Impact of Forensic Accounting and Investigation on Corporate Governance in Ekiti State

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Abstract

This study examined the impact of forensic accounting and investigation on corporate governance in Ekiti State. The primary data used were gathered through a well - structured questionnaire, designed and administered to 100 forensic accountants and the practitioners in Ekiti State. The returned questionnaires were coded and analysed using a binary logistic regression techniques and it was revealed that 76.2 percent of the time that forensic accounting and investigation enhanced corporate governance were correctly classified and in overall, it was 80.4 percent. Also, it was discovered that the probability value of the fraud detection and internal control system which were 0.997 and 0.997 > 0.05 implies that fraud detection and internal control system contributed significantly to the corporate governance. Cox and Snell's R-Square revealed that 51.7 percent of the variation in the corporate governance was explained by the logistic model. The Nagelkerke's R2 indicated a moderate strong relationship of 69.1 percent between the forensic accounting and the corporate governance. Based on this finding, study concluded that forensic accounting and investigation would effectively impacted corporate governance by improving the management accountability, internal control system and financial reporting system.

1. Introduction

In the financial sector, the root causes of all problems are inefficient and poor corporate governance, strong corporate governance is a sine qua non for the smooth running of an organization which had been bastardized by lack of effective internal control, poor financial reporting and ineffective auditing. According to Ramaswamy (2005) fraud cases are due to poor corporate governance. The absence of well-established accounting policies within an organization further weakens the corporate reporting system and it is the responsibility of the auditor to discover frauds committed and access the transparency of financial reports provided by the top management. Bhasin (2016) opined that the rise of forensic accounting is due to the widespread in financial frauds and auditing, accounting and investigation are identified as the main duties of forensic accountant in dealing with frauds. As such forensic accountants make valuable additions to corporate governance by creating a conducive working environment that can enhance fraud prevention, investigation of dubious cases and effective communication (Bhasin, 2013).

Grubo, Ristić and Simeunović (2013) identified forensic accountant as an accountant who possesses accounting, auditing and forensic abilities to deal with fraudulent cases. On certain occasions, the forensic accountant may provide additional expert support, advice and proofs on an existing hearing at court and may thus be termed as a litigation accountant. Thus the work of a forensic accountant is essential to encourage corporate governance and thus the views of existing auditors working in multinational firms, local firms and intergovernmental organizations must be processed and analysed to identify the cognizance of forensic accounting. It was established by many researchers that poor corporate governance leads to fraud, misappropriation of assets and dissatisfied shareholders (Bhasin, 2013). Johnson, Ayoib and Shamsiah (2014)

stated that no country is secured from fraud. It was noted that where organizations demonstrated poor corporate governance, it will end up filing bankruptcy or incorporate huge losses in their financial statements (Vinita, 2005).

Vinita (2005) and Fernando (2009) asserted that recent frauds are not only due to the failure of corporate governance but also as a result of demonstrated poor accounting practices which were not detected by the conventional auditors. Controlling ownership and minority shareholders protection is difficult through conventional corporate control mechanism (Fan and Wong, 2005). Besides, auditors have denied the role for identifying fraud which had created an expectation gap between shareholders and auditors (Adedire, 2016). This expectation gap can only be filled with Forensic Accounting. In a similar vein, Association of Certified Fraud Examiner (ACFE, 2016) reported that financial statement auditors' or external auditors are not fraud examiner and therefore cannot be considered as the most efficient way to detect and prevent fraud. Accordingly, firm and durable corporate governance practices are necessary where owners (shareholders) are not responsible for setting strategy or carrying out business activities.

Furthermore, Vinita (2005) stated that the aftermath of corporate accounting scandals and the resultant outcry for transparency and reliability in reporting create forensic accounting and innovative corporate governance as two important outcomes. Bhasin (2017) believed that the existence of fraud in our society has been lingered for centuries long. It is estimated that the typical business loses 5 percent of its revenues each year to fraud, this equates to $50,000 for every $1 million in annual revenues ACFE (2016). This kind of disastrous situation requires certain additional steps and one of which is to acquire the assistance of forensic accounting. Therefore, based on the stated fact, this study sought to examine the impact of forensic accounting and investigation on corporate governance in Nigeria. Thus serve as a valuable source of information to the researchers and provide insight as well as adding to the existing literature in relation to the forensic accounting and corporate governance.

2. Literature Review
2.1. Forensic Accounting
Joshi (2003) opined that forensic accounting as the application of specialized knowledge and specified skill to stumble up on the evidence of economic translations. Howard and Sheetz (2006) observed that forensic accounting is the process of interpreting, summarizing and presenting complex financial issues clearly, succinctly and factually particularly in the law court as an expert. It is concerned with the use of accounting discipline to help in determining issues of facts in business litigation (Okunbor & Obaretin, 2010). Degboro and Olofinsola (2007) viewed forensic investigation as the determination and establishment of fact in support of legal case. This implies that forensic accounting techniques can be used to detect and investigate a crime in order to expose all the attending features and identify the culprits.

Gray (2008) believed that those qualified to handle forensic investigation are forensic accountants which are combined effort of an auditor and private investigators. Knowledge and skills include investigative skills, research, law, quantitative methods, finance, auditing, accounting and law enforcement officer insights. A forensic accountant's primary duty is to analyze, interpret, summarize and present complex financial and business-related issues in an understandable manner to the layman. Internal control systems have been described as the basic means of preventing and detecting fraud (Wells, 2008).

Dhar and Sarkar (2010) defined forensic accounting as the employment of accounting conceptions and techniques in addressing legal issues. where fraud is established, it demands reporting and the report is considered as evidence in the law court or in administrative proceedings. According to the Association of Certified Fraud Examiners (ACFE) forensic accounting is the use of skills in potential, real civil or criminal disputes, including generally accepted accounting and auditing principles; establishing losses or profit, income, property or damage, estimations of internal controls, frauds and others that involve inclusion of accounting skill into the legal system (www.forensicaccounting.com/there.htm.)

Okoye and Gbegi (2013) agreed that forensic accounting also called investigative accounting or fraud audit which is a combination of forensic science and accounting. Forensic science is an act of applying the laws of nature to the laws of man. Forensic scientists are referred to as examiners and interpreters of evidence and facts in legal cases that also requires expert opinions regarding their findings in the law court. The science in question here is accounting science, meaning that the examination and interpretation will be based on economic information.

2.2. Forensic Auditing and Investigation
Forensic auditor involves someone or person with expertise and skill that can be called out for investigation on financial matter which may be used in law court. Eyisi and Ezuwore (2014) asserted that forensic auditing and investigation are fact finding process that allow the examination of knowing whether an event has actual take place, the place, amount involve, collection of evidence, computation of the asset involve and above all initiate a court proceeding. Chattopadhyay (2014) was of the opinion that forensic accountant tidbits of evidence was inadequately framed leaving gaps with respect to the numerous accounting standards which the counsel may not prepared to accommodate in the brief that he seeks to prepare. The forensic

accountant and forensic auditor may bring together several areas of expertise to satisfy the counsels and the judge. The two professions serve as a compliment to one another and they are teaming up for better result.

2.3. Corporate Governance

Corporate governance is the system by which companies are directed and controlled as reported by the Committee on the Financial Aspects of Corporate Governance. It is a set of rules that defined the relationship between stakeholders, management and board of directors of a company and their influence on the operation of the company. Thus, it can be emphasized that corporate governance deals with issues that result from the separation of ownership and control which simply goes beyond establishing a clear relationship between shareholders and managers. The needs to provide a reliable structure through which objectives can be set and attained as well as monitoring performance can be determined rely on good corporate governance (OECD 2004)

Youssef (2007) opined that the process carried out by the board of directors and its related committees on behalf of and for the benefit of the company's Shareholders and the other Stakeholders, to provide direction, authority and oversights management, It is to have an equilibrium between the board members and their stake and the benefits of the shareholders and all other stakeholders. While the conventional definition of corporate governance and acknowledges the existence and importance of 'other stakeholders' they still focus on the traditional debate on the relationship between disconnected owners (shareholders) and often self-serving managers. Indeed it has been said, rather ponderously, that corporate governance consists of two elements: The long term relationship which deal with the checks and balances, incentives for manager and communications between management and investors; the transactional relationship which involves the disclosure and authority.

2.4. Empirical Review

The related empirical studies been carried out on this study includes: ACFE (2008) examined how fraud can be discovered using the formal mechanisms such as internal audits and internal control features. Survey research design was adopted in which information gathered were analysed using descriptive analysis technique and it was discovered that informal mechanisms have served as the most frequent sign to fraud detection. About 42 per cent of fraud signs have come through tips, 23 per cent through internal control, 20 per cent by accident and 19 percent by internal audit. External audit and the police account for about 9 and 3 percent respectively. It has been argued that an effective internal control system is not a guarantee against fraud.

Kasum (2009) evaluated the relevance of forensic accounting to financial crime in private and public sector of third world economies. Empirical survey and exploratory approach was employed. Questionnaires were distributed to diverse class of professionals comprising accountants, lawyers, economists and bankers. Analysis were done using descriptive analysis and the result revealed that there was an alarming rate of corruption among the third world countries that crumbling the economy and also affecting the standard of living and image of innocent citizens. The study further revealed that the services of forensic accountant expert were needed in developing economies and more especially in the public sector than in developed economies.

Owojori and Asaolu (2009) investigated the role of forensic accounting in reducing corporate fraud and mismanagement. The survey research design adopted and the information gathered were analysed using conceptual analysis and found that forensic accountant was very useful in public accounting. Okunbor and Obaretin (2010) examined the effectiveness of the application of forensic accounting services on corporate organisation in Nigeria. The data used were gathered from the sample of ten companies quoted in the Nigerian Stock Exchange and a simple regression analytic technique was employed for the study. The result showed that the application of forensic accounting services on corporate organization in Nigeria was not effective in determine fraudulent activities.

Ogodogun (2011) studied was carried out on reducing corruption in the public sector: The forensic accounting pedagogy. The data used for the study were gathered from a sample of 124 accountants in public service of Edo, Delta and Bayelsa states through questionnaire method. A descriptive analysis and correlation analytic technique was adopted for the study and it was discovered that there was existence of a significant relationship between corruption and forensic accounting. It was further discovered that there was a very strong relationship between poor accounting records and corrupt practices in the public sector and there was also a significant relationship between corruption and poor economic development.

Onuorah and Ebimobowei (2012) examined the effect of forensic accounting services on fraud detection in Nigeria banks. The study employed ordinary least square and Granger Causality test on the data collected and the result revealed that the application of forensic accounting services affect the level of fraudulent activities of banks. Bressler (2011) studied the perception of attorney and judges in the court system on how to enhance the understanding and the role of forensic accountants in fraud investigation. The study adopted conceptual analysis and the result revealed that forensic accountants should be well trained in the rules of evidence, financial data, accounting information system software and communication skills.

Adegbie and Fakile (2012) empirically evaluated forensic accounting as antidote to economic and financial crime in Nigeria. The data collected through a well-structured questionnaire administered to the selected

respondents were analysed using Chi- square technique. The result of the study revealed that forensic accounting was a financial strategy to curb and resolve economic and financial crimes in Nigerian economy. Enofe, Mgbame, Ayodele and Okunbo (2013) examined forensic accounting: A tool for detecting fraud in Nigeria business environment. A survey research design was adopted and the data used were collected from 50 randomly selected respondents via a well-structured questionnaire. The analysis done using descriptive method showed that forensic accounting services were required in Nigeria. It was also revealed that forensic accounting was an effective tool for detecting fraud in Nigeria business environment.

Ahmad, Zayyad and Rasak (2013) empirically examined the role of forensic audit in enhancing financial investigations in Nigeria. The primary data collected via questionnaire administered to 240 accountants as respondent were analysed using correlation and regression analytic method. The result revealed a significant relationship between forensic audit and financial crime. Thus, it implies that forensic audit could be used to ensure early detection and confirmation of fraud and hence, enhance financial crime investigations in the country. Therefore, the introduction of independent audit skill into periodic audit would boost the financial crime investigations especially in enhancing early detection and confirmation of fraud.

Modugu and Anyaduba (2013) examined forensic accounting and financial fraud in Nigeria. Survey design was employed with a sample size of 143 respondents, which include accountants, management staff, practicing auditors and stakeholders. A binomial test was employed for data analysis and it was found that there is significance agreement among stakeholder on the effectiveness of forensic accounting in fraud control, financial reporting and internal control quality. Enofe, Okpako and Atube (2013) conducted a study on the impact of forensic accounting on fraud detection in Nigeria. The data collected from the sample of fifteen firms were analysed using ordinary least square and chi square analysis technique. The result of the study revealed that the application of forensic accounting services on firms affect the level of fraudulent activities.

Okoye and Gbegi (2013) investigated the impact forensic accountants on planning and management of fraud risk detection procedures. The study employed analysis of variance (ANOVA) as the analytic technique. The study discovered that forensic accountants effectively modify the extent and nature of audit test when the risk of management fraud was high. The study established that forensic accountant should be involved in the risk of fraud management and assessment process than consulting.

Onyekwelu, Ugwu and Nnamani (2016) examined the effectiveness of forensic accounting and quality of financial reporting in Nigeria using the banking sector as a reference. The research adopted empirical survey and descriptive approach. The secondary data used for the study were sourced from the annual reports of the chosen banks while, the primary data used to elicit information were sourced from accountants using a well - structured questionnaires administered to a sample of 250 respondents. The correlation analysis carried out revealed that the fundamental qualitative characteristics (relevance and faithful representation) of financial reporting accounting and the enhancing qualitative characteristics (understandability) can be significantly enhanced through forensic accounting.

Ehioghiren and Atu (2016) examined the forensic accounting and fraud management: evidence from Nigeria. The primary data used were sourced through a well - structured questionnaire administered to the sample 572 respondents. The study adopted ordinary least square regression technique and the result revealed that Forensic accounting significantly influences fraud detection and control. Also, there was significant difference between the duties of professional forensic accountants and that of traditional eternal auditors. However, the impact of forensic accounting and investigation on corporate governance was examined in this study using logistic regression method.

3. Research Method

The study adopted survey and explanatory research design. Primary data were collected through a well-structured questionnaire in Ekiti State. The data were collected from forensic accountants and practitioner based in Ekiti State, Nigeria. Thus, a sample size of 92 respondents returned there completed questionnaire out of the 120 administered questionnaires using a simple random sampling technique.

3.1. Model Specification

The logit model was applied for this study and stated as follows:

The dependent variable $Y = 1$ indicating that forensic accounting and investigation enhanced corporate governance and $Y = 2$ if otherwise, then

$$P_i = \mathrm{E}(Y = 1 \mid X_i) = \frac{1}{1 + e^{-(a_1 + a_{2i} X_i)}} \qquad 3.1$$

$$P_i = \frac{1}{1 + e^{-\beta_i}} \qquad 3.2$$

$$P_i = \frac{e^{\beta_i}}{1 + e^{\beta_i}} \qquad 3.3$$

Equation 3.3 was called the logistic cumulative distribution function and P_i *was* ranged from 0 to 1, called the probability that forensic accounting and investigation enhanced corporate governance, β_i ranges from $-\infty$ to $+\infty$. P_i was non linearity related to β_i and $a_{2i}'s$ were the model coefficients. Since P_i was the probability that forensic accounting and investigation enhanced corporate governance, then

$$1 - P_i = \frac{1}{1 + e^{\beta_i}} \qquad 3.4$$

Equation 3.4 was called the probability that forensic accounting and investigation do not enhanced corporate governance. Then, Equation 3.5 and 3.6 were called the odds ratio in favour of the probability that forensic accounting and investigation enhanced corporate governance to the probability that it was otherwise.

$$\frac{P_i}{1 - P_i} = \frac{1 + e^{\beta_i}}{1 + e^{-\beta_i}} \qquad 3.5$$

$$\frac{P_i}{1 - P_i} = e^{\beta_i} \qquad 3.6$$

Taking the natural logarithm of equation 3.6 it would resulted to:

$$\acute{L}_i = \ln\left(\frac{P_i}{1 - P_i}\right) \qquad 3.7$$

$$\acute{L}_i = \beta_i = a_1 + a_{2i}X_i + \mu_i \qquad 3.8$$

Equation 3.7 called logit model and it linear transformation was given in equation 3.8. $\acute{L}_i$ was called the logit, X_i were the gender (GED), education qualification (EDU), professional certification (PROF), fraud detection (FRDT), internal control system (INCS) and quality of financial report (QFR). However, a_1 was the constant term of the logit model, a_{2i} were the parameter of the logit model to be estimated and μ_i is the stochastic error term.

4. Result and Discussion

The data collected for this study was analyzed using binary logistic regression technique because it gives efficient, consistent unbiased estimate of the model parameters. The logistic regression technique allows the estimation of probability that forensic accounting and investigation enhanced or not corporate governance by predicting a binary dependent outcome from a set of independent variables such as were the gender (GED), education qualification (EDU), professional certification (PROF), fraud detection (FRDT), internal control system (INCS) and quality of financial report (QFR).The evaluation and diagnostic techniques of the fitted model was also done using classification table, Cox & Snell R Square, Nagelkerke R Square, Hosmer and Lemeshow goodness-of-fit test, probability test and old ratio. These were presented below:

Table 1 and 2 presents the results when the constant term was included and all the predictor variables such as gender, education qualification, professional qualification, fraud detention, internal control system and quality of financial report were excluded from the model. Logistic regression compares this model with a model including all the aforementioned predictors to determine whether the latter model is more appropriate. The table 1 suggested that if we knew nothing about our variables and guessed that a respondent opined that forensic accountant enhance corporate governance we would be correct 54.5 percent of the time as revealed by the classification table.

The Wald statistic and associated probabilities provide the impact and the significance of forensic accounting and investigation on corporate governance. The Wald statistic has a chi-square distribution and the simplest way to assess Wald is to take the significance values and if less than 0.05 reject the null hypothesis as the variable does make a significant contribution. In this study, it was discovered that the probability value of 0.405 which is greater than 0.05 (P > 0.05 revealed that forensic accounting contributed significantly to the corporate governance. The Exp(B) column in Table 2 presents the extent to which a percent improvement in forensic accounting enhance influences the odds ratio. Thus, if the value exceeds 1 then the odds of an outcome occurring increase and if the value is less than 1, any increase any improvement leads to a reduction of the odds of the outcome occurring. Therefore, the EXP(B) value 1.190 as revealed in this study implies that an improvement in forensic accounting and investigation, the odds ratio would be 1.19 percent larger and hence forensic accounting and investigation are more likely to enhance corporate governance by 1.19 percent.

The variables not in the equation table shows whether each independent variable contribute to the corporate governance as presented in Table 3. The result revealed gender, educational qualification and professional certification with probability value 0.912, 0.624 and 0.132 > 0.05 will not improve the corporate governance because they are not significant. However, it was discovered that fraud detection, internal control system and quality of financial report with associated probability value of 0.000, 0.016 and 0.016 < 0.05 were

significant and would therefore enhance the impact of forensic accounting and investigation on corporate governance. The significance of the fraud detention further revealed it would lead to better improvement of corporate governance when compare with the internal control system and quality of financial report. This implies the important of fraud detection in enhancing corporate governance.

Model Summary presented in table 4, provided an approximation coefficient of determination (R^2). Cox and Snell's R-Square imitate multiple R-Square based on 'likelihood' and thus revealed that 51.7 percent of the variation in the corporate governance was explained by the logistic model. The Nagelkerke's R^2 modification was a reliable measure of the relationship. It was discovered in this study that Nagelkerke's R^2 was 0.691 indicating a moderately strong relationship of 69.1 percent between the forensic accounting and the corporate governance.

An alternative to model chi square was the Hosmer and Lemeshow goodness-of-fit test presented in table 5. The Hosmer and Lemeshow test statistic of 0.056 which is greater than 0.05 revealed that there was no difference between observed and model-predicted values. Thus, implies that the model's estimates fit the data at 5 percent level of significance. This desirable outcome of non-significance indicated that the model prediction does not significantly differ from the observed. Hence, the Hosmer and Lemeshow statistic assumed sampling adequacy which means fitted logistic model was good adequate and reliable for assessing the impact of forensic accounting and investigation on corporate governance.

Classification Table presented in table 6 was used rather than goodness-of-fit statistic to show the proportion of cases that were managed to classify correctly. The classification Table revealed the number of cases correctly predicted that the observed values of the corporate governance were enhanced or otherwise by the forensic accounting and investigation. In the Table 6, the columns are the two predicted values of the corporate governance, while the rows are the two observed (actual) values of the corporate governance. In a perfect model, all cases will be on the diagonal and the overall percent correct will be 100 percent. In this study, 76.2 percent were correctly classified for the forensic accounting and investigation enhanced corporate governance group and 84.0 percent for the forensic accounting and investigation did not enhance corporate governance group. Overall 80.4 percent were correctly classified. This was a considerable improvement on the 54.5 percent correct classification with the exclusion of the significant independent variables such as fraud detection, internal control system and quality of financial report in the model. Thus, forensic accounting and investigation with fraud detection internal control system and good quality of financial report will significantly improve the corporate governance. But will all the independent variables or just one of them responsible for better improved corporate governance in relation to forensic accounting and investigation? The answer was provided by the variables in the equation presented in Table 7.

Variables in the Equation presented in the Table 7 had several important as it revealed the contribution of the independent variables such as fraud detection, internal control system included in the model. The Wald statistic and associated probabilities provided the impact and the significance of each of the independent variable in the equation. The Wald statistic has a chi-square distribution that can be assessed by the significance of the Wald statistic. Thus, if probability associated with the Wald statistic is less than 0.05 reject the null hypothesis as the variable does make a significant contribution. In this study, it was discovered that the probability value of the fraud detection and internal control system which are 0.997 and 0.997 respectively were greater than 0.05 that is, P > 0.05. Therefore implies that fraud detection and internal control system contributed significantly to the corporate governance.

The Exp(B) column in Table 7 presents the extent to which improving the corresponding measure by one unit influences the odds ratio. Interpreting EXP(B) in terms of the change in odds. If the value exceeds 1 then the odds of an outcome occurring increase; if the figure is less than 1, any increase in the predictor leads to a drop in the odds of the outcome occurring. For example, the EXP(B) value associated with fraud detection is 1.284E+046. Hence when fraud detection was improved by one percent the odds ratio is increased by 1.284E+046 times and therefore forensic accounting and investigation are 1.284E+046 more times likely to enhance the corporate governance. The 'B' values are the logistic coefficients that can be used to create a predictive equation given as:

$$P = \frac{e^{\{(106.169*FRDT) - (66.303*INCS) - 44.938\}}}{1 + e^{\{(106.169*FRDT) - (66.303*INCS) - 44.938\}}}$$

P = 1, thus implies that forensic accounting and investigation enhanced the corporate governance. The ratio of odds ratios of the fraud detection and internal control was the ratio of relative importance of the fraud detection and internal control system in terms of the impact on the corporate governance's odds. In this study, fraud detection was 1.284E+046 times as important as internal control and quality of financial report in determining the corporate governance in relation to forensic accounting and investigation.

5. Implication of the Findings and Conclusion

A thorough examination of the impact of forensic accounting and investigation on corporate governance revealed that it enhanced corporate governance as shown by the classification table. The study established that

forensic accounting contributed significantly to the corporate governance as revealed by the Wald statistic and associated probabilities. Also in this study, it was correctly classified 76.2 percent of the time that forensic accounting and investigation enhanced corporate governance group and in overall, it was 80.4 percent. This was a considerable improvement on the 54.5 percent correct classification with the exclusion of the significant independent variables such as fraud detection, internal control system and quality of financial report in the model. Thus, according to Ehioghiren and Atu (2016) it was opined that forensic accounting significantly influences fraud detection and control which would led to improve corporate governance. Also, it was discovered that the probability value of the fraud detection and internal control system which are 0.997 and 0.997 respectively were greater than 0.05 that is, $P > 0.05$. Therefore implies that fraud detection and internal control system contributed significantly to the corporate governance. This affirmed the position of Modugu and Anyaduba (2013) that established the agreement among stakeholders on the effectiveness of forensic accounting in fraud control, improving financial reporting and internal control that enhanced corporate governance as revealed in classification table when variable in the equation model was considered. Fraud detection was 1.284E+046 times as important as internal control and quality of financial report in determining the corporate governance in relation to forensic accounting and investigation which was an improvement over the Exp(B) value 1.190 as revealed in this study implies that an improvement in forensic accounting and investigation are more likely to enhance corporate governance by 1.19 percent for the model with only constant. This according to Enofe, *etal* (2013) it was emphasized that forensic accounting was an effective tool for detecting fraud in business environment and as such enhance the corporate governance.

Therefore, the study concluded that forensic accounting and investigation couple with fraud detection, effective internal control system and good quality of financial report will enable the corporate governance mechanism in carrying out their responsibility of achieving corporate goals. Thus, the forensic accounting and investigation will effectively impacted corporate governance by improving the management accountability, internal control system and financial reporting system. It will also help in reducing corporate collapse and impoverishment of investors which can influence corporate growth and achievement.

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Appendix

Table-1. Classification Table

	Observed		Predicted		Percentage Correct
			FACG		
			Enhance	Not enhance	
Step 0	FACG	Enhance	0	42	.0
		Not enhance	0	50	100.0
	Overall Percentage				54.3

Source: Researchers' Computation, 2018

Table-2. Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 0	Constant	.174	.209	.694	1	.405	1.190

Source: Researchers' Computation, 2018

Table-3. Variables not in the Equation

			Score	Df	Sig.
Step 0	Variables	GED	.012	1	.912
		EDU	.240	1	.624
		PROF	2.270	1	.132
		FRDT	23.223	1	.000
		INCS	5.835	1	.016
		QFR	5.835	1	.016

Source: Researchers' Computation, 2018

Table-4. Model Summary

Step	−2 Log likelihood	Cox & Snell R Square	Nagelkerke R Square
2	59.937[a]	.517	.691

Source: Researchers' Computation, 2018

Table-5. Hosmer and Lemeshow Test

Step	Chi-square	Df	Sig.
2	7.554	3	.056

Source: Researchers' Computation, 2018

Table-6. Classification Table

	Observed		Predicted FACG		Percentage Correct
			Enhanced	Not enhanced	
Step 2	FACG	Enhanced	32	10	76.2
		Not enhanced	8	42	84.0
	Overall Percentage				80.4

Source: Researchers' Computation, 2018

Table-7. Variables in the Equation

		B	S.E.	Wald	Df	Sig.	Exp(B)
Step 2	FRDT	106.169	28627.413	.000	1	.997	1.284E+046
	INCS	−62.303	17176.448	.000	1	.997	.000
	Constant	−44.938	11450.965	.000	1	.997	.000

Source: Researchers' Computation, 2018