



## THE IMPACT OF APPLYING CREATIVE ACCOUNTING ON THE RELIABILITY OF ACCOUNTING INFORMATION IN THE FINANCIAL STATEMENTS

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<p><b>Received:</b> 6<sup>th</sup> May 2022 <b>Accepted:</b> 6<sup>th</sup> June 2022 <b>Published:</b> 13<sup>th</sup> July 2022</p>	<p>The manipulation of accounts and financial statements to hide the actual performance of companies in order to reach useful results for the company or some of its employees is what it means by creative accounting or profit management. Such methods are described as provided that it is practiced without exceeding the accepted accounting standards and principles but by exploiting the elements of flexibility and choice in those standards and principles.</p> <p>The practice of these methods has a very important effect in undermining market confidence in the information contained in the financial statements published by the companies.</p>

**Keywords:** manipulation of accounts

### INTRODUCTION

Good financial reports provide useful information to stakeholders about the quantity and timing of future cash flows, and their associated non-financial influences, as recently the interest of users in information that reflects companies' fulfillment of the credibility of these statements and the associated financial and non-financial information has increased.

The reliability of the financial statements is defined as the honesty in the information report related to the disclosure of all transactions and information that do not involve cases of concealment of the real operating profit using methods that involve flexibility and arbitrages resulting from voluntary and real accruals that lead to a change in net working capital as a result of using irrational estimates. And often, in fact, profit management is deliberately intended to influence the decisions of users of these financial statements and limits the quality of financial reports to achieve a set of motives related to management, the stock market, and others.

And that the most important thing that confirms the reliability of accounting information is the integrity of financial reports from creative accounting methods, whether by accruals or real activities, and thus gives information that is reflected on the value of these companies in the stock market; This affects the decisions of the addressees of the financial reports, which represent the main source of information for the various decision makers.

It should be noted that the behavior of profits during accounting periods is considered legal and does

not conflict with generally accepted accounting principles, and it revolves within the scope of the management's powers; The flexibility that exists in the accounting policies and the freedom enjoyed by the administration in deciding or changing these accounting policies have a major role in the operations of profit management or adapting it for its purposes.

### RESEARCH PROBLEM

The problem of the research lies in the fact that the reporting process for accounting information takes place in the absence of what controls the exploitation of optional and real benefits in what is known as creative accounting to the extent that the financial statements become misleading for users. Therefore, the research problem emerges through the following questions:

A- What is the nature of the accounting information related to the voluntary benefits of companies listed in the stock market, which must be reported for the purposes of decision-making in light of the use of creative accounting methods?

b- To what extent is it possible to measure the impact of using creative accounting in the financial statements of companies listed in the stock market?

Research Objective: The main objective is to show the impact of using creative accounting methods on the financial statements of companies listed in the stock market. This main objective is divided into the following two objectives.



- ❖ Statement of the impact of creative accounting for benefits on companies listed in the stock market.
- ❖ A statement of the impact of creative accounting on real activities in companies listed in the stock market.

### **RESEARCH HYPOTHESES:**

The main hypothesis of the research states the following: "There is no significant, statistically significant effect of creative accounting methods on the reliability of accounting information in the financial statements in companies listed in the stock market.

This main hypothesis is divided into the following two

- ❖ There is no statistically significant effect of creative accounting methods with benefits on the reliability of accounting information in the financial statements of companies listed in the stock market.
- ❖ There is no statistically significant effect of creative accounting methods in real activities on the reliability of accounting information in the financial statements of companies listed in the stock market.

### **RESEARCH METHODOLOGY:**

This study is one of the studies related to applied accounting, where the focus is on objective measurement by describing the practical application of creative accounting in companies listed in the stock market, in order to measure the impact of use, whether by entitlements or real activities, on the reliability of accounting information in the financial statements, so the researcher follows the modern scientific approach (Mixed inductive-deductive), by following the main steps identified according to that approach, which are as follows:

- ❖ Note the creative accounting methods in companies and their motives as a phenomenon worth revealing and working to control.
- ❖ Derive the theoretical framework for the study, and then develop scientific assumptions and collect the necessary data to verify its morale. Measure the impact of creative accounting on the reliability of accounting information in companies listed in the stock market.
- ❖ Determine the appropriate methodology to carry out the practical application necessary to test the hypotheses and reach the results and generalizations of the study regarding the effectiveness, by determining the quality of the required practical procedures, the appropriate sample of the community for this,

and the method of collecting and means of obtaining data in this regard.

**Study Population:** The study population consists of all industrial companies operating in the Iraqi environment and restricted in the stock market.

**Study sample:** The researcher uses the study sample, which represents one of the industrial companies operating under Iraqi laws, instructions and legislation.

### **Applied Study Syllabus :**

The researcher uses the case study method, which is based on the study of the researched case in its capacity as the college and then looking at any particles in terms of their relationship to the whole that it contains, that is, the case study method is a kind of in-depth research into the informational content of the reports, financial statements and the complementary clarifications of the researched company, where the impact of creative accounting on The reliability of accounting information by analyzing the content of the financial statements for this purpose.

### **Applied study method :**

In showing the impact of creative accounting on data reliability, the researcher uses the statistical analysis of the outputs of the statistical program SPSS.24, and also uses the Excl program. 2007 by doing the accounting and statistical analysis of the company's data in order to achieve the research hypotheses.

**Research Structure:** This research is divided into the following divisions:

The first topic: the theoretical framework and previous literature in the field of research.

The second topic: an applied study to show the impact of creative accounting on the reliability of accounting information in the financial statements.

### **The first topic**

Theoretical framework and previous literature in the field of research

This topic aims to present the previous literature and form the theoretical framework of the research, which is dealt with by stating the justifications and purposes of creative accounting in the companies listed in the stock market, as well as the presentation and evaluation of the previous indicators to reveal their presence in these companies, which were addressed through the following:

**First: The justifications and purposes of creative accounting in listed companies:**

Creative accounting is defined as a proposed innovation in the preparation of financial reports for the purpose of obtaining special benefits, including changing the declared economic performance of the company by the management, or by controlling the



trends of investors, or influencing contractual results. (Seraina C & et al., 2015)

And creative accounting is nothing but the management of accounting benefits that does not include falsification of facts, but rather represents a way to deal with apparent differences in profits in the short term, by postponing the recognition of revenue to the year in need or the so-called storage of income or through innovative methods aimed at eliminating losses. The accumulated losses, by doubling the losses and presenting them as deferred tax assets, to ensure the improvement of the profit in the coming year or years. (Masahiro & et al., 2015)

These methods range between two opposites, namely hedging or optimism, and in general, attention should be focused more on the results achieved by highly optimistic methods, as they are more dangerous in affecting the credibility of financial reports, and researchers agree that there are two motivations for creative accounting practices. The first relates to achieving self-benefits for management, and the second relates to influencing the users of accounting information by demonstrating the efficiency of the facility in order to ensure its survival and continuity in the competitive market. (Shaheen, 2011)

The study indicates that the process of achieving material and moral gains for the company's management by influencing the shareholders is the main motive for adopting creative accounting practices, although there are some other motives that many have dealt with in practice, which are a set of motives related to the motives of influencing the capital market, or to improve borrowing contracts, regulatory motives, or attempt to match the expectations of financial analysts; What can be expressed in the most important factors that are represented in the following:

(Murya & 2015)

- ❖ Alignment with analysts' expectations in order to reduce forecast errors.
- ❖ Gaining the trust of stakeholders within the company.
- ❖ Impact on the economic value of the company.
- ❖ Increasing management incentives and rewards.
- ❖ Ensuring job stability.
- ❖ Obtaining financial or tax benefits
- ❖ Meet some contractual requirements.

Although some believe that the primary goal of creative accounting practices is due to the impact on future expectations by interfering with the accounting information contained in financial reports in a positive or negative way. (Prapaporn, 2014)

The study confirms that some have dealt with the motives of creative accounting in terms of the link

between profit management and the behavioral pursuit of certain parties towards maximizing self-benefit; In particular, the conflicting motives between the compilers and users of accounting information, where these motives are divided into two groups: external motives and internal motives as follows: (Hassan, 2011; Murya & 2015; Yogesh, 2015);

### **Second: External Motives for Adopting Creative Accounting Practices:**

These motives include:

- ❖ Contractual motives: The use of creative accounting in regulating the contractual relationship between the various parties inside and outside the facility.
- ❖ The motives of the capital market: where the correlation with the market prices of shares, then the management of the facility intervenes to report on the accounting profit figures in a manner consistent with the profit predictions published by financial analysts in the stock market.
- ❖ Equity offers: where there is no previous market price for the shares, and therefore the equity is used to give an unrealistic picture of the company's financial position, or by enhancing the company's previous financial reports before issuing these offers.
- ❖ Other motives: include reducing taxable income, or competition (the facility resorts to creative accounting to maintain its ability to manage the market).
- ❖ Regulatory motives: These motives relate to the manipulation of profits by the management or to circumvent the decisions or regulatory controls issued by some official and supervisory authorities regulating performance.

### **Third: Internal Motives for Creative Accounting Practices:**

- ❖ These motives include maximizing some of the internal variables that motivate creative accounting practices and are called opportunistic practices, and include the following: (Hassan, 2011).
- ❖ Management rewards: maximizing net profit for the purpose of maximizing its self-benefit and incentives, and for that, creative accounting practices are adopted.
- ❖ Shares trading by parties within the facility: selling the shares owned by the management using an opportunistic method that represents creative accounting practices in particular.
- ❖ Management structure: As creative accounting practices increase as ownership is separated from management, this is in line



with the fear of evaluating management performance by the company's owners.

- ❖ Job security: management men try to continue in their positions regardless of cash returns. Achieving stability for shareholders ensures this for management .

#### **Fourth: Other Motives for Creative Accounting Practices:**

- ❖ Represented when there is a tendency to carry out a merger of the facility with another facility, this is a motive for the management to carry out fraudulent practices by affecting profitability in a way that leads to inflating profits so that the facility has a better opportunity to impose its conditions on the situation, and the researcher can summarize some of these other motives through the following: (Frederick Ng & et al., 2013)

1. Avoidance of prescribed taxes: Tax avoidance is one of the main motives that push the management of the enterprise towards creative accounting to achieve the following:

- ❖ Reducing profits, thus bearing a lower tax burden.
- ❖ Maximizing profits during the tax exemption period, in order to achieve the maximum benefit from the exemption benefits.
- ❖ Maximizing losses and paying for them as long as the result of the activity is a loss and is difficult to convert into profits, in order to benefit from the principle of carrying forward losses in the tax legislation.

2. Avoiding political costs:

Some studies have linked the establishment's management to carrying out creative accounting practices, and the political costs that the establishment may bear; Political costs mean: the costs incurred by the establishment, either directly or indirectly, as a result of external interventions from governments, bodies and organizations, and these costs affect the value of the establishment, such as increasing tax rates, preventing monopoly policy, controlling pricing policies, increasing workers' wages. (Mouna, 2016)

In such cases, management may resort to creative accounting practices to reduce the profit figure so that it can avoid these political costs, especially if the profit figure is taken as an indicator of the company's ability to bear those political costs.

- ❖ An example of this is that the electricity companies in Spain reduced profits during the period from 1991-2001 as a result of the government's increase in electricity prices, in

an attempt by the electricity companies to reduce the intensity of social protests against the decision to increase prices (Albornoz, B. G. & et al, 2009).

3. Motives based on the capital market: They are represented in the following: (Murya & 2015)

- ❖ Pressures to maintain certain levels of dividends.
- ❖ Situations related to abusive financial performance, whereby abusive positive performance may give the impetus to adjust the fluctuations in income, while negative performance may give the impetus to artificially improve performance results.
- ❖ Change of senior management: it may create the motive to dispose of reserves, provided that improving performance after that is one of the new management's responsibilities.
- ❖ Achieving or not achieving the expectations of financial analysts by achieving certain goals necessitated by personal interests.
- ❖ Linking investors to achieving high levels of growth and deceiving in order to show those levels.
- ❖ Maximizing the share price in order to get rid of some shareholders by tempting them to sell shares .

#### **Fourth: Motives related to shareholders: Shareholders may want managers to engage in creative accounting practices for two reasons:**

- 1) The internal reason: It is due to the shareholders' encouragement of the management to choose the policies and procedures and to take the desired decisions by the shareholders (goal compatibility), as the shareholders consider creative accounting as a necessary cost to achieve this compatibility in the goals. (Al-Laithy, 2010)
- 2) The external reason: the shareholders' desire to modify the potential investor's view of the value of the company and to obtain better contractual terms with other partnerships. (Dye, R, 1988))

#### **Second: Indicators used in revealing creative accounting methods: The researcher reviews a set of models that were used in revealing creative accounting methods, which are as follows:**

Miller Model (Miller, 2007):

Miller's model, 2007 reveals the relationship between the change in working capital as an element susceptible to manipulation, as well as cash flow from operating activities as a non-manipulative element; According to this model, it is assumed that the arithmetic mean of the (EM) value, which refers to the



practices of using the flexibility of standards and creative accounting, is equal to zero, indicating that the company does not practice these practices, and the farther that value is away from zero by the negative, or positively, this indicates the existence of practices for the use of flexibility. Standards and methods of profit management, and this value is calculated through the following equation" (Miller, James E., 2009)

$${}^{t-1}(WC/CFO\Delta) - {}^t(WC/CFO\Delta) = EM$$

whereas:

EM: The degree to which standards flexibility and profit management are used

$\Delta$  WC: Change in net working capital

CFO: net cash flow from operating activities

T-1: the previous year, t-0 the current year.

**Model: Healy,1985:**

The Healy model is based on dividing the total receivables into optional receivables and non-optional receivables, and that the value of optional accruals determines the degree to which creative accounting methods are practiced. On the other hand, Healy's study is distinguished in that it expects profit management practices to occur during all periods of activity, and this model assumes the stability of non-discretionary accruals from one period to another, and the following equation illustrates the Healy model:

$$EDAC_{it} = TAC_{it} / A_{it-1}$$

whereas:

EDAC<sub>it</sub>: Discretionary voluntary accruals of the company (i) during period (t)

TAC<sub>it</sub>: the company's total dues (i) during period (t)

TAC<sub>it-1</sub>: voluntary accruals of company (i) at the end of the period (t-1)

A<sub>it-1</sub>: the total assets of the company (i) at the end of the period (t-1)

Modified Dow Jones Model: The modified Jones model (De chow& et al., 1995) measured the estimate of revenue and its relationship to earnings.

This version of the Jones model implicitly assumes that all changes in credit sales in the study period are due to creative accounting. This was based on the logic that it is easier creative accounting by exercising discretion to recognize revenue on credit sales than creative accounting by exercising discretion to recognizing revenue on cash sales.

It is referred to as:

$$EDAC_{it} = TAC_{it} / A_{it-1} - a_{i1} / 1) A_{it} + (1 - b_{i1}) REV_{it} - \Delta AR_{it} / (A_{it-1} + (b_{i2}) PPE_{it} / A_{it-1})$$

EDAC<sub>it</sub> = is the estimated non-discretionary vesting of entity i in year t.

TAC<sub>it</sub> = Total accruals of facility I at the beginning of year t.

A<sub>it-1</sub> = It is the total assets of the establishment at the beginning of the year t.

REV<sub>it</sub> = The change in revenue established I (from the period minus 1) to the last year.

AR<sub>it</sub> = the change in the revenue of firm i from the period minus 1 to the last year.

PPE<sub>it</sub> = total property, plant and equipment required for facility i in year t

**Sales manipulation measurement models:** where the company's tendency to manipulate sales is determined for the purpose of practicing creative accounting by measuring the level of cash flows from normal operating activities as a function of sales so that extraordinary operating cash flows are extracted as reflecting unusual sales and that is according to the following linear equation . (Roychowdhury,2006)

$$CFO_t / A_{t-1} = \beta_0 + \beta_1 A_{t-1} + \beta_2 S_t / A_{t-1} + \beta_3 \Delta S_t / A_{t-1} + e$$

whereas:

CFO<sub>t</sub>: cash flows from operating activities in the current period

A<sub>t-1</sub>: total assets at the end of the previous period

S<sub>t</sub>: sales during the current period

$\Delta$  : S<sub>t</sub> sales of the current period – sales of the previous period

**Production manipulation models:** where production manipulation is exploited as one of the creative accounting methods by increasing production, indicating that the linear function is used to use the cost of unusual production in managing profits, and the following equation indicates that this is revealed. (Gunny.2010):

$$PROD_t / A_{t-1} = \beta_0 + \beta_1 A_{t-1} + \beta_2 S_t / A_{t-1} + \beta_3 S_t / A_{t-1} + e$$

whereas:

PROD<sub>t</sub>: total production cost in the current period, calculated at cost of goods sold + change in inventory during the period

A<sub>t-1</sub>: total assets at the end of the previous period

S<sub>t</sub>: sales during the current period

$\Delta$  : S<sub>t</sub> sales of the current period – sales of the previous period

**Discretionary Expense Manipulation Measurement Model:**

Where optional expenses are manipulated as a creative accounting method, given that these expenses do not often lead to the generation of revenue flows in the current period, and therefore the negative number of the optional expenses model represents a decrease in the value of these expenses, which increases the net revenue, and optional expenses are determined by the total general costs And administrative and other related costs, where the purpose is to reach the extraordinary optional expenses by the difference between the value of the actual expenses and the expenses between the following model: (Leggett et al, 2010)



$$DISEXP_t/A_{t-1} = \beta_0 + \beta_1/A_{t-1} + \beta_2 S_t/A_{t-1} + \beta_3 \Delta S_t/A_{t-1} + e_t$$

whereas:

DISEXP<sub>t</sub>: Optional expenses at the end of the current period

A<sub>t-1</sub>: total assets at the end of the previous period

S<sub>t</sub>: sales during the current period

Δ : S<sub>t</sub> sales of the current period – sales of the previous period

### The second topic

#### An applied study to show the impact of creative accounting on the Reliability of accounting information in the financial statements.

This topic aims to address the applied study to show the impact of creative accounting on the reliability of accounting information by applying to a hypothetical case that simulates the data of one of the companies listed in the Iraqi stock market, where this study is addressed through the following:

**First:** A statement of the study population and sample:

The study population and sample are clarified through the following:

**Study Population:** The study population consists of all industrial companies operating in the Iraqi environment and restricted in the stock market.

**Study sample:** The researcher uses the study sample, which represents one of the industrial companies operating under Iraqi laws, instructions and legislation, where the researcher follows the case study approach in showing the impact of creative accounting on the reliability of information in the financial statements of the company under study .

#### Second, the applied study method:

The researcher uses the case study method, which is based on the study of the researched case in its

capacity as the college and then looking at any particles in terms of their relationship to the whole that it contains, that is, the case study method is a kind of in-depth research into the informational content of the reports, financial statements and the complementary clarifications of the researched company, where the impact of creative accounting on The reliability of accounting information by analyzing the content of the financial statements for this purpose.

#### Third: Research Method:

In showing the impact of creative accounting on data reliability, the researcher uses the statistical analysis of the outputs of the statistical program SPSS.24, and also uses the Excl program. 2007 by doing the accounting and statistical analysis of the company's data in order to achieve the research hypotheses.

#### Fourth: Analysis of the results of the applied study:

The study demonstrates the impact of creative accounting on the reliability of accounting information in the company in question through a statement of the objectives that discuss the sub-hypotheses of the research as follows:

First Objective: To show the impact of creative accounting that uses accruals and employs accounting options to serve administrative objectives (AEM), including the following indicator:

The disclosure index for creative accounting with accruals and contains the following:

Indicators used: The following sub-indicators are used: Model (Miller Ratio, 2007): It is extracted by unloading the data of the researched company according to the following table No. (1-2)

**Table No. (1-2)**  
**(Miller Ratio) for the researched company**

2017	2016	A statement from the company's listings
847458726	1210846574	Working capital
-363387848	678918272	Change in working capital
199745486	724534088	cash flows from operating activities
-1.81925437	0.937041173	Miller Ratio

Form (De Angelo, 1986): It is extracted by unloading the data of the researched company according to the following table No. (2-2)

**Table No. (2-2)**  
**(De Angelo Ratio) for the researched company**

2017	2016	accounting statement	Statistical code
611538584-	940126076-	ONI I <sub>t</sub> - OCF <sub>i,t</sub> The total receivables of the company i	TACCi,t



411793098-	215591988-	during period t	
199745486	724534088	net operating profit of company i for period t	ONI I,t
7134697741	6624041921	Net cash flow from operations of the company i period t	OCFi,t
328587492	1146369044-	Total assets of firm I in period t-1	TA ,I,t-1
0.046054858	0.173061864- 0.173061864-	The difference between the accruals in the two periods	
		de Angelo Ratio	

From the foregoing, it is clear that the hypothesis is correct:

**There is a significant and statistically significant effect of the creative accounting methods with accruals on the reliability of accounting information in the financial statements of companies listed in the stock market.**

**The second objective:** To show the impact of creative accounting on the accounting information that uses real activities and employing the available

operational options in influencing the outputs of the accounting information system and the quality of its numbers (REM), including the following indicator: Indicator of creative accounting disclosure in accounting information in terms of real activities. Revenue manipulation indicator: where the researcher uses the company's data to extract the accounting figures for the regression equation that expresses this, which is shown in the following table No. (3-2)

**Table No. (3-2) Revenue manipulation index of the company under study**

2017	2016	accounting value	Statistical code
0.03	0.10	Divide net operating cash/total assets	CFO/TA I,t-1
7134697741	6624041921	Total assets I in period t-1	TA ,I,t-1
2,408,658,034	2,117,257,834	general revenue	St
291,400,200	114,657,482	Change in revenue of I during period t	REV I,t
1.401	1.509		1/At-1
0.337	0.319		st/At-1
0.040	0.017		Δs/At-1

By running the regression equation using the statistical program spss.24, a coefficient of determination is reached, which indicates the explanatory power of the independent variables (st/At-1, Δs/At-1 1/At-1,) in the

dependent variable (CFO/TA I). ,t) is represented by the value of (R<sup>2</sup>), which can be seen in the following table No.(4-2).

**Table No. (4-2) Interpretation coefficient for the revenue index of the company under study**

Model Summary				
Std. Error of the Estimate	Adjusted Square	R	R Square	R
.01071	.916		.944	.972 <sup>a</sup>
				Model
				1

It is shown in the previous table that the value of (R<sup>2</sup>) is 94.4%, and this indicates the explanatory power of the group of independent variables (the power of employing operational options) that represent the profit management tools with real activities in the

dependent variable that refers to the percentage of cash flows from operating activities at the end of the current period To total assets at the end of the previous period.



Production manipulation index: where the researcher uses the company's data to extract the accounting numbers for the regression equation that

expresses this, which is shown in the following table No. (5-2)

**Table No. (5-2) Indicator of manipulation in production for the company under study**

2017	2016	accounting value	Statistical code
<b>2409245347</b>	<b>1730764119</b>	<b>Operating cost</b>	<b>PROD</b>
<b>0.34</b>	<b>0.26</b>	<b>Divide operating costs/total assets</b>	<b>PROD/TA I,t-1</b>
<b>7134697741</b>	<b>6624041921</b>	<b>Total assets I in period t-1</b>	<b>TA ,I,t-1</b>
<b>2,408,658,034</b>	<b>2,117,257,834</b>	<b>general revenue</b>	<b>St</b>
<b>291,400,200</b>	<b>114,657,482</b>	<b>Change in revenue of I during period t</b>	<b>REV I,t</b>
<b>1.401</b>	<b>1.509</b>		<b>1/At-1</b>
<b>0.337</b>	<b>0.319</b>		<b>st/At-1</b>
<b>0.040</b>	<b>0.017</b>		<b>Δs/At-1</b>

By running the regression equation using the statistical program spss.24, a coefficient of determination is reached, which indicates the explanatory power of the independent variables (st/At-1, Δs/At-1 1/At-1,) in the

dependent variable (PROD/TA I). ,t) is represented by the value of (R2), which can be seen in the following table No. (6-2).

**Table No. (6-2) Interpretation coefficient for the production index of the company under study**

Model Summary				
Std. Error of the Estimate	Adjusted Square	R	R Square	R
<b>.06620</b>	<b>-.477-</b>	<b>.015</b>	<b>.124<sup>a</sup></b>	<b>1</b>

Through the previous table, it is clear that the value of (R2) is 15%, and this indicates the weakness of the explanatory power of the group of independent variables (the power of employing operational choices), which represent the tools of profit management with real activities in the dependent variable that refers to the ratio of the cost of

production at the end of the period to the total assets at the end of the previous period.

- ❖ Manipulation of optional expenses: where the researcher uses the company's data to extract the accounting figures for the regression equation that expresses this, which is shown in the following table No. (7-2).

**Table No. (7-2)  
 Optional Expense Manipulation Index  
 for the researched company**

2017	2016	accounting statement	Statistical code
<b>-0.09</b>	<b>-0.14</b>	<b>Optional expenses</b>	<b>DACC I,t</b>
<b>7134697741.00</b>	<b>6624041921.00</b>	<b>Total assets I in period t-1</b>	<b>TA ,I,t-1</b>
<b>2408658034.00</b>	<b>2117257834.00</b>	<b>general revenue</b>	<b>St</b>
<b>291400200.00</b>	<b>114657482.00</b>	<b>Change in revenue of I during period t</b>	<b>REV I,t</b>





<b>1.401</b>	<b>1.509</b>	<b>1/At-1</b> <b>st/At-1</b> <b>Δs/At-1</b>
<b>0.337</b>	<b>0.319</b>	
<b>0.040</b>	<b>0.017</b>	

By running the regression equation using the statistical program spss.24, a coefficient of determination is reached, which indicates the explanatory power of the independent variables (st/At-1, Δs/At-1 1/At-1,) in the

dependent variable (DACC I,t ) is represented by the value of (R<sup>2</sup>) which can be seen in the following table No. (8-2).

**Table No. (8-2)**  
**Interpretation coefficient for discretionary expenditure index for the researched company**

Model Summary				
Std. Error of the Estimate	Adjusted Square	R Square	R	Model
.05625	.607	.738	.859 <sup>a</sup>	1

Through the previous table, it is clear that the value of (R<sup>2</sup>) is 73.8%, and this indicates the explanatory power to some extent of the group of independent variables (the power of employing operational options) that represent the profit management tools with real activities in the dependent variable that refers to the percentage of optional expenses at the end of the period to Total assets in the previous period.

Through the foregoing, the hypothesis that says:

There is a statistically significant effect of creative accounting methods in real activities on the reliability of accounting information in the financial statements of companies listed in the stock market.

Through the foregoing, the main hypothesis is validated

There is a significant and statistically significant effect of creative accounting methods on the reliability of accounting information in the financial statements of companies listed in the stock market.

#### TARGET

Objective: To show the impact of the use of creative accounting on the reliability of accounting information in the financial statements of companies listed in the stock market, in order to judge the quality of these financial reports.

The used approach: The researcher uses the modern scientific method to show the impact of creative accounting on controlling the exploitation of optional benefits to the extent that the financial statements do not mislead users, through financial reports.

#### RECOMMENDATIONS

There is an impact of the use of creative accounting on the credibility of accounting information

in the financial statements of companies listed on the stock market, which informs stakeholders about the reality of operating profit and accompanying cash flows, which involves flexibility resulting from voluntary and intentionally altered real accruals to net working capital as a result of the use of unauthorized estimates. Logic affects the credibility of accounting data. The research recommends reviewing the information contained in the financial statements presented to users and whether they have the main and subsidiary qualitative characteristics of accounting information. Before it is adopted in decision-making by the beneficiaries

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