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Assets Impairment Disclosure (IAS 36) and Real Earnings Management Practices of Listed Consumer Goods Companies in Nigeria

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Abstract: The study determined the effects of assets impairment disclosure on the real earnings management practices of the listed consumers' goods companies in Nigeria. The population of the study comprises the 28 listed consumer goods companies on the Nigeria Stock Exchange and the census technique of sampling was adopted in which the population is the sample size. The study covered the period of eleven years (2010-2020). The independent variable includes the recognition of assets impairment proxied by 1 if recognised and 0 if otherwise while the dependent variable includes the real activities of earnings management proxied by operational abnormal cashflows with the control variables such as the firms' size, firms age and ROA. Data were extracted from the financial report of the companies under consideration and analysed using the panel least square of regression analysis with the aid of E-views statistical tool. The findings of the study revealed a positive but insignificant effect of assets impairment disclosure on the real earnings management with coefficient value of 0.178012, t = 0.345786, p-value = 0.7298 > 0.05. Firms' size indicated a negative and insignificant effect with r = -0.046184, t = -0.466285 and p-value = 0.6414 > 0.05. Firms' age indicated also a negative and statistically insignificant effect with r = -0.017032, t = -0.02232 and p-value = 0.9822 > 0.05 while ROA indicated a positive and statistically significant effect at r = 0.0422, t = 2.2809 and p-value = 0.0233 < 0.05. The study recommended that accounting standards should be reviewed and updated so as to give a lesser opportunity for income smoothing and thereby enhance quality financial reporting system.

Keywords: Impairment Losses, Earnings Management, Earnings Quality, Positive Accounting Theory, Accounting Standards

1. Introduction

Impairment of assets is no longer a new phenomenon in literatures and in the world of corporate reporting. Assets impairment relates with the historical accounting that involves in the writing down of the value of assets over a definite period of time [4]. The new approach to impairment has been focused on a significant professional judgement on the part of management to determine the value accrue for impairment [10]. One of the easiest ways of perpetuating fraud is through accounting discretions as there are numerous accounting judgement that can give opportunity for manipulations [1, 6].

Recently, the new development in the accounting standard is to ensure that subjectivity is at minimal. However, management of many organisations still take the advantage of impairment practices to window dress as there are more information available to them even more than the owners of the business [1, 16]. Therefore, the presence of information asymmetry serves as a vital tool for management to present financial information that could be termed fictitious. The current situation of the global pandemic has also served as an

opportunity for management to big bath so as to suit their own purpose which resulted in financial information of opportunistic nature [16].

Strategically, situations and circumstances within the reach of management can be used for their interest most especially when earnings are on the high side. According to IAS 36, assets are to be recognised at values not more than the recoverable amount and when the assets is recognised at an amount higher than the recoverable amount through the use or sale of the assets, then the assets is impaired and there is a need for the recognition of impairment loss [19]. Assets in the scope of IAS 36 include the intangi 3 ble assets which include goodwill and revalued assets, property plant and equipment, investment property measured at cost [9].

The original intention of international standard setters such as the International Accounting Standard Board (IASB) is to replace the historical cost concept with that of fair value accounting concept so as to enhance comparability, transparency and financial information useful for decision making [10]. However, management has the opportunity to determine the existence and the value of impairment as a result of the new development of the standard setters which give room for judgement, bias and flexibility on the part of management. It is worthy to note that pooled of impairment available within a limited time frame to be written down annually facilitate earnings management potentials [10].

Corporate earning is an indication of financial health of an organisation as investors and other stakeholders used earnings to gauge the financial position of business and the financial report serves as the means of communicating same both within and outside the organisation [17]. Earnings

management affect the quality of earnings presented as managers tend to hide under the applicability of standards in order to perpetrate fraud which as the objectives of earnings management under the decisions made within the accounting regulations [6, 27].

Earnings management can come up in two major different ways which include accrual manipulation and real activities of earnings management. Managers engage subjectivity and judgement in the choices of accounting policies which might not present the reality about the financial position of the business without the direct involvement of cashflow thereby engaging in accrual earnings management [12, 23, 27]. However, real earnings management involves real activities such as investment expenditure, overproduction, cashflow and has nothing to do with the violation of generally accepted accounting principles (GAAP) [21].

Several studies have been carried out to determine the association between earnings management and variables such as corporate governance, financial performance, sustainability reporting and corporate social responsibility both in Nigeria and Abroad [2, 12, 20-22, 25, 26, 28]. However, literatures on the link between the impairment practices of companies with the rise of earnings management are few especially in Nigeria which birthed the gap to be filled in Nigeria context and the decision to embark on the study [16, 4, 1, 10]. Therefore, the study aimed at determine the existence of real earnings management with the impairment practices of listed manufacturing companies in Nigeria by providing solution to the following research question: What is the relationship between impairment practices of listed manufacturing companies and earnings management in Nigeria?
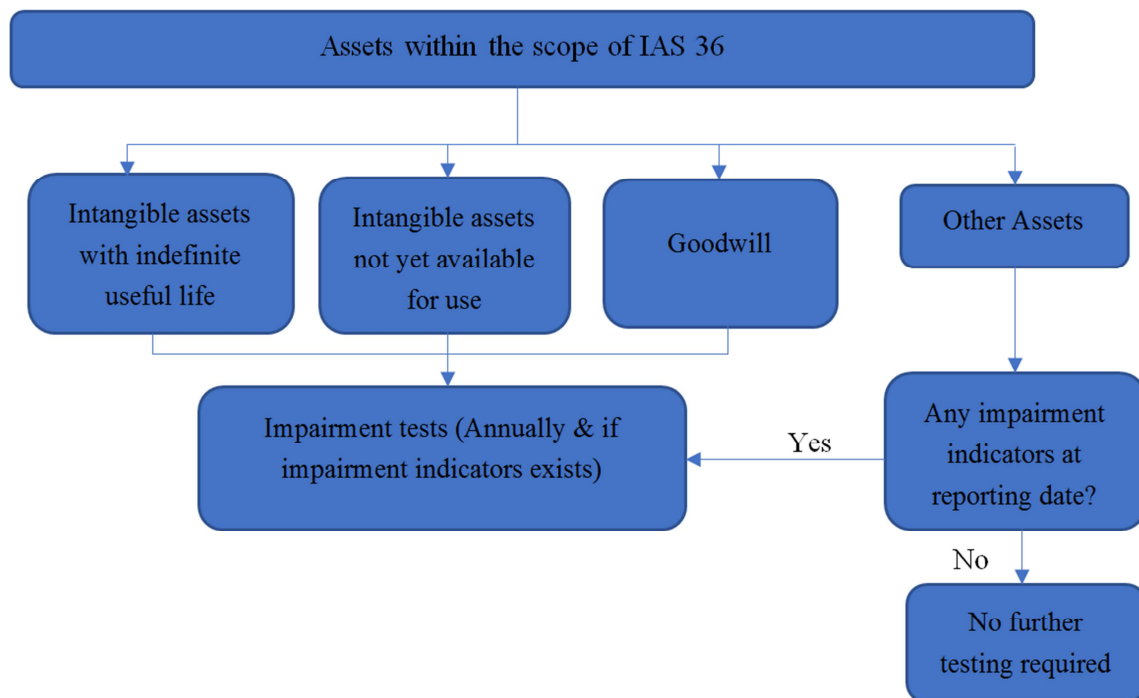
Adapted: BDO, 2020

Figure 1. IAS 36.

2. Literature Review

2.1. Overview of IAS 36 - Impairment of Assets

IAS 36 focuses on presenting the procedures that businesses can apply so as to ensure the carrying values of their assets are not stated above the recoverable amounts through the use or sale of the assets. The standard makes the provision on the guidance to follow for reviewing the impairment for instance, assets can be reviewed individually or at cash generating unit (CGU) level or at the group of CGUs, recognition of impairment loss, when and how to reverse impairment loss and requirements for disclosure (IAS 36.1). IAS 36 requires that the assets within its scope should be subjected to impairment testing if indications arise for impairment at the end of each year reported which include decline in the value of the assets, disruption in the chain of supply, revenue reduction and such assets include the goodwill, intangible assets not yet available for use which include research costs capitalised on intangible assets not yet completed (IAS 36.9-10). However, for entities that prepare and present financial report twice a year can calculate impairment more often as the need arises [5, 18].

2.1.1. IAS 36 Requirement of When Impairment Should Be Tested

The standard requires that quantified impairment should be tested for assets within its scope when there is an existence of impairment indicators at the reporting year end for each individual assets or cash generating unit. Also, impairment should be performed annually for assets such as intangible assets yet to be available for use as well as those with an indefinite useful life, acquired goodwill emanated from business combination (IAS 36.10). Some of the impairment indicators as highlighted by IAS 36.12 are stated below:

2.1.2. External Sources of Indicators – IAS 36.12 a-d

1) An indication of an unexpected significance in the companies' market value.
2) An expected significant but negative change in the corporate environment such as the technological, legal, regular and expected or observed significant negative change in the technological, legal, market and economic environment.
3) When there is an increase in the market rates of investment returns.
4) The net assets' carrying values are when the carrying amount of an entity's net assets is higher than the market capitalization.

2.1.3. Internal Sources of Impairment Indicators – IAS 36.12 e-g

1) When it is evident that physical damage or obsolescence of assets exist.
2) When there is a significant change to the extent at which an assets could be put in use.
3) Evidence revealed a decline in the economic performance of the assets.

2.1.4. Other Indicators – IAS 36.12h

1) Indicators for impairment in the subsidiary, associate or joint venture exist when the carrying amount in the separate financial report exceed that disclosed in the group financial statement.
2) When the dividend in the individual subsidiary, associate or joint venture is beyond the dividend declared.
3) When there is no active market for the revaluation of intangible assets.

2.1.5. Definition of Terms in IAS 36

Impairment loss: This exists when the carrying amount of a cash-generating unit CGU or an asset exceed the recoverable amount.

Cash Generating Unit (CGU): This is an identified group of assets that generates cash inflows independent of cash inflows from other groups of assets.

Carrying Amount: This is an amount in which assets are recognised in the financial report after the deduction of accumulated amortization or depreciation as well as impairment losses accrued thereon.

Recoverable amount: This occurs when the fair value of assets or cash-generating unit is less than the value in use.

Impairment loss: This is the amount by which the cash-generating unit exceeds the fair value of such assets.

Fair value: This is an amount at which an asset could be purchased or payment of liability has been made in an orderly transaction between knowledgeable parties in an arms-length transaction.

2.1.6. Earnings and Earnings Management (EM)

Earnings of any organisation is an indication of the financial health of such organisation that informs the investors and other stakeholders about the viability, stability and potential of such organisation as higher earnings ensure higher yield [17]. The investors can determine the value of a firm by discounting the future stream of earnings of such organisation. However, several factors have been discovered by various researchers to enhance the earnings quality some of which include the institutional ownership, leverage, frequency of board meetings etc [17].

Earnings quality represent the opposite direction of earnings management [25]. However, EM is a situation at which the managers exercise discretion to structure transactions in the financial report to misrepresent the financial information to the stakeholders that solely rely on the accounting practices provided [12, 25]. EM ensures that the financial information is less straightforward to mislead stakeholders. Managers manipulate or manage earnings through the use of discretionary accruals which enables studies to focus on discretionary accruals as proxies for EM [8, 26]. Earnings management can also be referred to as an action of management aiming at reducing the quality of available financial information and as the quality is being lowered, the predictive ability of future earnings and cash

flows is reduced [31]. Therefore, earnings management practice is seen as unethical as it is aimed at misleading the investors.

Earnings management can be in two forms which include accruals-based earnings management and real EM which has been proved to be an alternative approach to discretionary accruals [14]. Management practices accrual-based earnings management by applying a specific set of accounting principles to achieve the desired earnings goal which can also be referred to as discretionary accruals. However, there is non-discretionary accruals that are only subject to management preference and not on accounting principles [14]. Real earnings management involves real operational activities with a focus on manipulating earnings. It seems harder than the accrual-based since it affects firms' cash flows directly.

2.2. Empirical Review

Stenheim, T. and Madsen, D. [26] investigated the relationship between the goodwill impairment losses with the proxies for EM, economic impairment and corporate governance. The study focused on the data from the largest listed firms on the London Stock Exchange for 5 years (2005-2009). The findings revealed a significant relationship between the impairment losses of goodwill and EM incentives as corporate governance played an insignificant role to account for goodwill impairment losses. The study of [3] aimed at establishing the fact that the external users have the capability of assessing the write-offs of goodwill impairment apart from the management with some predictions of the relationship between the goodwill write-offs and acquisitions as well as the performance indicators. The study revealed that within the framework of available information, the external users will not have access to the write-offs of goodwill effectively with the scope of available information.

The study of [24] aimed at investigating the recognition of assets impairment losses in oil operation considering 53 listed oil companies covering the period of 2005-2008 (4 years). The study revealed that variables under consideration for the study which include price per barrel, incurred development expenditures, earnings per barrel, reserves x production ration and valuation standard for reserves are important factors for determining or recognising impairment losses of exploration and production assets. The study of [19] aimed at assessing the impairment disclosures of banks in Nigeria so as to determine the extent of compliance of Nigerian Banks with the requirement of IAS 36 considering eleven banks out of twenty-two listed banks in Nigeria. The study revealed that to an extent banks under study disclosed impairment losses as well as value of impairment losses.

The study of [1] determined the relationship between the impairment decision of listed firms in Philippines and the earnings management practices. The study revealed that listed companies in Philippines considered for the purpose of the study engaged in earnings management practice through the impairment recognition practices. The study also revealed

that financially viable companies defer their impairment recognition so as to lower the cost of financing. The study of [11] explored the differences in the reporting behaviour of accounting standards within the US environment where both the US GAAP and IFRS are adopted for reporting purposes with focus on impairment losses and relationship with the earnings reported for the period of 2004 – 2012. The study indicated a significant link between impairment losses and unexpectedly low and high earnings which is significantly higher for US GAAP than that of IFRS reporting firms.

The study of [10] investigated the accounting choices of firms as regards the requirement of IAS 36 most especially goodwill impairment and also to determine the link between EM and goodwill impairment decision of 105 companies with the period of 2006-2012. The study revealed that the decision for goodwill impairment losses rested with the changes in the CEO and the motives for financial crisis. The study revealed that management overstate the goodwill impairment losses so as to meet the incentives of EM as well as smoothing earnings and big bathing accounting information. The study unravelled the fact that management use of discretion for their choices of assets impairment as required by IAS 36 can be for the interest of management.

The empirical study of [4] revealed that the characteristics of earnings management is as a result of big bath accounting. The study of [16] revealed that tendency for income smoothing can affect the quality of earnings management. The study of [7] revealed a positive relationship between assets impairment and earnings management as the relationship is statistically positive and significant both in the loss year and the non-loss year. The study of [13] revealed an insignificant relationship between the impairment of assets disclosure and earnings management and thereby suggested that companies under consideration applied the requirement of the standard in managing earnings. Therefore, the study aimed at determining the effect of assets impairment disclosure of companies on real earnings management activities of listed consumer goods companies in Nigeria.

H_{01}: There is no significance impact of assets impairment disclosure on real earnings management practices of listed companies in Nigeria.

2.3. Theoretical Review

This study was anchored on positive accounting theory and Watts theory of conservatism. The theory was established by [29]. The theory revealed the pressures behind the process of accounting standard setting, the effects of those accounting standards on individuals working on the financial statement and the reasons why individuals can affect the standards to suit their purpose. The theory aimed at giving explanation and understanding of accounting practice of predicting the motives adopted by firms in applying accounting standards under different circumstances. Positive accounting theory focused on the central assumption that self-interest is the major motive behind people's actions and that people will people will make use of opportunities available so as to maximise wealth. According to [29], the choices of

individuals' objectives determines their choices of accounting methods so as to fulfil such choices [1]. The theory of Positive Accounting is posited on three major hypotheses which include debt covenant, bonus plan and political cost hypothesis.

The debt covenant explained that when the ratio of debt is higher in a company's capital structure even more than the equity, there is tendency that the managers will like to use accounting procedures that will make the income to be on the higher side so as to avoid violating the debt covenants. The bonus plan could also be referring to as the agency theory as the accounting method could be applied by the managers so as to achieve a higher bonus plan and thereby presenting favourable accounting information for different stakeholders. Finally, Watts and Zimmerman stressed that the political cost is related to how managers recognised more impairment so as to reduce net income and thereby prevent the firms form incurring higher expenses through declaration of higher profit [1].

Roychowdhury, S. [23] developed a model of conservatism that explains elements of value and where conservatism fit in those elements. The theory explains the reason why the accounting information should be conservative as a result of demands from different stakeholders within the corporate environment. This demand for conservatism is a result of strong responsibility of accounting information to report information to different claimants on the net worth of organisations' assets. The theory stresses the need to verify the requirements of gains and losses and the potential claims on the firms from debt holders, litigation and contracts with the third parties which include the regulatory requirements in order to reduce the litigations and to protect the interest of the firm in the long run [4].

3. Methodology

The study adopted longitudinal research design. The study's population comprised all the listed consumer goods companies in Nigeria. Adopting census method in which all the members of the population constitute the sampling size, the sample size for the study constitute all the 28 listed companies covering the period of eleven years (2010-2020). Panel data were extracted from the financial report of the selected listed consumer goods for the period under consideration and the data were analysed using panel least square of the E-views statistical tools. The dependent variable includes the disclosure and recognition of impairment loss which will be represented by dummy variables 1 and 0. When impairment is disclosed and recognised it was represented by 1 and 0 if otherwise. The study adopted some control variables which include

companies' size, return on assets (ROA) and age. The size of the company was measured by natural logarithm of total assets while the age of the company was measured by the natural logarithm of the number of years of incorporating the business. The independent variable includes real earnings management represented by operational abnormal cash flows of the listed companies under consideration as expatiated below:

i. Operational Abnormal Cashflows

$$CFO_{it}/Assets_{it}\text{-}1 = \beta 1(1/Assets_{it}\text{-}1) + \beta 2(Sales_{it}/Assets_{it}\text{-}1) + \beta 3(\Delta Sales_{it}/Assets_{it}\text{-}1) + \varepsilon_{it}.$$

Where:

CFO_{it} = Company's operational cashflows in year t.

Ait-1 = Total assets of the company in the preceding year t-1

$Sales_{it}$ = Total sales value for the year t.

$\Delta Sales_{it}$ = Change in sales between the previous year t and t-1

Model Specification

The following model established the relationship between the disclosure of impairment losses and real earnings management of listed companies under the consideration.

$$EM_{it} = \beta_0 + \beta_1 IMP_{it} + \beta_2 SIZE_{it} + \beta_3 FIRMS\_AGE + \beta_4 ROA + \varepsilon_{it}$$

Where:

IMP = recognition of impairment loss of company i in year t.

EM = is a measurement of the real earnings management of company i in year t.

SIZE = is measured by the natural logarithm of total assets of company i in year t.

FIRM_AGE = is the measurement of the natural logarithm of (1+ number of years) that the company has been in existence.

ROA = Return on Assets

4. Results and Discussion

To explore the effect of assets impairment disclosure on the real earnings management practices of listed consumer goods companies in Nigeria. The study adopted the panel least square regression method for the analysis of the data. Assets impairment disclosure data of the sampled companies were regressed against real earnings management, firms' size, firms age and the return on assets of the listed companies under consideration. As a prelude for the analysis of a panel data, descriptive statistics was carried out as a way of having a feel of the data based on the various statistics embedded in the data. The result of the descriptive data is shown below.

Table 1. *Descriptive Statistics.*

	REM	IMP	ROA	SIZE	AGE
Mean	-0.999440	0.700000	1.048307	6.828550	1.578072
Median	-0.670831	1.000000	0.052995	7.480308	1.690196

	REM	IMP	ROA	SIZE	AGE
Maximum	28.99689	1.000000	189.8480	11.63594	2.075547
Minimum	-47.82457	0.000000	-76.41079	0.000000	0.301030
Std. Dev.	3.977928	0.459023	12.67661	2.384810	0.307674
Skewness	-4.891887	-0.872872	10.34610	-1.923791	-1.370797
Kurtosis	84.82973	1.761905	170.1639	6.397496	4.932208
Jarque-Bera	84897.83	57.25624	354649.3	329.3359	140.6221
Probability	0.000000	0.000000	0.000000	0.000000	0.000000
Sum	-299.8319	210.0000	314.4921	2048.565	473.4217
Sum Sq. Dev.	4731.350	63.00000	48048.23	1700.508	28.30433
Observations	300	300	300	300	300

Source: Authors' Computation, 2021

The table 1 revealed the descriptive statistics of impairment loss disclosure and earnings management practices in Nigeria listed consumer goods companies. The mean describes the average value in the series, the standard deviations measures the volatility of the data or the amount of deviation of each series from the average, the median measures the medium value when the series is arranged accordingly, the minimum gives the least value of each of the series, the maximum show the largest value of each series, while the mode also the value mostly appeared in each series. The earnings management practices of the listed companies under consideration revealed -0.999 meaning that real earnings management for period was extremely low. From the table 1 above, the mean figure for impairment disclosure is 0.70 that is Nigerian listed consumer goods on the average disclose impairment losses on average of 70% while about 30% of the listed companies did not in line with the requirement of IAS 36. The standard deviation indicated the 45.9% meaning that there exists moderate volatility in the impairment loss recognition and disclosure of companies under consideration. The result reveals high volatility of impairment losses among the listed companies. The minimum disclosure reveals 0.0% while the maximum disclosure is 100% indicating that companies in Nigeria adhered to the requirement of IAS 36 as regards the recognition and disclosure on impairment losses and there is high rate of impairment disclosure awareness among the listed companies considered for the study. However, firms age, return on assets and size of the firm has the mean distribution of 1.578, 1.048 and 6.828. The Kurtosis and skewness show the peakness of the data when arranged coupled with the extent to which the data are scattered around the mean. The Jarque-Bera values coupled with its corresponding probability values of 0.0000 reveals the normality of the data.

Table 2. Assets Impairment Disclosure.

ASSETS IMPAIRMENT DISCLOSURE													
Year	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	TOTAL	%
Companies Disclosed	25	25	24	22	22	19	20	23	19	14	7	220	71
Companies not disclosed	3	3	4	6	6	9	8	5	9	14	21	88	29
Total	28	28	28	28	28	28	28	28	28	28	28	308	100

Source: Authors' Computation, (2021)

The table 2 impairment indicated the level of impairment loss disclosures among the listed companies under consideration. The table above revealed that 71% of the listed consumer goods companies disclosed impairment loss of assets from year to year while 29% has not been complying with the requirement of IAS 36.

4.1. Correlation Analysis

This section reports the results of the correlation analysis between the dependent variable and the independent variable as expatiated in the table 3 below.

Table 3. Correlation Analysis.

	EM	IMP	ROA	SIZE	AGE
REM	1	0.011260	0.133618	-0.024711	0.001258
IMP	0.011260	1	-0.045902	0.115309	-0.015303
ROA	0.133618	-0.045902	1	0.004413	0.031330
SIZE	-0.024711	0.115309	0.004413	1	0.037934
AGE	0.001258	-0.015303	0.031330	0.037934	1

Source: Authors' Computation, (2021)

Assessing and analysing panel data requires testing for multicollinearity. That is, the extent to which the variable moves together to affect whatever result the regression might produce. A correlation value of +0.80 or -0.80 among the variables suggest the existence of multicollinearity. The result shown above reveals no existence of multicollinearity as the correlation values of are less than 80%.

4.2. Regression Analysis and Testing of hypothesis

This section gives the detail result of the regression

analysis presented in the table 4 and apply the regression result to test the hypothesis presented in the study.

Table 4. *Assets Impairment and Real Earnings Management Analysis.*

VARIABLES	POOLED OLS			RANDOM EFFECT			FIXED EFFECT		
	Coefficient	t-statistics	Prob	Coefficient	t-Statistic	Prob.	Coefficient	t-Statistic	Prob.
C	-0.823975	-0.59739	0.5507	-0.823975	-0.5847	0.5592	-6.524424	-1.254397	0.2108
IMP	0.178012	0.353291	0.7241	0.178012	0.345786	0.7298	0.031831	0.049676	0.9604
ROA	0.042248**	2.330411	0.0205	0.042248**	2.280906	0.0233	0.052218**	2.54192	0.0116
SIZE	-0.046184	-0.476405	0.6341	-0.046184	-0.466285	0.6414	-0.110725	-0.730539	0.4657
AGE	-0.017032	-0.022807	0.9818	-0.017032	-0.022322	0.9822	3.932753	1.192589	0.2341
R-squared	0.0188			0.0188			0.06957		
Adjusted R-squared	0.0055			0.0055			-0.038055		
S.E. of regression	3.9676			3.9676			4.053762		
F-statistic	1.4194			1.4194			0.646412		
Prob (F-statistic)	0.227			0.227			0.927908		
Durbin-Watson stat	1.89595			1.89595			1.994842		
Hausman Test: Chi2(4) = 2.658862, Prob = 0.6164									
Breusch Pagan = 0.0406 < 0.05									

Source: Authors' Computation, (2021)

In table 3, the results revealed of the Hausman test was conducted to determine the appropriate estimator between the Fixed Effect and the Random Effect. The result revealed 0.61% which is greater than 0.05 level of significance indicating that the Random Effect is most appropriate for the study. Therefore, a further test of Langrage Multiplier was conducted to determine the appropriateness of either the Random Effect or the Pooled OLS for the study. The Breusch Pagan LM test indicated 0.04 < 0.05 which means that the Random Effect is the most appropriate. The R-square revealed 0.0188 while the adjusted R-squared indicated 0.0055 that is, the coefficient of determination which represents the percentage of change in the real earnings management practices of the listed firms as explained by explanatory variables. This indicate that 0.5% changes in the real earnings management is explained by explanatory variables used in the model; this signifies that the assets impairment disclosure practices and other explanatory variables considered in the study cumulatively bring about 0.5% changes in the real earnings management practices of the listed consumer companies in Nigeria and that 99.5% is explained by other factors not accounted for by the model. The F-statistics is 1.4194 with a corresponding probability value of 0.227 which is statistically insignificant at 5% level.

In evaluating the model based on the regression results, the assets impairment disclosure has a positive but insignificant the real earnings management practices of listed consumer goods companies in Nigeria considering the coefficient value of 0.178, t-value of 0.3457 and a p-value of 0.7298 which is above the 0.05 (5%) significant level. The result is in line with the findings of [15] in Indonesia context that observe positive effect of impairment disclosure on real the earnings management of listed companies in Indonesia. The study opined that companies engage in REM and recognise impairment losses by charging the expenses to low earnings in the current year so as to report favourable financial report in the coming years. The findings of this study suggest that as

listed consumer goods companies continue to recognised and disclose impaired losses appropriately, higher earnings attained might be an opportunity for earnings management through the recognition of impairment loss but at a very minimal level. The result also has the support of study of [1] which also revealed insignificant relationship between impairment practices and earnings management of companies under consideration and opined that companies engaged in earnings management through impairment disclosure at minimal majorly to preserve reputation.

Although, the apriori expectation of the study is a negative relationship between the dependent and the independent variable. However, the study indicated a positive relationship as supported by the study [15] that stated that the essence of earnings management practices in companies might be purposely for the recognition of deferred impairment. Also supported is the study of Andrews [4] who stated that charging on impairment loss could result in opportunity for income smoothing. According to the study of [16] the findings of this study is in support of the Positive Accounting Theory; managers use opportunity of accounting policies to make bonus plans and increase bonuses in the future period. Firms size revealed a negative and statistically insignificant as a control of the impact impairment disclosures on earnings management of the listed consumer goods companies in Nigeria considering the coefficient value -0.046184, t- value of -0.466285 and a corresponding p-value of 0.6414 which is above the 0.05 (5%) significant level. This finding was in support of [15] that posited that firms impair assets regardless of their sizes.

The return on assets (ROA) result showed a negative but insignificant impact as control of impairment disclosures on earnings management practices. It has a coefficient value of 0.042248, t-value of 2.2809 with its corresponding p-value of 0.0233 which is less than 0.05 (5%) significant level which indicated that impairment disclosures have positive and significant effect on profitability of firms under consideration.

However, the study of [15] opined that either high or low profit has nothing to do with the impairment decision of firms. The findings of the study also revealed firms' age has a negative and insignificant impact as a control variable between the assets impairment disclosure and earnings management with coefficient of -0.017032 and t-statistics = -0.022322, p-value = 0.9822 which indicated that regardless of age of companies, essential of the operation is the disclosure of assets impairment. Therefore, the empirical evidence revealed a positive and insignificant statistical impact of assets impairment disclosure and the REM practices of listed consumer goods in Nigeria.

5. Conclusion

The study aimed at determining the effect of assets impairment disclosure on the real earnings management disclosure of the listed consumer goods companies in Nigeria. The findings revealed that companies engaged in REM will recognise impairment loss as managers tend to practices REM so as to enable the performance of the company to look better in the future period. Also, companies recognise impairment loss regardless of the level of profitability. The sizes of firm had no influence on impairment losses disclosure as companies whether small or big in sizes tend to disclose impairment loss. The study revealed the age of companies as a determining factor for recognising impairment losses by companies. Therefore, the study recommended that the provisions of IAS 36 and other requirements of accounting standards that can give room for income smoothing should be thoroughly reworked so as to reduce the possibility of earnings management practices of companies in Nigeria and thereby enhance quality financial reporting system.

Conflicts of Interest

The authors declare no conflicts of interest.

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