

**دور المحاسبة الإبداعية في إدارة الأرباح: دراسة تحليلية  
لأساليب المحاسبة وأثرها على الشفافية المالية**

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The Role of Creative Accounting in Earnings Management: An Analytical Study of Accounting Techniques and Their Impact on Financial Transparency

دور المحاسبة الإبداعية في إدارة الأرباح: دراسة تحليلية لأساليب المحاسبة وأثرها على الشفافية المالية

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المستخلص:

تهدف هذه الدراسة إلى تحليل دور المحاسبة الإبداعية في إدارة الأرباح، مع التركيز على التقنيات المحاسبية المستخدمة وتأثيرها على الشفافية المالية. تستعرض الدراسة مفهوم المحاسبة الإبداعية، وأسباب لجوء الشركات إليها، وأبرز الأدوات والأساليب التي تعتمد عليها لتحقيق أهدافها في تحسين صورة الأداء المالي. كما تناقش الدراسة العلاقة بين المحاسبة الإبداعية وإدارة الأرباح، من حيث تأثيرها على مصداقية التقارير المالية وقرارات المستثمرين. تعتمد الدراسة على منهج تحليلي من خلال مراجعة الأدبيات المحاسبية والتقارير المالية للشركات، بالإضافة إلى دراسة حالات تطبيقية توضح تأثير المحاسبة الإبداعية على الشفافية المالية. وتخلص الدراسة إلى أن المحاسبة الإبداعية يمكن أن تكون سلاحاً ذو حدين؛ فمن ناحية، تساهم في تحسين الأداء المالي الظاهري للشركات، لكنها من ناحية أخرى قد تؤدي إلى تقليل الشفافية المالية وإضعاف ثقة المستثمرين وأصحاب المصالح. وأخيراً، توصي الدراسة بضرورة تعزيز معايير الحوكمة والرقابة المالية للحد من الممارسات المحاسبية التي تؤثر سلباً على الشفافية، مع تشديد الإجراءات الرقابية لضمان التزام الشركات بالمبادئ الأخلاقية والمهنية في إعداد التقارير المالية.

الكلمات المفتاحية: المحاسبة الإبداعية، إدارة الأرباح.

**Abstract:**

The role of creative accounting in earnings management: An analytical study of accounting techniques and their impact on financial transparency. This study aims to analyze the role of creative accounting in earnings management, with a focus on the accounting techniques used and their impact on financial transparency. The study reviews the concept of creative accounting, the reasons why companies resort to it, and the most prominent tools and methods they adopt to achieve their goals in improving the image of financial performance. The study also discusses the relationship between creative accounting and earnings management, in terms of their impact on the credibility of financial reports and investor decisions. The study relies on an analytical approach by reviewing accounting literature and companies' financial reports, in addition to studying applied cases that illustrate the impact of creative accounting on financial transparency. The study concludes that creative accounting can be a double-edged sword; on the one

hand, it contributes to improving the apparent financial performance of companies, but on the other hand, it may lead to a reduction in financial transparency and weaken the confidence of investors and stakeholders. Finally, the study recommends the need to strengthen governance and financial control standards to limit accounting practices that negatively affect transparency, while tightening control procedures to ensure that companies adhere to ethical and professional principles in preparing financial reports.

**Key words:** creative accounting, Profit Management.

## **Introduction:**

Creative accounting emerged in accounting literature during the 1980s, likely starting when companies faced difficulties during the economic recession at the beginning of that decade. The accounting process involves dealing with various issues such as judgment and resolving conflicts between competing approaches to presenting the outcomes of financial events and business operations. This flexibility opens opportunities for manipulation, fraud, deception, misrepresentation, or improper presentation. Much of the apparent profit growth in the 1980s resulted from accounting tricks, or creative accounting, rather than genuine economic growth. There was pressure to produce better profits when achieving any profit was challenging. Companies discovered that regulations specify only what you cannot do, not what you can do—so if generating real profit was not possible, they could at least invent it.

Creative accounting is a technique used to manipulate the components of financial statements, presenting income, assets, and liabilities in a dishonest and inaccurate manner. This practice has led to significant financial collapses and scandals in major corporations, including Enron, WorldCom, Harkin, and Merrill Lynch. Over the past two decades, accounting professionals have studied this phenomenon extensively, offering various definitions and analyses in their research.

Creative accounting holds significant importance because its methods distort the true representation of financial data, leading to inflated profits and increased market value of shares, ultimately causing corporate collapses. Creative accounting practices result in the loss of shareholders' rights, tax evasion, and a misrepresentation of the company's financial position, portraying it as better than its actual condition.

One of the primary reasons why management resorts to creative accounting techniques is the pursuit of profits during challenging times when achieving real profit is difficult. Other motivations include presenting a more favorable financial image, tax evasion, personal gain, and manipulating the stock's market value. These and many other factors have contributed to the rise of creative accounting practices.

## **The first topic/ Research Methodology**

### **1.1. Research Problem**

Many companies face challenges in balancing high profitability with maintaining financial transparency. Some adopt creative accounting techniques to manage earnings, raising questions about the impact of such practices on the accuracy and reliability of financial reports. This research addresses the need to understand how creative accounting affects financial transparency and the risks associated with unethical earnings management.

## 1.2. Research Objective :This research aims to:

1. Investigate the role of creative accounting techniques in earnings management.
2. Evaluate the impact of these techniques on financial transparency in companies.
3. Propose solutions and measures to enhance financial transparency and mitigate the negative impact of unethical accounting practices.

## 1.3. Research Significance

1. Scientific Significance: Contributes to academic knowledge regarding creative accounting and its impact on earnings management.
2. Practical Significance: Provides guidance for accountants and auditors to promote financial transparency and reduce risks from unethical practices.
3. Significance for Investors: Enhances their ability to assess the reliability of financial reports.

## 1.4. Research Hypotheses

1. There is a statistically significant relationship between the use of creative accounting techniques and earnings management.
2. Creative accounting techniques negatively impact financial transparency in corporate financial reports.
3. "The impact of creative accounting on financial transparency can be reduced by enhancing good governance standards and implementing effective regulatory policies

## 1.5. Research Approach

This study employs a combination of descriptive and analytical approaches to achieve its objectives.

1. Descriptive Approach: Used to describe the fundamental concepts related to creative accounting, earnings management, and their impact on financial transparency.
2. Analytical Approach: Applied to analyze the creative accounting techniques utilized by companies and their effects on financial data.

## 1.6. Data Collection Tools

### A.Primary Data:

Surveys and interviews conducted with accountants and financial auditors.

### B.Secondary Data:

1. Reviewing published financial reports.
2. Analyzing prior research and academic references related to the topic.

## 1.7. Research Population and Sample

1. Research Population: Companies listed on financial stock exchanges.
2. Sample: A random sample of industrial and service companies to analyze the impact of creative accounting techniques on the transparency of financial reports.

**1.8. Data Analysis Tools**

1. Statistical software such as SPSS will be used for data analysis.
2. Financial statement analysis techniques, including profitability and liquidity ratios, will be employed to measure earnings management and transparency.

**1.9. Conclusion of the Methodology**

These elements form the methodological framework of this research, aiming to understand and evaluate the role and effects of creative accounting while providing practical recommendations to improve accounting practices in business environments.

**The second topic: Previous Studies**

Referring to previous studies provides a solid foundation that forms a scientific and intellectual structure, offering benefits in various aspects. These include addressing areas that have not been covered in earlier research and using them as a basis for future studies. Therefore, this chapter reviews a collection of studies gathered and examined by the researcher, focusing on topics related to the current research, including internal auditing, the international framework for professional practices, and presented in chronological order. Table (1) illustrates the most significant studies that discussed the role of creative accounting in earnings management.

1. Baianciu, 2009	
Study Title	A BRIEF REVIEW OF CREATIVE ACCOUNTING LITERATURE AND ITS CONSEQUENCES IN PRACTICE
Study Objective	research has as main objective a short review of the aspects approached at the European level regarding the role that creative accounting plays in the life of an enterprise. In order to achieve goal, we have analysed approximately 40 academic articles indexed in international database, such as Science Direct, Emerald and ProQuest. We have used a longitudinal classification of the selected articles, studied between the years 1999 and 2009: we have tried, also, a classification of these papers according to the most frequent debating themes.
Key Findings	that there is no unanimously or unifying accepted theory at the international or European level regarding what is. what the creative accounting represents or which are its basic principles.
1. 2. A. Abed,& other, 2022	
Study Title	Creative Accounting Determinants and Financial Reporting Quality: Systematic Literature Review
Study Objective	Therefore, the methodology of the present work contributes to the existing literature by systematically reviewing the impacts of creative accounting determinants on

	financial reporting quality, especially in the banking sector. In this review, we describe and critically analyze previous relevant works to identify and assess the relationship between the constructs addressed in the study
Key Findings	The present study contributes to the existing information by conducting new research on creative accounting determinants to enhance the quality of financial reporting and, therefore, help professionals to improve practices within the profession.

The third topic: Creative Accounting

First: Creative accounting, its origin, concept, methods and objectives

1.1. The emergence of creative accounting:

The term creative accounting emerged in the eighties of the last century, when companies faced difficulties accompanying the recession that occurred during that period and were met with pressure from stakeholders to show better profits in the financial statements, which prompted companies to search for means and mechanisms to produce better profits through smoothing income in order to beautify the company's financial image (1),

These profits were not real, but rather resulted from manipulation in the application of available accounting alternatives

which achieved fictitious profits for companies and bought them time until they reached the stage of bankruptcy in real time, but they reached it despite the profits appearing in the financial statements. Kenzi (1998) Mc described this situation by saying "When companies discovered that the laws only tell you what you cannot do and not what you can do! If you cannot make profits, at least you can invent them" (1).

In recent years, creative accounting has become a major concern for accountants and auditors, especially after the collapse of a number of companies in East Asian countries in 1997, the collapse of Enron, a company that markets electricity and natural gas, in 2001 in the United States of America, and the crisis of the American Worldcom communications company and other global companies, followed by the liquidation of the Arthur Anderson auditing company to hold it legally, financially and accountingly responsible, as it was responsible for auditing Enron's accounts, as it was accused of collusion to show inaccurate and incorrect information in the financial statements, exploiting the available alternative accounting treatments (3).

1.2. The concept of creative accounting:

Creative accounting is defined as a process in which accountants use their knowledge of accounting rules to process the numbers recorded in the accounts of the economic unit (2011:749, Amat et al)

It is generally agreed that accounting is a social science that interacts with the surrounding society and that accounting is based on the agency theory where the management of the economic unit is delegated to managers who work as agents for stakeholders and earn parts of the profits of the activity of those units. Therefore, the greatest motivation for these managers is to give them profits so that they can achieve more returns on income. This has led to the emergence of new accounting methods (creative accounting) that benefit from the flexibility of accounting standards

by manipulating the methods of determining profits and revenues and the unrealistic and unfair presentation of income and financial position to create an imaginary image of the status of the economic unit (Nofan, 2014:170)

Creative accounting is defined as the process of transforming financial information from what it actually is to what the economic unit wants by using the benefits (loopholes) in the financial rules or by ignoring part of the rules in order to present an image A work that reflects the real reality of what it is (Aqeel, Aws and Nawfal, 2020:4)

Al-Fadel and Al-Shammari, 2020:47 defined it as procedures used by the accountant to manipulate financial information to reach unreal numbers that mislead the beneficiaries of that information in order to achieve the interests of the management of the economic unit or other parties benefiting from preparing those lists.

The following are some concepts related to creative accounting.

1. As for (Al-Halabi, 2009:16), he defined it as a set of methods that the accountant takes to achieve the interest of some stakeholders in the economic unit, and that creative accounting has two aspects, the first of which is legal and approved by the external auditor and results from taking advantage of loopholes in the laws and options available in the approved accounting standards, and the second is illegal and approved by the external auditor as a collusion resulting from manipulating and distorting the accounting numbers to show them as they prefer to be and not as they should be.
2. (Al-Khafaji and Hadi, 2017:28) defined creative accounting as a set of procedures and steps used to manipulate financial numbers, using options and practices of accounting principles or any procedure or step resulting from managing profits or preparing income.
3. (Turker & DiIek:44, 2013) reported that creative accounting involves transforming financial data and information using options, loopholes, accounting estimates and any practices permitted by accounting systems.

From the above, It is clear from the above

that creative accounting is a form of manipulation of financial statements and using accounting methods and principles in a specific way to distort the statements and in order to reach misleading and unreal numbers for each item of the financial statements, whether assets and liabilities or revenues and expenses with the aim of changing income estimates, in a way that serves the parties benefiting from that.

### **1.3. The legal concept of creative accounting:**

Creative accounting can be expressed as a deliberate distortion of financial data in economic units for a pre-determined purpose, and it can be described as a process in which accountants use their knowledge of accounting laws and rules to manipulate the data contained in accounting records. Most studies consider these practices unethical and should be stopped, while others believe that although they contribute to business failure, loss of investments and economic crises, they are a necessary and legitimate course of action (Adamikova & Sedlakova, 2021: 4), as creative accounting takes a legal appearance in which creative accounting is practiced by exploiting loopholes in accounting laws and standards, and then the external auditor approves the statements in the normal form (Al-Nimreen, 2019: 17), and creative accounting is a legal procedure from a positive accounting point of view, as long as it remains consistent with generally accepted accounting principles, as well as the absence of asymmetric information between the actors in creative accounting and users of financial statements (Indriasari et al.,2021:44).

## 1.4. Profit Management

It is defined as the manipulation of profit figures to achieve a predetermined profit number set by management, based on financial analysts' forecasts, or to secure a profit level that ensures more sustainable income.

Among the frequently cited definitions in studies and research on earnings management is the definition presented by Healy & Wahlen (1999), which describes earnings management as occurring when managers use judgment in financial reporting or structuring transactions to alter financial reports. The purpose may be to mislead users of financial statements or influence contractual outcomes that depend on accounting figures.

Despite its pioneering nature, Ronen and Yaari (2008) identify two key weaknesses in this definition:

1. Lack of clear boundaries between earnings management and normal profit-generating activities: There is a shared challenge among financial analysts, investors, and company executives in distinguishing between profit manipulation that ultimately proves fraudulent and managers' legitimate efforts to control costs and achieve optimal profit margins.
2. Not all forms of earnings management are deceptive: Since investors prefer distinguishing between recurring profits and one-time gains from specific transactions, a company managing its earnings to provide a clearer separation of stable and extraordinary profits does not distort earnings but rather enhances the informational value of its financial reports.

## 1.5. Objectives of Earnings Management

The primary goal of earnings management is to make disclosed profits more stable and consistent, creating the impression of lower risk for the entity. This perception leads to higher stock prices, reduced borrowing and financing costs, and increased investor interest in purchasing the company's shares. In addition to this main objective, other goals include:

1. Political cost management: Avoiding regulatory or governmental scrutiny by manipulating profits to reduce visibility.
2. Tax avoidance: Reducing tax liabilities through adjustments to reported earnings
3. Personal managerial incentives: Gaining bonuses or rewards linked to achieving certain financial targets or maintaining steady performance.

According to Khalil (2006), earnings management can also aim to: Enhance current performance: This is done by increasing disclosed profits and improving the financial statements' appearance to align with predefined profit forecasts, thereby presenting a positive image of the company to investors and financial analysts.

Avoiding the announcement of losses is crucial due to its impact on management's reputation, bonuses, and the market value of the company.

4. Income Smoothing: This aims to reduce fluctuations in profit figures from one period to another, creating more stable earnings.

According to Rida (2010), management may engage in earnings management for additional reasons, including:

1. Tax optimization: Reducing tax liabilities by recognizing certain revenues early or deferring expenses.

2. Minimizing earnings volatility: Smoothing results over different periods to prevent investors from perceiving increased risk, which could raise the cost of capital.
3. Gaining stakeholder confidence, including shareholders and investors, to lower the likelihood of bankruptcy.
4. Reducing political costs and avoiding government intervention, especially for large corporations.
5. Achieving personal managerial goals: If managerial contracts tie bonuses and incentives to reported profits, management will aim to maximize disclosed earnings.

## 1.6 The difference between Creative Accounting and Earnings Management: (Schipper, K. (1989)& (Healy, 1999)

### 1. Creative Accounting:

#### ○ Definition:

Creative accounting is the use of innovative accounting methods within the legal framework of accounting standards to improve the financial image of the company. While not illegal, it can sometimes be misleading.

#### ○ Objective:

To enhance the company's financial appearance, such as increasing profits or improving liquidity ratios, in order to attract investors or obtain loans under better conditions.

#### ○ Methods:

- Using different methods to estimate inventory.
- Changing asset valuation techniques.
- Applying various strategies to estimate revenues.

#### ○ Impact:

It may mislead the end users of financial reports, affecting their economic decisions and creating an inaccurate impression of the company's financial position.

### 2. Earnings Management:

#### ○ Definition:

Earnings management refers to the intentional manipulation of earnings results to meet certain objectives, such as market expectations or improving financial performance. These practices may be legal or illegal depending on the methods used.

#### ○ Objective:

To achieve short-term goals such as meeting profit expectations or maintaining profit stability to avoid sharp fluctuations.

#### ○ Methods:

- Accelerating or deferring revenues or expenses.
- Adjusting estimates of doubtful debts.
- Using flexible accounting estimates.

- **Impact:**

This may affect the credibility of the management and harm investor confidence if discovered, potentially leading to a loss of trust in the company's financial reports.

**Main Difference:**

- **Creative Accounting** involves applying innovative accounting methods within the legal framework to improve the company's financial image.
- **Earnings Management** is the intentional manipulation of earnings results to achieve specific goals, which may sometimes include illegal practices

## The fourth topic: Creative Accounting Techniques and Methods

### 4.1. Earnings management techniques are accounting practices aimed at manipulating financial statements to achieve specific goals, using various methods such as:

1. Manipulating financial estimates: Adjusting estimated values such as provisions and reserves to inflate or reduce profits (Source: almerja.com).
2. Big Bath accounting: Recording significant losses in a single period to improve performance in future periods (Source: almerja.com).
3. Reclassifying cash flows: Changing the classification of items between operating, investing, and financing activities to present a better financial picture (Source: almerja.com).
4. Delaying or accelerating revenue and expense recognition: Modifying the timing of recognition to adjust reported earnings (Source: fastercapital.com).
5. Creative accounting: Using innovative methods to portray a misleading financial performance (Source: Wikipedia).

These techniques reduce the reliability of financial reports and mislead stakeholders, highlighting the importance of adhering to accounting standards and maintaining transparency.

### 4.2. The Impact of Laws and Accounting Standards on Creative Accounting

Laws and accounting standards play a critical role in regulating accounting practices and limiting creative accounting, which is sometimes used to manipulate financial information.

Key Impacts of Laws and Standards on Creative Accounting:

1. Providing a Clear Framework:  
International Accounting Standards (IAS/IFRS) offer a unified framework for financial reporting, reducing opportunities for manipulation and misrepresentation.
2. Enhancing Transparency and Disclosure:  
Standards require companies to fully disclose their accounting policies and significant financial information, making it harder to hide unethical practices.
3. Restricting Accounting Choices:  
Laws limit the range of accounting treatments available, reducing the scope for using creative accounting to embellish financial statements.
4. Strengthening Auditing and Review Processes:

Standards emphasize the importance of internal and external audits, helping detect and prevent questionable accounting practices.

Studies on the Impact of Accounting Standards:

- A study on the impact of adopting international accounting standards (IAS/IFRS) on creative accounting in companies listed on the Paris Stock Exchange found that these practices persisted, indicating limited influence of the standards. (dSPACE.univ-ouargla.dz)
- Another study highlighted that creative accounting exploits loopholes in accounting standards to present a better financial picture, emphasizing the need to continuously develop and improve standards. (wafeq.com)

Conclusion:

Despite the intent of laws and standards to curb creative accounting, research suggests these practices still exist. Therefore, regular updates to standards and enhanced auditing efforts are necessary to ensure compliance and transparency in financial reporting. This is what Mona's study emphasized on the role of auditing procedures according to International Auditing Standard No. 240 in detecting and reducing fraudulent practices in financial statements, and the necessity of interacting with major auditing firms and benefiting from their expertise.

### **4.3. Transparency Concepts (Samira,abbas, 16,2019)**

Transparency means the principle of creating an environment in which information related to circumstances, decisions and current business is available, developed and valued by all market participants (Hamad, Financial Reporting Standards Implementation Guide 2006) Al-Ali Transparency means that the company or the responsible party provides information and data related to its activity and places it at the disposal of shareholders, stakeholders and market dealers and provides the opportunity for those who want to view it and does not withhold information except for those that harm the interests of the company (Hizb (2011) Transparency also means creating an environment in which information related to circumstances, decisions and current business is available, visible and understandable to all parties annually (Hamad, Corporate Governance Concepts Principles Experiences, 2005)

### **4.4. The concept of transparency in disclosure**

Transparency in disclosure means the outputs of accounting through financial reports with the highest level of information quality and completeness of their qualitative characteristics and that they do not leave any ambiguity or confusion for their users and enable decision-making, Came Brun, inside the company, (Al-Hajjawi, and Al-Fathallah ,2017)

## **The Fifth topic / Practical Aspect**

In order to achieve the objectives of the study and to identify the role of creative accounting in profit management: an analytical study of accounting techniques and methods and their impact on financial transparency, we had to conduct a field study of one of the organizations, and the College of Administration and Economics / University of Baghdad was chosen to apply the study's methodology and objectives to reach results and recommendations that benefit the research.

**First: Analysis of personal data**

**1- Gender**

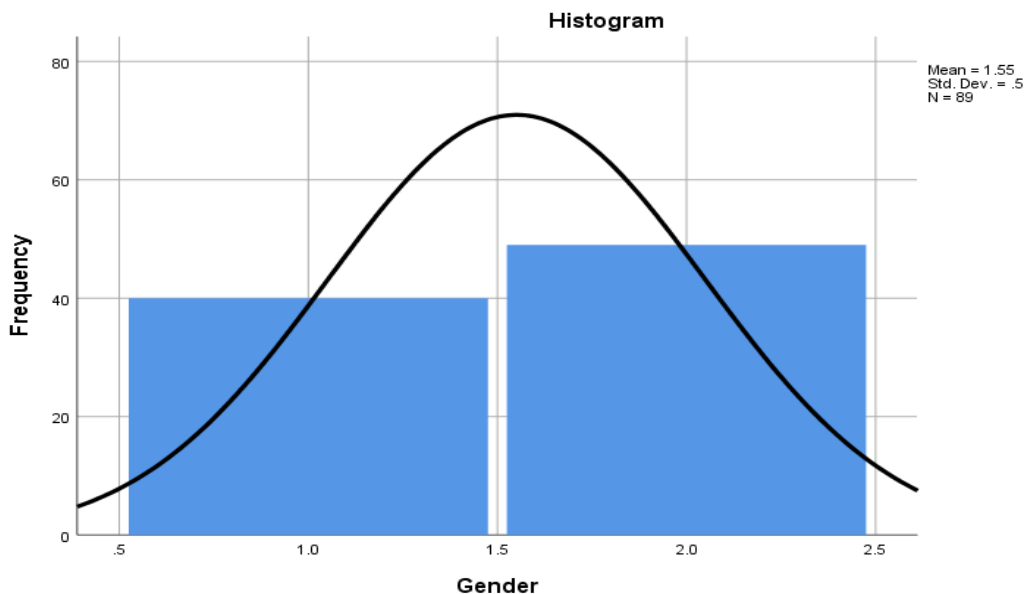
The percentage of females in the sample studied, where the sample community (university students and professors) represents 55.1%, while the percentage of males in the sample studied reached 44.9%, as shown in the figure below: Table (2) shows the frequency distribution of sample members according to gender.

**Gender**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	40	44.9	44.9	44.9
	Female	49	55.1	55.1	100.0
	Total	89	100.0	100.0	

Source: Prepared by the student using SPSS

Figure (1): Distribution of sample members studied according to gender



Source: Prepared by the student using SPSS

**2. Available information on creative accounting and profit management**

The percentage of information available on creative accounting and profit management for the sample of those with an average level of knowledge was 38.2%, while the percentage of those with a high level was 59.6%, while the percentage of those with a very high level was 2.2%

Table (3) Distribution of the individuals of the sample of the study according to the available information on creative accounting and profit management

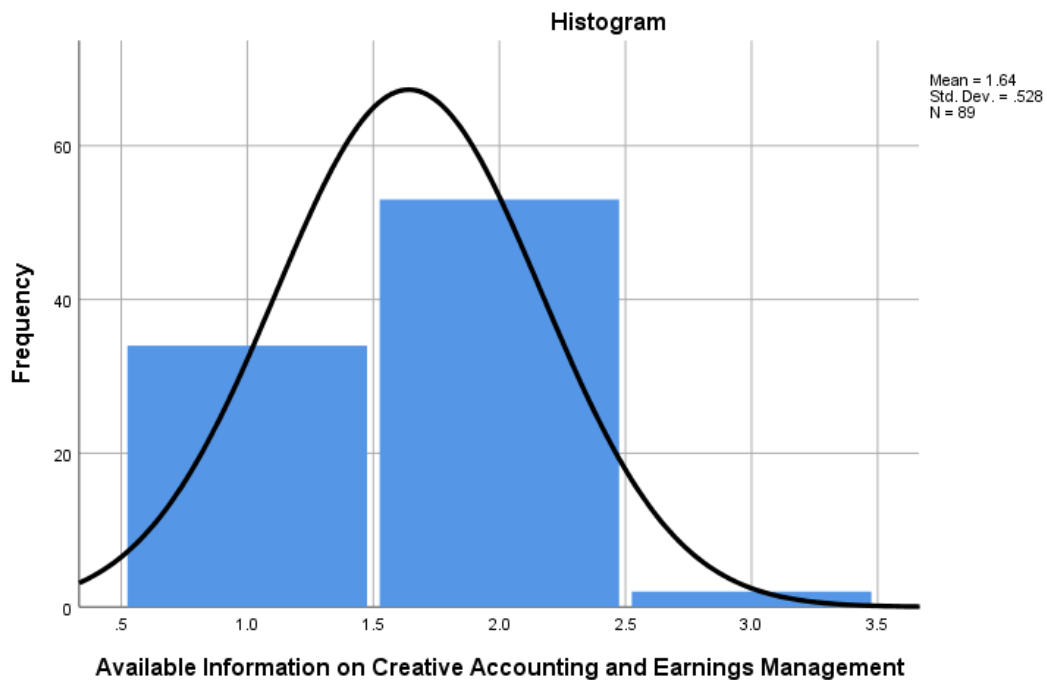
**Available Information on Creative Accounting and Earnings Management**

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Average	34	38.2	38.2	38.2
	High	53	59.6	59.6	97.8
	Very High	2	2.2	2.2	100.0
	Total	89	100.0	100.0	

Source: Prepared by the student using SPSS

As shown in Figure (2) below

Figure (2): Distribution of the individuals of the sample of the study according to the available information on creative accounting and profit management



Source: Prepared by the student using SPSS

**Second: Questionnaire Analysis**

The research aims to review the role of creative accounting in profit management. The research presents an analytical presentation of the data collected by the student through the questionnaire. The questionnaire list (Checklists) prepared according to specific axes was used in order to measure the extent of its commitment to these standards.

They are shown in the table as follows:-

Table (4) shows the arithmetic mean, standard deviation and coefficient of disagreement for each axis.

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
The Role of Creative Accounting in Profitability Improvement	1.1798	.24647	0.208908
The Impact of Creative Accounting on Financial Report Transparency	1.5281	.26500	0.173418
Risks Arising from Creative Accounting	1.3184	.24053	0.182441
The Impact of Creative Accounting on Investor Decisions	1.4082	.23970	0.170217
Adherence to Accounting Standards and Limiting Creative Accounting	1.1760	.28467	0.242066

Source: Prepared by the student using SPSS

1. The role of creative accounting in improving profitability

This is the first axis after analyzing the data and extracting the statistical results mentioned in the table above, as the coefficient of variation for the axis as a whole was (0.208908) with an arithmetic mean of (1.1798). To indicate which of the questionnaire paragraphs is specific to this axis, we begin with the coefficient of variation for the three paragraphs. The first paragraph: creative accounting lead to improving profitability indicators in the short term. The coefficient of variation was (0.285517) with an arithmetic mean of (1.11) and a standard deviation of (0.318) of the total sample. The second paragraph: creative accounting used as a tool to increase the profits shown in financial reports. The coefficient of variation was (0.331924) with an arithmetic mean of (1.19) and a standard deviation of (0.395). The third paragraph: you think that the profitability results resulting from creative accounting reflect the company's real performance. The coefficient of variation was (0.338839) with an arithmetic mean of (1.48) and a standard deviation of (0.472), as shown in the table below:

Table (5) Analysis of the paragraphs of the first transformer

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
creative accounting lead to improved financial profitability indicators in the short term	1.11	0.318	0.285517
creative accounting used as a tool to increase apparent profits in financial reports.	1.19	0.395	0.331924
profitability results from creative accounting reflect the actual performance of the company.	1.48	0.472	0.338839

Source: Prepared by the student based on SPSS

2. The impact of creative accounting on the transparency of financial reports:

This is the second axis after analyzing the data and extracting the statistical results included in the table above, as the coefficient of variation for the axis as a whole (0.173418 ) and an arithmetic mean of (1.5281 ). To show which of the questionnaire paragraphs is specific to this axis, we begin with the coefficient of variation for the three paragraphs. The first paragraph: creative accounting negatively affect the transparency of financial reports. The coefficient of variation (0.338839 ) with an arithmetic mean (1.48 ) and a standard deviation (0.503 ) of the total sample. The second paragraph: you think that disclosing creative practices in accounting improves the credibility of reports. The coefficient of variation (0.277081 ) with an arithmetic mean ( 1.69) and a standard deviation (0.467 ). The third paragraph: creative accounting increase the difficulty of evaluating the company's real financial performance. The coefficient of variation (0.350095 ) with an arithmetic mean (1.42 ) and a standard deviation (0.496 ) as shown in the table below:

Table (6) Analysis of the paragraphs of the first transformer

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
creative accounting negatively affect the transparency of financial reports	1.48	0.503	0.338839
you think that disclosing creative practices in accounting improves the credibility of reports	1.69	0.467	0.277081
creative accounting increase the difficulty of evaluating the company's real financial performance	1.42	0.496	0.350095

Source: Prepared by the student based on SPSS

### 3. Risks Arising from Creative Accounting

This is the third axis after analyzing the data and extracting the statistical results included in the table above, as the coefficient of variation for the axis as a whole (0.182441 ) and an arithmetic mean of (1.3184). To show which of the questionnaire paragraphs is specific to this axis, we begin with the coefficient of variation for the three paragraphs. The first paragraph: creative accounting increase the risk of financial distress for the company. The coefficient of variation (0.34108 ) with an arithmetic mean (1.47 ) and a standard deviation (0.452 ) of the total sample. The second paragraph: you believe creative accounting practices expose the company to potential legal penalties. The coefficient of variation (0.352865 ) with an arithmetic mean ( 1.28) and a standard deviation (0.452 ). The third paragraph: creative accounting reduce the financial stability of the company. The coefficient of variation (0.335997 ) with an arithmetic mean (1.20 ) and a standard deviation (0.404 ) as shown in the table below:

Table (7) Analysis of the paragraphs of the first transformer

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
creative accounting increase the risk of financial distress for the company	1.47	0.502	0.34108

you believe creative accounting practices expose the company to potential legal penalties	1.28	0.452	0.352865
creative accounting reduce the financial stability of the company	1.20	0.404	0.335997

Source: Prepared by the student based on SPSS

4. The Impact of Creative Accounting on Investor Decisions

This is the third axis after analyzing the data and extracting the statistical results included in the table above, as the coefficient of variation for the axis as a whole (0.170217) and an arithmetic mean of (1.4082). To show which of the questionnaire paragraphs is specific to this axis, we begin with the coefficient of variation for the three paragraphs Creative accounting affects investors' decisions regarding buying or selling stocks The coefficient of variation (0.302004) with an arithmetic mean (1.62) and a standard deviation (0.489 ) of the total sample. The second paragraph: You believe that investors can easily detect the use of creative accounting. The coefficient of variation (0.309907) with an arithmetic mean (1.15) and a standard deviation (0.355 ). The third paragraph: Creative accounting can mislead investors about the profitability of the company. The coefficient of variation (0.34181) with an arithmetic mean (1.46 ) and a standard deviation (0.501 ) as shown in the table below:

Table (8) Analysis of the paragraphs of the first transformer

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
Creative accounting affects investors' decisions regarding buying or selling stocks.	1.62	0.489	0.302004
You believe that investors can easily detect the use of creative accounting.	1.15	0.355	0.309907
Creative accounting can mislead investors about the profitability of the company.	1.46	0.501	0.34181

Source: Prepared by the student based on SPSS

5. Adherence to Accounting Standards and Limiting Creative Accounting

This is the third axis after analyzing the data and extracting the statistical results included in the table above, as the coefficient of variation for the axis as a whole (0.242066) and an arithmetic mean of (1.176). To show which of the questionnaire paragraphs is specific to this axis, we begin with the coefficient of variation for the three paragraphs. The first paragraph: The International Financial Reporting Standards (IFRS) help reduce the use of creative accounting. The coefficient of variation (0.331924) with an arithmetic mean (1.19) and a standard deviation (0.395) of the total sample. The second paragraph: The implementation of corporate governance contributes to limiting the practices of creative accounting. The coefficient of variation (0.262919) with an arithmetic mean (1.72) and a standard deviation (0.452). The third paragraph The implementation of corporate governance contributes to limiting the practices of creative accounting. Compliance with internal auditing standards reduces the risks associated with creative accounting. The coefficient of variation (0.309907) with an arithmetic mean (1.15 ) and a standard deviation (0.355 ) as shown in the table below:

Table (9) Analysis of the paragraphs of the first transformer

Axis	Arithmetic mean	Standard deviation	Coefficient of variation
The International Financial Reporting Standards (IFRS) help reduce the use of creative accounting.	1.19	0.395	0.331924
The implementation of corporate governance contributes to limiting the practices of creative accounting.	1.72	0.452	0.262919
Compliance with internal auditing standards reduces the risks associated with creative accounting.	1.15	0.355	0.309907

Source: Prepared by the student based on SPSS

Section Six: Conclusions and Recommendations

**6.1. Recommendations:**

1. Organizations should be clear and honest in presenting their financial results and avoid practices that may mislead users.
2. Developing an effective system of internal control helps prevent manipulation of financial statements and ensures compliance with standards.
3. Companies should strictly apply international accounting standards (IFRS) or local accounting standards to provide an accurate and fair view of financial performance.
4. Accountants should be trained in business ethics and made aware of the risks and negative effects of creative accounting practices.
5. Companies should disclose the accounting policies they use to enable investors and stakeholders to better understand the financial results.
6. Senior management and the board of directors should evaluate the role of creative accounting in decision-making and ensure that it is used with caution and balance.

**6.2 Conclusions:**

1. Creative accounting can be a useful tool to provide a more stable picture of a company's performance during volatile times but should be used with caution.
2. Overuse of creative accounting can lead to a loss of confidence among investors and stakeholders if misleading practices are discovered.
3. Creative accounting can influence investment decisions based on financial statements that may not accurately reflect reality.
4. Good governance can limit the misuse of creative accounting and ensure that its use remains within ethical and legal boundaries.

5. Creative accounting is a double-edged sword as while it can enhance the picture of financial performance, it can expose companies to legal risks or reputational damage if it is discovered.
6. Creative accounting can play a positive role if used carefully and with clear ethics, but its misuse can lead to serious long-term consequences.

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