareholders. When this conflict of interest occurs, management tends to manipulate the financial statement by many means of which earnings management is one of the leading ways. This theory is relevant to this work as it upholds that the main factor that prompt management to unethical financial reporting is agency crises (conflict of interest)

2.3 Empirical Review
Many empirical works have been conducted on earnings management and shareholders wealth, maximization due to its impact of firms’ performance and subsequently on shareholders wealth maximisation.

Umong and akani2015) conducted a study on IFRS adoption and accounting quality of quoted manufacturing firms in Nigeria: a cross sectional study of brewery and cement manufacturing firms. The result revealed that there is a decline in accounting quality using earnings management, value relevance, and timely loss recognition as independent variables. Earnings and book value of equity are less value relevant and timely loss recognition is less in post-IFRS compared to pre-IFRS period. Monsuru and Adetunji(2014) carried out an empirical analysis on the Effects of Earnings Management on Dividend policy in Nigeria: An Empirical Note. The results revealed that earnings management has negative relationship with dividend policy of a firm and it is not significant in the determination of dividend payout of every firm. Hassan and Ahmad (2012) argued through the finding of their empirical study on Earnings Management and Financial Performance: A Case of Nigerian Manufacturing Firms that carried out an empirical study on Corporate Governance, The study discovered that corporate governance have significant effect on both the adjusted and unadjusted firm performance in different magnitudes and directions. Specifically, it is empirically established that board composition is inversely related with true performance while a positive interaction emerges between executive compensation and firm performance regardless of the performance specification.

Mulyadi and Anwar (2014) conducted a related study on Corporate Governance, Earnings Management and Tax Management, the findings indicates that there is significant impact of corporate governance to earnings management and tax management.

Chtourou, Bedard and Courteau (2001) carried out an empirical work on Corporate Governance and Earnings Management; the findings indicate that there is association between earnings management and corporate governance variables such as audit committee and board size.

Ahmadian and Nazaripour(2015) conducted a study on The Relationship between Earnings Management and Financial Ratios (A Panel Data Approach), the study revealed The results show that the discretionary accrual based earnings management has the most effect on the accounts payable. Kerstein and Rai(2007) investigated into Working Capital Accruals and Earnings Management. They find that the earnings response coefficient (ERC) is lower when small earnings increases are accompanied by LWCAs of either sign, but not in other cases.

3.0 METHODOLOGY

The objective of the study is to determine the effect between earnings management and shareholders wealth maximization. The sample is drawn from the total population of all the listed companies in Nigeria, and thus the
sample size is 8. Data for five years from 2011 to 2015 extracted from the selected companies’ financial statement were used for the study. Ex post facto research design was adopted. The data were analyzed through panel least square by the use of E-views 9. The model for the analysis is stated below:

\[ \text{EPS} = f(\text{EM}) \] ................................................................. (i)  
\[ \text{DPS}=f(\text{DPS}) \] ................................................................. (ii)  

Where:
- \( \text{EM} \) = Earnings Management proxy by discretionary Accrual  
- \( \text{EPS} \) = Earnings per Share  
- \( \text{DPS} \) = Dividend per Share  

Econometrically, the Model can be stated as:

\[ \text{EPS}= a_0 + a_1\text{EM} + \mu_t \] .................................................. (iii)  
\[ \text{DPS}= a_0 + a_1\text{EM} + \mu_t \] .................................................. (iv)  

Where: \( \text{EPS} \) = Earnings per Share (dependent variable), \( \text{DPS} \) = Dividend per Share  

\( a_0, a_1 \), are the coefficient of explanatory variables  

\( \mu_t \) is the error term  

\( \text{EPS} \) and \( \text{DPS} \) are the explanatory variables.  

4 ANALYSES  
Dependent Variable: EPS  
Method: Panel Least Squares  

Date: 03/05/17  Time: 00:31  
Sample: 1 40  
Periods included: 5  
Cross-sections included: 8  
Total panel (balanced) observations: 40  

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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</thead>
<tbody>
<tr>
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<td>1.324642</td>
<td>9.763515</td>
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<td>0.0565</td>
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</tbody>
</table>

Effects Specification  
Cross-section fixed (dummy variables)  

<p>| | | | | |</p>
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<tbody>
<tr>
<td>R-squared</td>
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<td>Mean dependent var</td>
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<td>Adjusted R-squared</td>
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<td>Sum squared resid</td>
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<td>Schwarz criterion</td>
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<td>Hannan-Quinn criter.</td>
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<td>F-statistic</td>
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<td>Prob(F-statistic)</td>
<td>0.000000</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

Econometrically, we have the model to be:  
\[ \text{EM}= -12.93317 -6.178626 \text{EPS} \] ......................... (v)
The model above shows that a unit positive change in Earnings Management will result to a negative change of -6.178626 in EPS.

Given the R-square of 0.929537, the regression co-efficient indicates that about 93% of the changes in the dependent variable are explained by the changes in the independent variables. The D.W statistic of 1.728291 indicates the absence of serial autocorrelation since it is in the neighborhood of the rule of Thumb of 2.

4.1 Testing of Hypothesis

**H0**: There is no significant effect of earnings management on earnings per share

**Decision Rule**: Reject the null hypothesis if the $f$-calculated is higher than the $f$-tabulated. Moreover the p-value of 0.05 was used to test the significance of each of the independent variables. The EM has a probability of 0.0565; this implies that there is no significant effect of earnings management on earnings per share since the probability is higher than 5%. We then accept the null hypothesis.

Hypothesis 2

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
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<td>EM</td>
<td>-1.058972</td>
<td>2.152591</td>
<td>-0.491952</td>
<td>0.6262</td>
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</tbody>
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**Effects Specification**

<table>
<thead>
<tr>
<th>Cross-section fixed (dummy variables)</th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
</tr>
<tr>
<td>S.E. of regression</td>
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<tr>
<td>Sum squared resid</td>
</tr>
<tr>
<td>Log likelihood</td>
</tr>
<tr>
<td>F-statistic</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
</tr>
</tbody>
</table>

EM=4.036328-1.058972DPS………………….. (vi)

The model above shows that a unit positive change in Earnings Management will result to a negative change of -1.058972 in DPS.
Given the $R^2$ square 0.807493 of, the regression co-efficient indicates that about 81% of the changes in the dependent variable is explained by the changes in the independent variables. The D.W statistic of 0.974673 indicates the presence of serial autocorrelation since it is far from the rule of Thumb of 2.

**Decision Rule:** Reject the null hypothesis if the $f$-calculated is higher than the $f$-tabulated. Moreover the p-value of 0.05 was used to test the significance of each of the independent variables. The EM has a probability of 0.6262; this implies that there is no significant effect of earnings management on dividend per share since the probability is higher than 5%. We then accept the null hypothesis.

$H_0$: There is no significant effect of earnings management on dividend per share

The hypotheses above were tested by considering the $f$-tabulated and $f$-calculated values.

**5 DISCUSSIONS OF FINDINGS**

There is no significant effect of earnings management on dividend per share. This finding implies that has earnings management increases, the earning of a company are not affected. The findings is constituent with the findings of Atu, Atu, Enegbe and Atu(2016) on Determinants of Earnings Management in Nigerian Quoted Companies, which reveals that there is no significant relationship between ROA and earnings management.

There is no significant effect of earnings management on dividend per share. This finding is not consistent with the proposition (a priori expectation). The implication of the findings is that even with the presence of earnings management, the wealth of shareholders (in terms of dividend payment) is still maximised and it can be inferred that other factors may impede on the actualisation of shareholders wealth maximization. This finding is consistent with the findings of Saleem and Alifiah(2017) and AJIDE and Aderemi (2014) that there is no significant effect of earnings management on divided policy.

**SUMMARY AND CONCLUSIONS**

The study attempts to examine the effect of earnings management on shareholders wealth maximization in Nigeria from the perspectives of oil companies, publishing companies, banks and other manufacturing firms. The data for the study were obtained from secondary source extracted from the annual reports of the 8(eight) selected companies from 2011 to 2015. The data were analysed through panel least square by the use of E-view 9. The result of the analyses revealed that there is no significant effect of earnings management on earnings per share and there is also no significant effect of earnings management on dividend per share. The non significant effect can be as a result of strong corporate governance mechanism and strong internal control within the selected companies. It can therefore be concluded that earnings management has no significant effect on shareholders wealth maximization.

**Recommendations**

1. Companies should ensure that strong internal control and corporate governance mechanism are maintained so as to mitigate the effect of unethical behavior on the wealth maximization of shareholders companies
2. There should be rigorous and full adoption of international financial reporting standards so that the financial reporting can show the true and fair view of the companies’ affair by reducing unethical exercise of management discretion in the preparation of financial statement.
3. The roles of external auditors should be emphasized and their independence should also be ensured so that they can express true unbiased opinion on the true and fair view of the financial statement examined by them which will also assist in aligning management interest with that of the shareholders and thus reduce agency cost
4. There should be rigorous enforcement of penal consequence on unethical behavior by the management as stipulated in companies and allied matters act of Nigeria.

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