Role of Creative Accounting Preventing Fraud in International Accounting

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ABSTRACT: This paper goes for exhibiting a motivating, identifying and decreasing manipulation mechanisms in financial accounting data. In view of an exploration attempted with organizations, there has been delivered a scope of characterizing components concerning the approach on creativity in accounting. At first, we concentrated in transit business people see control in accounting, the level of hazard taking and the yearning to recognize such dangers. As per our review attempted, there is a high rate liable to uncover the need of distinguishing imaginative practices in accounting and for getting to be distinctly familiar with the techniques for structured according to be organized by the basic interests and advantages. The study purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the entity. Those decisions involve buying, selling, or holding equity and debt instruments and providing or settling loans and other forms of credit. Therefore, general financial reporting is primarily intended to assist external users in investing and lending decisions.

Keywords: Creative Accounting, Decisions making, Financial, International Accounting

INTRODUCTION

Creative accounting is a euphemism referring to accounting practices that may follow the letter of the rules of standard accounting practices, but deviate from the spirit of those rules. They are characterized by excessive complication and the use of novel ways of characterizing income, assets, or liabilities and the intent to influence readers towards the interpretations desired by the authors. The terms "innovative" or "aggressive" are also sometimes used. Other synonyms include Cooking the books and Economics. The term as generally understood refers to systematic misrepresentation of the true income and assets of corporations or other organizations. "Creative accounting" has been at the root of a number of accounting scandals, and many proposals for accounting reform – usually centering on an updated analysis of capital and factors of production that
Newspaper and television journalists have hypothesized that the stock market downturn of 2002 was precipitated by reports of "accounting irregularities" at Enron, Worldcom, and other firms in the United States. One commonly accepted incentive for the systemic over-reporting of corporate income which came to light in 2002 was the granting of stock options as part of executive compensation packages. Since stock prices reflect earnings reports, stock options could be most profitably exercised when income is exaggerated, and the stock can be sold at an inflated profit. The most notable activist is Abraham Briloff (professor emeritus of CUNY Baruch) who for years wrote a column for Barron's that constantly analyzed breaches of ethics and audit professionalism among CPA firms. His book is called Unaccountable Accounting. The profession, in turn, was not kind to Dr. Briloff but much of what he advocated has been forced on the industry in the wake of the Enron scandal (See Sarbanes-Oxley). According to critic David Ehrenstein, the term "creative accounting" was first used in 1968 in the film .

** METHODOLOGY: **

The privileged position in the study is taken by the experiment type research, which involved direct access to research subjects, as well as the case study type research, involving the analysis and interpretation of some existing features. In other words, a clinical or action-type research was employed. These belong to the field research family, their major advantage being the better perception of relationships and processes within an organization. Data collection and analysis were conducted from a total of 20 Romanian companies in the field of construction and civil engineering. The duration of the research and case study type experiment actually covered five financial years in the 2010-2015 times pan, involving the active participation on the part of the subject of the knowledge process. Experiments and case studies were built on real sources of information.

The field research mainly followed:

- Identification and possible solutions for the issues related to the implementation of a management accounting system, or to the change of an existing one (when applicable – if a management accounting system already existed within the company);

- Designing a management accounting system, by involving the entire organization in the process, and choosing an instrument which is suitable with the implementation environment;

Perception and understanding of the change by the stakeholders;
· Deficiencies and reticence arising from the implementation process;

· Trends in the alteration or biasing of information produced by the implemented system. Our research hypothesis was the fact that in the current Romanian economic context, a direct link may exist between creative accounting practices, incompetent managers, and the decline in activity, periods of general economic difficulty and the urgent needs for fiscal optimization.

National emphasis is placed on using creative accounting in order to mislead the users of financial statements. That originally, creative accounting is a virtue, providing the accounting process with means to keep pace with the growing development of the markets and the proliferation of financial products. The major issue is caused by the rapid manifestation of the instinctive perversity of businessmen

A CENSUS (NOT EXHAUSTIVE) OF THE TECHNIQUES USED IN CREATIVE ACCOUNTING

Tangible assets
(a) The practice of "subjective depreciation" of assets creates proper field of creativity in accounting. In the exercise of professional reasoning, IAS 36 requires that at each balance sheet date to determine whether there are indications that the asset depreciation suffered analyzed. If management estimates that the recoverable value is lower than the net accounting assets are considered impaired for the difference. In this case the result will be affected by recording a depreciation expenses. On the opposite side, if the management company seeks an attitude "optimistic" about the outcome, will appreciate that there are no indications that the asset has suffered depreciation, thus avoiding diminishing results.

(b) The lease-back as they highlight the impact of a value that will be established in the year of sale, results. Charges will be recorded during the leasing contract.

Goodwill
Underestimation assets purchased leads to increase goodwill. Cost of goodwill amortization resulting from the reduction outcome, with the exchange rate and competitiveness of the shares bids competitive. Charging goodwill to equity to reduce their lead, the result of years of future costs are not influenced by goodwill amortization.

Depreciation
Option for a particular method of depreciation or otherwise in connection with the accounting policy of the undertaking, the assignment in a systematic way the depreciation of an asset during its useful economic life has an impact on the profit and loss. Thus, a different method of depreciation has a different impact on the outcome. Depending on the method chosen is amended in time allocation of
expenditure. An option on different useful life leads to different expenditure. Review of useful life lead to adjustment costs with current depreciation period and future periods. Deducting the residual value has the effect of reducing depreciation and therefore increases the outcome of exercise.

**Inventories**

The inventories provide sufficient opportunities for creative accounting and subjectivism. An error detected on a voluntary basis in determining the size of existing stock in assets at the end of exercise can lead to a practice of "polishing" of the result, meaning that the underestimation or supraevaluare area stock finally has an impact not only on the financial statements of the current year but also on the belonging the following year. Inclusion in stock inventory or death is a moral waste handling method. If stocks or death moral waste will be removed from management, spending will be affected, with consequences on the outcome in the sense acestuia. La reduce the opposite side, the management company can show a atitutudine optimistic, considering that these stocks will be dead recovered, especially in the situation of an economic recession.

The inclusion of financial costs in the cost of production of stocks has the effect of the increase in the outcome in which the inclusion of expenses. On the opposite side, where the management has a pessimistic vision of the outcome, the result will apply the method, treating interest expense as an element of the power exercised.

**Provisions for liabilities and charges**

Practice provisions (increase, reduction) is an effective tool for "leveling" outcome. Establishment of provisions in the years where the profit result leads to the decrease, while the resumption of the provisions in the income year in which the registers deficit increase leads to the result.

**Creative Accounting Techniques**

The basic model for recording transactions and events in the books of accounts, under the double entry system, is as follows:
All the techniques of Creative Accounting revolve around the basic process of “debiting and/or crediting an inappropriate account” when recording a transaction or an event. By implication, the process also covers “not debiting and/or crediting” the correct account with the correct amount.”

Other Techniques
• Round trip technique

The round trip technique used to trade stocks is a method used to increase the volume of transactions through buying and selling products simultaneously between companies working together. It is a manipulation practice which misrepresents the number of transactions happening. This gives the company the ability to increase their revenues and expenses without changing the net income of the company.

Round tripping, also known as "capacity swaps", formally known as "capacity purchase agreements". Are very controversial business transactions. In some cases they are legitimate transactions but in other cases they may be used to simply improve the books. Example a company may be engaged in these "round tripping" transactions, companies would buy space on one another's networks (assuming a dot com company) at the same prices and then count the sales as revenue. No money is actually gained or paid by either firm, so the transactions improve the look of the company's books without actually contributing to the value of the company.

• Fake revenue and reserves depletion

Each year fake revenue was recorded and accounts receivable were increased, then the entries were reversed in the fourth quarter to hide this from their auditors. They booked revenue that should have been taken later and used
their financial reserves. The accounting methods were not in accordance with GAAP, such as inappropriate depreciation of assets and delayed recognition of insurance claims.

- irregular charges against merger reserves
- false coding of services sold to customers
- delayed recognition of cancellation of membership and charge backs
- recording of fictitious revenues
- Off Balance sheet financing

Off-balance-sheet financing will always result in low financing costs and managing its earnings by offsetting losses with "one-time" gains resulting from the sale of large assets

- The one-time charges mainly work in two ways: with the sale of an asset or the write-off of a business or inventory. The sale of an asset is simply a sale that results in a one-time cash inflow. A write-off however can be helpful in several ways. First, it can be timed to work against a one-time gain such that it has no effect on earnings and the company can get the write-off off the books with no attention drawn to the issue. Also, if the write-off is later found to be too large, which may have been the intention all along; some of it can be reimbursed at a future date, directly adding to profits. Usually it is timed to occur when the company is trying to cleanse the books and may occur at a time when it works against a one-time gain, leaving the net effect whatever value is required to make the quarter.
- The creative accounting can also include the practice of finding well-timed onetime gains to offset weak performance and unexpected costs. Use of corporate assets by executive can also be deemed part of ploy for creative accounting for example high peck allowances to executives which can be against or within the corporate policies.
- Reversals of Actual Expenses: In certain quarter, the company’s executives directed that its accounting staff reverse amounts that had been recorded for various expenses incurred and already paid. In each instance, these reversals were put back on the books in the subsequent quarter, thus moving the expenses to a period other than that in which they had actually been paid. The effect was to overstate company’s income during the period in which the expenses were actually incurred.
- "Gross Profit" Entries: the accounting staff may be directed by executives to make improper adjusting entries to reduce cost of goods sold and accounts payable in every quarter from the first quarter of first year through the first quarter of fourth year. There is no substantiality in these entries. They are specifically intended to manipulate Company’s reported earnings.
- Litigation Settlement: A company may recognized a big shilling amount from a litigation settlement, but when the
settlement was not even complete. It is absolutely improper and is done in order to increase the reported income
- "Dead Deal": Expenses the company could have written-off the pertinent expenses, according to Generally Accepted Accounting Principles. The company may not do the write-offs because this would reduce its income in the relevant periods. But, despite doing this, the company carried all these items as assets in the balance sheet.
- Inventory Shrink: When the physical inventory count was less than the inventory carried on company’s books, the company wrote down its book inventory to reflect this "shrink".
- Creative accounting practice can also take a form of capitalized the expense of acquiring new customers. This include marketing expenses, CD costs, and shipping costs. The technique may help to increase reported income earned.
- Improper accounting for expenses as long –term investments making the company look more profitable. The executives may take ordinary operating expenses, such as wages paid to workers for maintaining telecom systems, and treat them as capital expense accounts. This allows the firm to spread their expenses out over several years rather than accounting for them all at once. The results are inflated earnings because costs associated with long-term investments are spread out and subtracted from earnings over the life of the asset whereas operating expenses are deducted from earnings immediately. In doing this the company artificially lowered their expenses and may increase their profits.

Therefore the value of the firm is also artificially inflated. Although not technically wrong, many annual and quarterly reports and presentations dive heavily into theoretical scenarios where "one-time charges" to earnings are excluded. What this means is for example, a lawsuit settlement amount would be taken out of the reported profit in one big chunk, even if it is paid out little by little over time (this practice is called reserving). Often, when explaining the quarterly results, a CEO might say "Well if we didn't take this charge for the lawsuit, we would have made this much money". Very often, the hypothetical situations proposed get even more complicated. The main "creative" aspect to this is when a "one time" "exceptional" charge really is something that is very common to the business.
- Banks are able to lend out most of the money they receive in deposit (they also can lend money they borrow from other banks). However, to protect against bad loans, banks must keep aside a supply of money called a "reserve". The bank, within general guidelines, gets to set the size of this reserve to what it feels is prudent compared to how risky its outstanding loans are. However, when the bank wants to make it look like it made more money this quarter than last,
one way to do that is to take money from the reserve and call it profit with the excuse that the loans are safer now than before and that amount was no longer needed.

• One of the main genres of "creative accounting" is known as slush fund accounting, whereby some earnings from this quarter are hidden away just in case the profit from next quarter is not enough for the management to make their bonuses.

• Creative accounting is not limited to large firms with banks of accountants. Smaller companies often use creative accounting, but for tax saving purposes rather than meeting bonuses or shareholder expectations. Salaries are sometimes included in profits to benefit from corporation tax rates being lower than personal tax rates and spouses are sometimes put on the books as employees though they may never have worked for the company. As smaller companies are generally subject to less onerous rules - and many of them fall below the limit required for a full annual audit every year - much of the creative accounting in this sector does not get a lot of publicity.

A. Example 1
A payment is made for repairing the factory wall. This is an expense item as this payment does not improve the value of the factory buildings; it merely restores it to the previous value. Now if this payment is debited to Factory Premises Account, it will result in an over-statement of an asset and an understatement of an expense. In turn, this will lead to over-statement of relevant year’s Net Profit and overstatement of assets in its balance sheet.

B. Example 2
A payment is made for constructing a new shed in the factory. This is a capital expenditure as it increases the value of factory buildings. Now if this payment is debited to Factory Premises Repairs and Maintenance Account, it will result in an over-statement of an expense and an understatement of an asset. In turn, this will lead to overstatement of the total assets in the balance sheet and understatement of relevant year’s net profit.

HOW TO DELIBERATELY PRESENT A FALSE PICTURE
A company wishes to show higher profits, it has number of options to achieve this objective.

• It can overvalue its closing stock thus by decreasing the cost of goods sold; it will show increased profit and on the other hand increased total assets in the balance sheet.

• By ignoring the provisions for bad debts/legal obligations, the current profits can be overstated.

• It can book false gains through sales purchase back. For example if company owns a piece of land which were bought, let us say, 30-40 years ago at a cost of Rs. 150,000. Now the company is bound to show the cost of this piece of land on
historical basis as required by accounting standards. If the current market price of that piece of land is say approx. 30 million, the management can sell this land to someone on pre-decided terms to purchase it back. By executing this under the table transaction, the company balance sheet footing will be increased by Rs 30 million. Now that the company would have legally bought the property at Rs 30 million, it will be justified to show it in the balance sheet at that amount (being the cost).

• Playing with debits and credits
If we talk purely in accounting language, the entire accounting process is about the correct use of “debits” and “credits”. In the very first course of accounting, students are taught how the five main items of assets, liabilities, equity, revenue and expenses are treated in the books of accounts. The below given table explains for the readers that if an item increases or decreases how this will be treated in the accounting journal.

<table>
<thead>
<tr>
<th>Account Type</th>
<th>Increase is Recorded By</th>
<th>Decrease is Recorded By</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>Debit</td>
<td>Credit</td>
</tr>
<tr>
<td>Expense</td>
<td>Debit</td>
<td>Credit</td>
</tr>
<tr>
<td>Revenue</td>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>Liability</td>
<td>Credit</td>
<td>Debit</td>
</tr>
<tr>
<td>Equity</td>
<td>Credit</td>
<td>Debit</td>
</tr>
</tbody>
</table>

The foundation of the entire accounting edifice stands on these two simple words: debits and credits. Debits are used to record expenses (or reduction in revenue) and to record assets (or reduction in liabilities or capital). Similarly, credits are used to record revenues (or reduction in expenses and to record liabilities (or reduction in assets). A debit will either end up in the Income Statement (i.e. if it is treated as an expense) or in the Balance Sheet (i.e. if it is treated as an asset). Quite similarly, a credit will end up in Income Statement if it is treated as revenue or in Balance Sheet if it is treated as a liability.

Now, a creative accountant can mischievously play with these basic rules to procure his desired result. Accountants on demand of management or owners artistically manipulate these instruments to get the desired results. An expense may be treated as an asset to improve book profits, or alternatively an asset may be expensed to show lower profits. Similarly, revenue may be transferred to a liability (through provisioning) to reduce book profits, or a liability may be dressed up as a revenue to show higher book profits virtually at the whims of the accountant.
The Ethical Perspective of Creative Accounting

The ethics of bias in accounting policy choice is reviewed at the ‘macro’ level of the accounting regulator. This can similarly be applied to the bias in accounting policy choice at the ‘micro’ level of the management of individual companies that is implicit in Creative Accounting.

The study appears to take a teleological view of accounting in the private sector, allowing managers to choose between the alternatives permitted in “loose” standards to achieve their desired end, but to make a deontological view of accounting in the public sector where he calls for tighter standards to prevent such manipulation. We might ask whether the presence or absence of market discipline justifies such ethical inconsistency.

Ruland also discusses the distinction between a ‘positive’ responsibility, which here would be the duty to present unbiased accounts, and a negative, responsibility, where managers would be responsible for states of affairs they fail to prevent. Thus, Ruland gives priority to the positive. Within Revsine’s framework, where all outcomes are deemed to be impounded in the process of contracting and price-setting, the distinction is not acknowledged. The ‘duty to refrain’ would imply avoiding the bias inherent in creative accounting while the ‘duty to act’ would involve pursuing the consequences to be achieved by creative accounting.

To the professional accountant, creative accounting generally seems to be regarded as ethically dubious. In the senior partner of price water house cooper Conner observed. “When fraudulent reporting occurs, if frequently, is perpetrated at levels of management above those for which internal control systems are designed to be effective. It often involves using the financial statements to create an illusion that the entity is healthier and more prosperous than it actually is. This illusion sometimes is accomplished by masking economic realities through intentional misapplication of accounting principles.

Table 2: Three most frequently cited ethical problems

<table>
<thead>
<tr>
<th>Problem</th>
<th>% of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conflict of Interest</td>
<td>51.9</td>
</tr>
<tr>
<td>Client proposal to manipulate accounts</td>
<td>50.1</td>
</tr>
<tr>
<td>Client proposal for tax evasion</td>
<td>46.8</td>
</tr>
</tbody>
</table>
Ethical Behaviour of Accounting Professionals

Wide spread corruption in the business environment seems to be the order of the day in almost all societies. Business practices have always been connected with fraud and have always been affected by financial collapses. In the corporate scandals have involved such companies as independent insurance and BCC. The recent time has witnessed the collapse of a number of corporate giants in the USA such as Enron Corporation, Tyco International, World Com, Global Crossing, Arthur Anderson, Parmalat, etc. However, these have cost not only billion of dollars to the stakeholders but also have damaged the accounting profession.

The business community is also plagued with ethical problems. Cases of unethical, cases of business behavior and corporate scandals involving such large companies. Also, the collapse of many banks and other financial institutions has also been linked with various ethical violations. Moreover, these cases of corporate scandals and collapses were allegedly a result of widespread fraud, in which accounting firms and professionals played significant roles. Management of the companies were found to engage in fraudulent activities and aided by audit firms, they were able to cover up these activities through fraudulent financial reporting, thereby misleading and investing public.

This situation, which saw the demise of a once respected accounting firm, Arthur Anderson is of particular concern to the accounting profession. Accounting professionals, who are historically regarded as the watch dog of the society, are being implicated in these scandals which have cost the investing public huge financial losses. Accountants and the accountancy profession exist as a means of public service, the distinction which separates a profession from a mere means of livelihood is that the profession is accountable to standards of the public interest, and beyond the compensation paid by clients. Accounting ethics is the study of moral values and judgments as they apply to accountancy. However, due to the diverse range of accounting services and recent corporate collapses, attention has been drawn to ethical standards accepts within the accounting profession. These collapses have resulted in a wide spread disregard for the reputation of the accounting profession. In order to combat the criticism and present fraudulent accounting, various accounting organizations and governments have developed regulations and remedies for improved ethics among the accounting profession.

The nature of the work carried out by accountants and auditors requires a high level of ethics. Potential shareholders, shareholders and other users of the financial statements rely heavily on the yearly financial statements of a company
as they can use this information to make an information decision about investment. The above mentioned rely on the opinion of the accountants who prepared the statements as well as the auditors that verified it, to present a true and fair view of the company. However, knowledge of ethics can help accountants and auditors to overcome ethical dilemmas, allowing for the right choice that, although it may not benefit the company, will benefit the public who relies on the accountants/auditors reporting.

The outcomes of the many cases of unethical behavior have underscored the importance of ethics in business; companies’ bankruptcies, loss of investments and savings and loss of public confidence have shown that unethical behaviour in business is not only morally wrong but also disastrous for an economy. However, for the good of everyone, including the business organizations themselves is vitally important that business be conducted within an ethical framework that builds and sustains trust.

**STRATEGIES USED IN AVOIDING CREATIVE ACCOUNTING**

One of the identified ways through which accountants should avoid creative accounting is to ensure his ability of preparing a sound financial statement that is fraud free, and to ensure proper accountability, transparency and due process. The accountants should render stewardship activities that will meet up with expectations of his principals, shareholders, potential stakeholders and management boards and as well as accounting standards. However, any attempt not to comply with the laid down financial principles, rules and regulation would have great effect on his profession.

Accountants should have sound general education that enables them understands the other functional areas of business and to interact better with other functional staff in the organization. In addition, he requires basic and specific accounting knowledge upon which to build on the technical accounting skills. The accountants should not indulge in the production of improper books of accounts, in complete records of financial statement, mis-appropriation of funds, either to over or under state financial statements or any mis-representation in any form at all. Any accountant found in financial frauds should be brought to book to serve as a deterrent to others. The accountants should ensure that they received the professional and skill training in accounting. There is always the contention that training produces a complete individual. The accountants involved with the preparation and presentation of financial reports must be trained in the act to imbibe the ethics of the profession, rules that are acceptable and the principles that must be observed. Also, the accountant requires continuous on-the-job training to deeper his
proficiency especially in the areas of communication skills and information communication technology (ITC).

The accountants, like every other worker require a conducive and an enabling work environment that would facilitate optimum performance. But the situation on the ground indicates lack of basic facilities for efficient accounting service delivery. The theoretical framework that assists this study is the Agency Theory which means a conceptual relationship between the principal and the agent. Here, the agent performs duty on behalf of another called his principal. A person who has given express or implied authority for another to as an agent on his or her behalf is called a principal while on the other hand, a person who is employed with or for the purpose of putting his employer (the principal) into legal relationship with the third parties is known as an agent. The accountant as the agent of the principal (Stakeholders, Shareholders and Users of the Financial Information) is expected to discharge his work according to the specification of accounting principles, rules and regulations as to avoid misrepresentation of financial fraud or malfalsification of figures. The application of creative show that stakeholders, shareholders and other users of accounting information rely heavily on the yearly financial statements of a company as they can use this information to make as informed decision about investment. They rely on the opinion of the accountants who prepared the statements, as well as the auditors that verified it, to present a true and fair view of the company.

The relevance of the agency theory to this study is that knowledge of ethics assists the accountants and auditors to overcome ethical dilemmas, allowing for the right choice that may not benefit the company, rather will benefit the public who relies on the accountants/auditors reporting. Cottel (1990) added in order to uphold strong ethics; an accountant must have a strong sense of values, the ability to reflect on a situation to determine the ethical implications, and a commitment to the wellbeing of others.
Research Question 1
To what extent does a creative accounting practice affect the financial Reporting system?

Table 3: Respondents Rating on the Extent Creative Accounting Practices Affect the Financial Reporting System

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>20</td>
<td>23.5%</td>
<td>84.70</td>
</tr>
<tr>
<td>Agree</td>
<td>18</td>
<td>21.2%</td>
<td>76.20</td>
</tr>
<tr>
<td>Undecided</td>
<td>20</td>
<td>23.5%</td>
<td>84.70</td>
</tr>
<tr>
<td>Disagree</td>
<td>17</td>
<td>20%</td>
<td>720</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>10</td>
<td>11.8%</td>
<td>42.40</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>100%</td>
<td>3600</td>
</tr>
</tbody>
</table>

The above depicts that, 20 respondents (representing 23.5% and 84.70) strongly agreed that the creative accounting practices affected financial reporting system, the same number are undecided, 18 respondents (representing 21.2% and 76.20) agreed; 17 respondents (representing 20% and 720) disagreed; while 10 respondents (representing 11.8% and 42.40) strongly disagreed. The presence of the technical accounting terminology – creative Accounting could be an explanation for the high number of respondents that are undecided meaning that the term is either unfamiliar or that some other term is interchanged for it’s in their operations in the organization.
Research Question 2
To what extent does “Creative Accounting” practices significantly influenced both accounting policy choice and manipulation of transaction in financial reporting?

Table 4: Respondents Rating on the Extent Creative Accounting Practices Significantly Influence both Accounting Policy Choice and Manipulation of Transaction in Financial Reporting.

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>45</td>
<td>53%</td>
<td>1900</td>
</tr>
<tr>
<td>Agree</td>
<td>20</td>
<td>23.5%</td>
<td>84.70</td>
</tr>
<tr>
<td>Undecided</td>
<td>11</td>
<td>12.9%</td>
<td>46.60</td>
</tr>
<tr>
<td>Disagree</td>
<td>6</td>
<td>7.1%</td>
<td>25.40</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>3</td>
<td>3.5%</td>
<td>12.70</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>100%</td>
<td>3600</td>
</tr>
</tbody>
</table>

Majority of respondents (45), representing 53% (1900) strongly agreed that creative accounting practices significantly influenced both accounting policy choice and manipulation of transaction in financial reporting, 20 respondents (representing 23.5% (84.70), agreed; 11 respondents (representing 12.9%) (46.60), are undecided, 6 respondents (representing 7.1%) (25.40), disagreed; while 3 respondents (representing 3.5% (12.70) strongly disagreed with the above information.
Research Question 3
To what extent will a well designed framework of accounting regulation (by regulatory agencies) curb creative accounting practices in corporate financial reporting?

Table 5: Respondents rating on the Extent a well Designed Framework of Accounting Regulation will Curb Creative Accounting Practices in Corporate Financial Reporting

<table>
<thead>
<tr>
<th>Responses</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Degree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strongly Agree</td>
<td>42</td>
<td>49.4%</td>
<td>177.90</td>
</tr>
<tr>
<td>Agree</td>
<td>25</td>
<td>29.4%</td>
<td>105.90</td>
</tr>
<tr>
<td>Undecided</td>
<td>10</td>
<td>11.8%</td>
<td>42.30</td>
</tr>
<tr>
<td>Disagree</td>
<td>8</td>
<td>9.4%</td>
<td>33.90</td>
</tr>
<tr>
<td>Strongly Disagree</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>85</td>
<td>100%</td>
<td>3600</td>
</tr>
</tbody>
</table>

Table 5 show that majority of the respondents (42), representing 49.4% (117.90), strongly agreed that a well designed framework of accounting regulation (by regulatory agencies) will curb creative accounting practice in corporate (financial) reporting; 25 respondent, representing 29.4% (105.90), agreed; 10 respondents, representing 11.8% (42.30%), are undecided, 8 respondents, representing 9.4% (33.90%), disagreed, while non strongly disagreed.

SUMMARY AND CONCLUSION
The findings of the study serve as the basis for making the conclusion below: Creative Accounting offers a formidable challenge of the accounting profession which when carried to extreme negativity has cast aspersion on the credibility of accounting principles and standards. In general, Creative Accounting lends itself as a deceitful and undesirable practice. The ethical implication of the Creative Accounting raises the need for a close scrutiny of the potential abuse of accounting policy choice and manipulation of transactions. The study brought to the multi-dimensional nature of the ongoing financial crises and its effect on financial reporting by way of increasing adoption of creative accounting. Creative accounting offers a formidable challenge of the accounting profession which when carried to extreme negativity has cast aspersion on the credibility of accounting principles and standards. In general, creative accounting lends itself as a deceitful and
undesirable practice. The effect of the creative accounting raises the need for a close scrutiny of the potential abuse of accounting policy choice and manipulation of transactions. This study therefore, concludes that this practice of creative accounting which presents itself in the form of share price manipulation, profit or accounts misstatements and insider trading in the NSE could be part of the explanation for the recent crash of the NSE. Hence, the need for standard setters regulators and professional bodies to not only work towards the global adoption of one single set of high quality accounting standard, but also the need for strengthening enforcement and monitoring mechanisms. This would assist to enhance the quality of financial reporting as well as rebuild and sustain the warning confidence of financial investors.

REFERENCE: