



THE IMPACT OF CREATIVE ACCOUNTING APPLICATIONS ON STOCK TRADING VOLUME: AN ANALYTICAL STUDY OF A SAMPLE OF JOINT-STOCK COMPANIES LISTED ON THE IRAQI STOCK EXCHANGE

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Article history:	Abstract:
Received: 20 th July 2023 Accepted: 20 th August 2023 Published: 20 th September 2023	The research aims to shed light on creative accounting practices in financial reports and their impact on the trading volume in the Iraqi Stock Exchange. Starting from the problem of companies managing profits for the purpose of increasing the value of their shares at times and at other times reducing their profits in order to reduce the taxes they pay to the state. The research adopted the following main hypothesis: "Creative accounting practices affect the trading volume in the Iraqi Stock Exchange." During the research, the reports of a group of companies listed in the market that obtained the highest trading volume during the research period were studied, and the Miller model was applied to reveal earnings management practices, which are considered one of Creative accounting methods, in addition to the income smoothing method. The researchers reached a set of conclusions, the most important of which is that all companies practice creative accounting in their issued financial statements, which affects the volume of trading in their name in the Iraqi Stock Exchange. A set of recommendations were reached, the most important of which is the use of the Miller model by auditors. Accounts for the purpose of revealing and measuring creative accounting practices in the companies whose accounts they audit.

Keywords: Creative accounting on stock trading volume

INTRODUCTION

Most of the companies operating in the Iraqi Stock Exchange practice creative accounting to address two very important matters. The first is to increase the market value of their shares and thus obtain the largest trading volume in shares, or to reduce their profits in order to reduce the taxes incurred. They sometimes mislead current and prospective investors by raising the market value of their shares. By increasing its profits and second by tax evasion and preventing the state's right to its money.

Through this study, we will attempt to demonstrate the extent to which the trading volume is affected by institutions that apply creative accounting when preparing their financial statements in the financial markets. This is why trading volume is of great importance in predicting the movement of stock price trends, thus enabling the investor to maximize his wealth.

Financial markets cannot play their role in attracting investment and achieving good and balanced employment of resources without providing accounting information that helps in estimating expected returns and risks in order to compare investment alternatives and make rational economic decisions.

RESEARCH METHODOLOGY

First: A Problem

The large increase that occurred in the number of joint stock companies in Iraq after the fall of the former regime due to the collapse of infrastructure and explosive budgets led to an increase in the volume of competition between these companies and the pursuit of achieving profits by any means and attracting the largest number of current and prospective investors led to the management of some companies resorting to using... Creative accounting practices. The problem can be formulated through the following questions:



- 1-Do companies operating in the Iraq Stock Exchange practice creative accounting?
- 2- Is there a relationship between the practice of creative accounting and the volume of stock trading in companies operating in the Iraq Stock Exchange?

Second: The Importance Of The Research

The importance of the research stems from its shedding light on the following- :

- 1-Creative accounting and methods of using it.
- 2-How to detect it and review the methods used to detect it.
- 3- The relationship of creative accounting to the volume of stock trading in the Iraqi Stock Exchange.

Third:- The Research Objective

- 1-Revealing creative accounting practices in the financial statements prepared by joint-stock companies whose shares are traded on the Iraqi Financial Market.
- 2- Linking creative accounting practices to the volume of stock trading in companies operating in the market.
- 3- Proposing some appropriate solutions to reduce the practice of creative accounting in companies operating in the market.

Fourth: Research hypotheses

The research is based on the basic hypothesis "Creative accounting practices affect the trading volume in the Iraqi Stock Exchange:

The following sub-hypotheses branch out from them:

- 1-The managements of joint-stock companies operating in the Iraq -Stock Exchange practice creative accounting.
- 2-Creative accounting practices contribute to increasing the volume of stock trading in companies practiced in the Iraq Stock Exchange.

THE THEORETICAL ASPECT

1-The Concept Of Creative Accounting

The concept of creative or creative accounting may seem at first to be a "strange or modern concept," but in reality it is not so, because this term raises many questions about the nature of creativity and the nature of accounting methods, procedures, and techniques that are used in accounting applications. The term creative accounting is applied to Some accounting procedures applied by company departments in an effort to achieve an imaginary (unreal) improvement, either in their profitability or in their financial position, by exploiting the gaps found in external auditing methods or by taking advantage of the various alternatives available in accounting policies provided by the facility's accounting standards in the areas of: The methods of measurement and disclosure used in preparing financial statements, which may negatively affect the quality of the numbers shown by those statements, whether in terms of profits or in terms of position.

Creative accounting itself is still in practice and, to date, unchallenged as a matter of approach. But when unethical methods creep into the resulting accounting details and make them realistic, this thing is unreal and unfair. Creativity in this context is like referring to a half glass of water as "half full" instead of describing it as "half empty." While both statements are factually correct, they paint and convey different pictures (Ijeoma N., 2014: 14). Ali believes that creativity indicates that creative accounting has a positive effect if it promotes the development of accounting practices, and a negative effect when it promotes the development of accounting practices. It is intended to mislead and deceive investors, creditors, bank customers and other users of financial statements. Creative accounting as the practice of recognizing revenues in a way that makes a company look better than it is, while still being compliant with Generally Accepted Accounting Principles (GAAP) and not taken out of context, (Ali et al., 2011:6).

Using creative accounting practices enables departments to change perceptions about business performance in their companies. They enable them to provide an inaccurate assessment of a company's ability to profit, leading to inappropriate pricing of debt and equity securities. When errors resulting from these practices are discovered, the market may not be merciful, and this causes a sharp decline in stock prices.

Mulford & Comiskey.2002:8). Buttu reviews the concept of creative accounting as a general concept about organizing accounts, as it gives illegal or questionable benefits to maintaining the entity of accounts (Buttu, 2006: 107).

2-A creative accounting images

Creative accounting comes in one of the following two forms: (profit management, income smoothing).



A-Earnings Management

Many researchers believe that accounting policy is the main axis around which earnings management practices revolve. Therefore, it was unacceptable to establish a definition of earnings management in isolation from accounting policies, which represent a set of practical application tools that management uses in producing and communicating financial information. By "scientific application tools" we mean those rules, foundations, methods and procedures that the accountant uses in his field of work. That is, The general rule in determining the parameters of accounting policy is to provide practical application tools appropriate to the circumstances and nature of the company's activity (Al-Fadl and Hamad, 2015: 199).

From this standpoint, earnings management is defined as meaning the intended intervention by management in the process of selecting alternatives and accounting policies to influence the economic performance of the company in order to achieve specific goals. (Sun and Rath, 2008:420).

Since the increase in net profit is an important indicator for the investor that gives the impression of the company's good performance and the soundness of its financial position, and reduces his fear of the level of risk related to it, (Eid Mahmoud, 2001:242). The management was interested in beautifying this accounting element "net profit" and adopted accounting methods to control these profits and distribute them as it deems appropriate within the accounting capabilities and options available to it. This is what is called earnings management (Earnings Management), and it is defined as "a proposed innovation in preparing the financial report with the intention of obtaining "Private Benefits" (2000:239), (Patricia M).

Earnings management is one of the most important forms of creative accounting that have been discussed in accounting literature. Al-Atabi defines earnings management as a deliberate disruption of the process of preparing financial reports with the aim of obtaining special benefits and misleading stakeholders regarding the company's economic situation and then distorting images of the true financial performance with the aim of achieving To achieve desirable results (Al-Atabi, 2016: 15).

As Al-Sahli stated, it is changing the company's declared economic performance by management, either to mislead shareholders or to influence contractual outcomes (Al-Sahli, 2006: 515). It is the deliberate choice between accounting methods and policies, which are among the recognized principles in order to maximize the personal benefit of management or to maximize the value of the enterprise (Ronser, 2003:362).

B-Income Smoothing

Reducing income fluctuations and stabilizing its growth is one of the most important goals of the CEO. This is based on the prevailing belief that the fluctuation of the income growth rate increases the amount of risk (Eid Mahmoud 2001: 245). As a company with a constant or close growth rate in the long term is less risky, this is why some companies seek as much as possible to reduce these risks through methods. An accepted accounting standard, called Income Smoothing.

That is, income smoothing is a form of earnings management designed to eliminate deviations from the natural earnings series. It includes steps to reduce or save gains during good years for use in bad years.

)Mulford & Comiskey, 2002: 3), and smooth income is obtained either in a natural way resulting from the company's operational work, or in an innovative way resulting from management intervention and aiming to achieve stability in income growth (Asiri, 2002: 261)

Income smoothing is also defined as the efforts made by management to reduce fluctuations in the company's declared profits. This definition focuses on the role of management in reducing the fluctuations that occur in the company's income without specifying the nature of the efforts made by management to smooth income. (Ashari et al, 1994. :219)

As for Belkaoui, he believes that income smoothing is an intentional adjustment to the declared income aimed at reaching the desired trend or level, and it expresses the management's desire to reduce abnormal deviations in income to the extent possible or permissible in light of accepted accounting and management principles, (Belkaoui, 2001:48).

It can be said that income smoothing is done within the limits of flexibility available in generally accepted accounting principles, and from the above we note the following (Hammad, 2005: 443).

- 1-Income smoothing is a process carried out in accordance with the flexibility available in generally accepted accounting principles (GAAP), with regard to accounting methods and procedures.
- 2- Income smoothing is an intervention by management in the financial measurement and reporting process.
- 3- Smoothing income aims to reduce variation and fluctuation in business results.

3-Management's Motivations For Using Creative Accounting Methods



Financial analysts believe that management's motives for using creative accounting are limited to the following points (Mulford & Comiskey, 2002: 2):-

-The positive impact on the company's reputation in the market:

With the aim of improving the financial values related to the performance of business enterprises.

-Impact on the company's share price in the financial markets:

With the aim of maximizing financial values and then improving the share prices of those companies in the financial markets.

-Improving the financial performance of the facility to achieve personal interests: (Al-Qutaish, Al-Sufi, 2011:362.)

Personal gains are one of the most important motivations for management to use creative accounting in order to reflect a positive image of its performance for personal goals represented in improving the image of this administration before the boards of directors.

-Obtaining or maintaining financing:

Company managements often seek to obtain the necessary financing in its various forms, when the company suffers from problems with the liquidity necessary to continue its operational or investment operations and sometimes to pay its obligations. Here, they resort to refinancing expenses and obligations, through financial institutions, by resorting to creative accounting methods to improve the outcome of the activity and the situation. Financial accounting is "not real" in order to achieve the financing conditions imposed by financial institutions.

-For tax manipulation. (Al-Agha 2, 84: 2011)

This is done by reducing profits and revenues and increasing expenses in order to reduce the tax base from which the resulting tax deduction will be calculated.

-Avoid political costs

This cost is represented by the burdens borne by large economic units as a result of the laws and regulations imposed by the state. Such as increasing tax rates also burdens economic units with high social burdens. Therefore, the management of economic units resorts to avoiding this cost by adopting gains management or choosing accounting policies that lead to reducing profits.

4-Creative accounting methods in the statement of financial position and opportunities to manipulate accounting values

The importance of the budget is related to the information it provides about the nature and size of the company's available resources and obligations towards lenders and owners, "as it helps predict the amounts and timing of future cash flows." The benefits achieved by the statement of financial position must be evaluated in light of a set of determinants, the most important of which is that most of the assets Commitments are evaluated based on historical cost, and they do not show the most important elements that have an influential financial value, such as knowledge and skills of employees. (Al-Qatish and Al-Sufi, 2011: 367).

THE PRACTICAL ASPECT

The applied study aimed primarily to test the research hypotheses and then measure whether there is an impact of the practice of creative accounting on the joint stock companies practicing it in terms of trading volume. In order to achieve the requirements of the study and collect the necessary data for it, objectively and impartially, we decided to analyze the financial statements of joint-stock companies and of all companies sampled for the study for the period 2019) using the mathematical measure of the ratio (Miller Ratio 2007) to measure the earnings management practices of the sample companies, to then study the extent of the impact of creative accounting practices "management Profits" on the trading volume of companies listed on the market.

Table (1) shows the ten most traded companies and the ten least traded companies for the year 2019				
N	The ten most traded companies 2019 (million dinars)		Shows the ten least traded companies 2019 (million dinars)	
	Company Name	Trading volume 2019 (million dinars)	Company Name	Trading volume 2019 (million dinars)



1	Gulf Commercial Bank	45301,7	Middle East fish production	18,7
2	United Investment Bank	43708.1	Al Khazir for cartoon production	20.5
3	Dar es Salaam Investment Bank	42495.0	Al-Ahlia for agricultural production	37,6
4	National Bank of Iraq	41962.0	Al Ahlia Insurance	53.0
5	Iraqi Islamic Bank	38151.2	Iraqi cardboard industry and trade	53.8
6	Bank of Baghdad	30200.7	Al Zawraa Investment	56.6
7	Baghdad for soft drinks	26392.5	Metal and bicycle industries	77.6
8	National Islamic Bank	26392.5	Dar Al Salam Insurance	116.0
9	North Bank	16201.1	Elaf Bank	136.1
10	Ashur International Bank	15909.7	Gulf Insurance	160.5

Table: Number of researchers based on published trading reports for the year 2019

Accordingly, this aspect will be discussed through the following points:

1-measuring creative accounting practices through "earnings management" for Iraqi joint stock companies listed on the Iraq Stock Exchange.

Secondly: measuring the percentage of change in the trading volume of the companies in the research sample.

2-Analyzing the results of the field study to test and interpret the relationship between creative accounting practices and the trading volume of shares of the companies in the research sample.

First: Measuring creative accounting practices through "earnings management" for the companies in the research sample.

This research dealt with presenting the results of measuring creative accounting practices through the application of "earnings management" for the companies sample of the study, which included companies listed on the Iraq Stock Exchange for the period 2019. The annual financial reports and statements published on the Iraq Stock Exchange website were adopted, as were the financial reports published on the Iraq Stock Exchange website. Securities Commission for the purpose of completing the measurement requirements, and to determine the extent of the sample companies' practice of earnings management. The Iraqi joint-stock companies listed in the Iraqi Stock Exchange were selected, and they were 20 companies (the ten most traded companies and the ten least traded companies in the market), provided that complete data about them are available. During the study period.

The Miller Ratio (2007) model was adopted to measure earnings management, and here we explain the reasons for adopting this indicator for measurement, which are:

1-It is characterized by objectivity because it is based on a statistical basis, as it does not include making estimates of expected income or some other variables necessary for measurement. It relies on actual data to avoid the possibility of error and personal judgments that may accompany making estimates, meaning that it provides a clear measure for profit management.

2-It enables practitioners and regulators to easily verify and discover companies' use of earnings management practices.

3-It is considered the latest among profit management measurement models, in addition to being easy to apply and easy to obtain the required information in the application because it is available directly in the financial statements.

Secondly:-Measuring creative accounting practices



After the sample subject of the research was selected (Dar es Salaam Bank was excluded for not submitting financial reports for the year 2019), the necessary data was extracted from the annual reports of companies listed on the Iraq Stock Exchange, and the Miller measurement model was adopted, through which we can study the relationship Between net cash flows from operating activities (CFO) and the change in working capital (ΔWC), it represents a tool for discovering earnings management practices. These accounts can be modified to reach the target income sought by management, while net cash flow from operating activities (CFO) is an alternative measure of performance because it is less susceptible to manipulation compared to net income, as it is not affected by the accrual effect. This percentage can be extracted according to the following law:-

$$\text{Miller Ratio} = \Delta (\Delta WC / CFO)$$

Equation No. (1) explains the assumption that there is no earnings management in the company:-

$$(\Delta WC / CFO)_t - (\Delta WC / CFO)_{t-1} = 0 \dots\dots\dots(1)$$

Equation No. (2) explains the assumption that there is earnings management in the company:-

$$(\Delta WC / CFO)_t - (\Delta WC / CFO)_{t-1} \neq 0 \dots\dots\dots(2)$$

The financial statements of companies listed on the Iraqi Stock Exchange for the sample subject of the research were approved to draw results for the year 2019.

$$1 \text{ EM} = (\Delta WC / CFO)_{t-0} - (\Delta WC / CFO)_{t-1}$$

Table (2) Measuring earnings management for companies in the study sample for the period 2019		
Gulf Commercial Bank		
Statement	2018	2019
Current assets	764140233237	760989595237
Current liabilities	469176977902	487998540927
Working capital	294963255335	272991054310
Change in working capital	---	(21972201025)
Net cash flow from operations	---	10917418072
Miller indicator for the current period	---	(2.013)
United Investment Bank		
Statement	2018	2019
Current assets	488790613196	522926078716
Current liabilities	226561706339	259527046104
Working capital	262228906857	263399032612
Change in working capital	---	1170125755
Net cash flow from operations	---	75172459863
Miller indicator for the current period	---	0.016
National Bank of Iraq		
Statement	2018	2019
Current assets	600974725295	513359246592
Current liabilities	352548624015	275368264753
Working capital	248426101280	237990981839
Change in working capital	---	(10435119341)
Net cash flow from operations	---	(98154533839)
Miller indicator for the current period	---	0.106



Iraqi Islamic Bank		
Statement	2018	2019
Current assets	452760901	457176240
Current liabilities	207585842	206572440
Working capital	245175059	250603800
Change in working capital	---	5428741
Net cash flow from operations	---	4345915
Miller indicator for the current period	---	1.249
Bank of Baghdad		
Statement	2018	2019
Current assets	1770087708	1493192477
Current liabilities	1535086127	1281048325
Working capital	235001581	212144152
Change in working capital	---	(22857429)
Net cash flow from operations	---	(316900783)
Miller indicator for the current period	---	0.072
Baghdad for soft drinks		
Statement	2018	2019
Current assets	101173161080	117870541007
Current liabilities	7865089114	10227189696
Working capital	933080719 66	107643351311
Change in working capital	---	14335279345
Net cash flow from operations	---	23660239365
Miller indicator for the current period	---	0.606
National Islamic Bank		
Statement	2018	2019
Current assets	556826425368	701994855886
Current liabilities	277460419287	419043799368
Working capital	279366006081	282951056518
Change in working capital	---	3585050437
Net cash flow from operations	---	5709584910
Miller indicator for the current period	---	0.628
Ashur International Bank		
Statement	2018	2019
Current assets	409192757	422705928
Current liabilities	166974236	181639999
Working capital	242218521	241056929
Change in working capital	---	(1161592)
Net cash flow from operations	---	59431362
Miller indicator for the current period	---	(0.019)
North Bank for Finance		
Statement	2018	2019
Current assets	1417173605	775826086
Current liabilities	1163319179	521318246
Working capital	253854426	254507840
Change in working capital	---	653414
Net cash flow from operations	---	(585483980)
Miller indicator for the current period	---	(0.001)
Middle East Fish Production and Marketing Company		



Statement	2018	2019
Current assets	1078918626	1169956032
Current liabilities	491924190	454602746
Working capital	586994436	715353286
Change in working capital	---	128358850
Net cash flow from operations	---	(45874610)
Miller indicator for the current period	---	(2.798)
Eligibility for agricultural production		
Statement	2018	2019
Current assets	133525745	136667187
Current liabilities	34584654	39110778
Working capital	98941091	97556409
Change in working capital	---	(1384682)
Net cash flow from operations	---	39543802
Miller indicator for the current period	---	(0.035)
Eligibility for insurance		
Statement	2018	2019
Current assets	3119912967	3236661091
Current liabilities	440074268	694124477
Working capital	2679838699	2542536614
Change in working capital	---	(137302085)
Net cash flow from operations	---	(162357679)
Miller indicator for the current period	---	0.846
Al-Zawraa Financial Investment Company		
Statement	2018	2019
Current assets	1427158522	1338431828
Current liabilities	119895944	106690755
Working capital	1307262578	1231741073
Change in working capital	---	(65521505)
Net cash flow from operations	---	99520398
Miller indicator for the current period	---	(0.659)
Dar Al Salam Insurance Company		
Statement	2018	2019
Current assets	5254413209	5200622780
Current liabilities	780312105	266322509
Working capital	4474101104	4934300271
Change in working capital	---	460199167
Net cash flow from operations	---	(196395874)
Miller indicator for the current period	---	(2.343)
Elaf Islamic Bank		
Statement	2018	2019
Current assets	288347071626	480274229226
Current liabilities	144764968767	259842973961
Working capital	143582102859	220431255265
Change in working capital	---	76849152406
Net cash flow from operations	---	84174598695
Miller indicator for the current period	----	0.913
Gulf insurance		
Statement	2018	2019



Current assets	2662918123	2025319936
Current liabilities	749044521	127485379
Working capital	1913873602	1897834557
Change in working capital	---	(16039045)
Net cash flow from operations	---	104971666
Miller indicator for the current period	---	(0.153)

Third:-Analyze and interpret results

After the data was transcribed and the index (Miller Ratio) was extracted for the companies listed on the Iraq Stock Exchange (study sample) and for the study period 2019, the results showed that the companies listed on the Iraq Stock Exchange (study sample) practiced earnings management in varying proportions, as the results were For all companies, the value of the Miller ratio index is $\neq 0$ in absolute terms, as the ratio ranged above zero and below zero. As Table No. (3) shows

Table No. (3) above shows the results of the study sample companies for the year 2019. The number of positive (EM earnings management) indicators reached (8), and the negative indicators reached (8), as

Table (3) The table represents the Miller Ratio index to measure earnings management practices

N	Comparison of the study sample companies for the year 2019		Comparison of the study sample companies for the year 2019	
	Company Name	Miller index	Company Name	Miller index
1	Gulf Commercial Bank	(2.013)	Middle East fish production	(2.798)
2	United Investment Bank	0.016	Al-Ahlia for agricultural production	(0.035)
3	National Bank of Iraq	0.106	Al Ahlia Insurance	0.846
4	Iraqi Islamic Bank	1.249	Al Zawraa Investment	(11.68)
5	Bank of Baghdad	0.072	Dar Al Salam Insurance	(343.2)
6	Baghdad for soft drinks	0.606	Elaf Bank	0.913
7	National Islamic Bank	0.628	Gulf Insurance	(0.153)
8	North Bank	(0.001)	---	---
9	Ashur International Bank	(0.019)	---	---

Table: Number of researchers based on published trading reports for the year 2019

the highest level of the positive earnings management indicator reached (1.249). It was the share of the Iraqi Islamic Bank. Positive ratios express management's desire to improve its reputation in the market with the aim of maximizing the market value of its shares in order to improve the level of its share prices or its desire to obtain financing.

The lowest positive level was (0.016) and was attributed to the United Investment Bank.

As for the companies that reduced their profits and whose results were negative, the lowest level of negative reached (2.798) and was shared by the Middle East Fish Marketing Company, and the highest level of negative was reached (0.001) by Al-Shamal Bank. Negative percentages express the desire of the management or owners of the company to reduce the value of the tax imposed by reducing the tax base from which the value of the resulting tax withholding will be calculated. Expand it to avoid the political cost borne by those companies.



Fourthly:-Analyzing the results of the field study to test and interpret the relationship between creative accounting practices and the trading volume of shares of the companies in the research sample.

Table No. (4) below shows the relationship between the percentage of change and the Miller index according to the results reached in Tables No. (3).

Table (4) shows the relationship between the percentage change in trading volume and the Miller index

Company Name	Percentage change in trading volume	Indicator type	Miller index	Indicator type
Gulf Commercial Bank	(61.3)	Negative	(2.013)	Negative
United Investment Bank	6775.0	positive	0.016	positive
National Bank of Iraq	643.5	positive	0.106	positive
The Iraqi Islamic Bank	365.6	positive	1.249	positive
Bank of Baghdad	12.5	positive	0.072	positive
Baghdad for soft drinks	----	----	0.606	positive
National Islamic Bank	(94.0)	Negative	0.628	positive
North Bank	----	----	(0.001)	Negative
Ashur International Bank	(7.1)	Negative	(0.019)	Negative
Middle East Fish Marketing	(54.8)	Negative	(2.798)	Negative
Eligibility for agricultural production	(17.5)	Negative	(0.035)	Negative
Al Ahlia Insurance	----	----	0.846	positive
Al-Zawraa Investment	(61.0)	Negative	(11.68)	Negative
Dar Al Salam Insurance	(97.9)	Negative	(2.343)	Negative
Elaf Bank	(99.9)	Negative	0.913	positive
Gulf Insurance	----	-----	(0.153)	Negative

From Table No. (4) above, the following results emerged:

The results of data from Khaleej Commercial Bank, Assyria International Bank, Middle East Fish Marketing, Al-Ahlia Agricultural Products, Al-Zawraa Investment, and Dar Al-Salam Insurance showed that investors' decisions were affected after the publication of the financial statements, as the use of the Miller index gave a negative result (that is, the company had... By reducing profits), which led investors to a decrease in trading volume for the same period, and this is demonstrated by a decrease in the percentage of change in the trading volume of this company, as shown in Table No. (5). As shown by the results of the data for each of the companies: "The United Investment Bank, the National Bank of Iraq, and the National Bank of Iraq." The Iraqi Islamic Bank of Baghdad said that investors' decisions were affected after the publication of the financial statements, as the use of the Miller index gave a positive result (that is, the company increased its profits), which led investors to increase the trading volume for the same period,



and this is demonstrated by the increase in the percentage change in The trading volume of this company is as shown in the table above. Two banking companies differed from the Miller index: "National Islamic Bank and Elaf Bank," as the trading volume per share for both companies decreased despite the increase in the profits of those two companies. Based on the above, the decisions of users of financial statements and current and prospective investors are affected by creative accounting practices, and this is confirmed by the results of the sample companies when applying the Miller index, and this is consistent with the research hypothesis:

Therefore, the second sub-hypothesis is accepted, which states:

Creative accounting practices contribute to increasing the volume of stock trading in companies practiced in the Iraq Stock Exchange

By accepting the two sub-hypotheses, we arrive at accepting the main hypothesis, which states:

"Creative accounting practices affect trading volume in the Iraq Stock Exchange.

CONCLUSIONS

1- The methods and procedures for applying creative accounting practices contradict the general trend of accounting information because it achieves management objectives at the expense of other parties.

2- The resort of companies operating in the Iraqi Stock Exchange to practicing creative accounting applications is the presence of a group of motives and incentives, some of which are personal motives related to the interest of management with the aim of improving performance measures in a way that reflects a good image of the company's performance and increasing its administrative incentives, and external motives such as influencing stock prices. Reducing tax payments, reducing political costs.

3- Corporate management practices creative accounting applications through a set of mechanisms and methods through which it can influence the results of the company's operations depending on their impact on income. Thus, it is not neutral information and does not honestly express the results of the business and financial position.

4- There is a variation in the means and methods used to implement creative accounting practices, and the most widely used and influential methods in the companies sampled in the research is the management's use of methods and methods that relate to classifications of accounting costs, classification of ordinary and extraordinary items, and maneuvering with them to influence profits.

5- The spread of creative accounting applications practices raises doubts about the quality of the financial statements and thus a loss of confidence among the stakeholders, including the users and preparers of the statements. The extent to which it can be relied upon to make various decisions

6- The results of measuring creative accounting applications practices based on Miller's model (Miller 2007) showed that all companies in the research sample listed on the Iraq Stock Exchange practiced creative accounting applications in different proportions during the research period. As the results of the joint stock companies for the study sample for the year 2019, the number of positive (EM earnings management) indicators reached (8), and the negative indicators reached (8), as the highest level of positive earnings management indicator reached (1.249) and it was the share of the Iraqi Islamic Bank. If positive ratios express management's desire to improve its reputation in the market with the aim of maximizing financial values, then improving the price level of those companies' shares in the financial markets or its desire to obtain financing. The lowest positive level was (0.016) and was shared by the United Investment Bank, and the lowest was negative.

(2.013) was the share of Al Khaleej Commercial Bank, and the highest negative level (0.001) was reached by Al Shamal Bank. Negative percentages express the desire of the management or owners of the company to reduce the value of the tax imposed by reducing the tax base from which the value of the resulting tax withholding will be calculated. This is intended to avoid the political cost borne by those companies. This confirms the existence of a conflict in the interests of the parties related to the company, as the interest of managers is to reduce taxes and distributed profits, while the interest of shareholders is to maximize returns on investments, and the management seeks to increase their various administrative compensation.

7. The application of creative accounting practices leads to a change in the trading volume of shares in companies operating in the Iraqi Stock Exchange. The results showed that the percentage of change in the trading volume was positive for each of the companies: "United Bank, National Bank of Iraq, Iraqi Islamic Bank, Bank Baghdad," and the percentage change in the trading volume of companies "Khaleej Commercial Bank, National Islamic Bank, Assyria Bank, Middle East Fish Marketing, Al-Ahlia Agricultural Products, Al-Zawraa Investment, Dar Al-Salam Insurance, Elaf Bank, Gulf Insurance" was negative, that



is, some Companies achieved an increase in trading volume, while other companies achieved a decrease in trading volume. As a result of practicing creative accounting.

RECOMMENDATIONS

1-Directing the attention of the management of the Iraqi Stock Exchange to publishing the financial reports of joint-stock companies whose shares are listed on the market within the period specified in accordance with the applicable legislation and instructions, and not delaying in reporting them and striving to correct an appropriate external communications system that ensures that appropriate and transparent information related to the company's activity reaches all parties. interests at the right time.

2-It is necessary to intensify efforts between the relevant authorities represented by the Iraqi Stock Exchange, the Accounting and Regulatory Standards Board in Iraq, and the relevant professional organizations for the purpose of increasing interest in confronting the obstacles to applying transparency in financial reporting.

3-Finding compatibility between local rules, legislation and instructions issued by relevant parties with part of the requirements for transparency in international financial reporting, and seeking to confirm companies' compliance with those rules and legislation on the one hand, and on the other hand, their reporting of non-financial information.

4- Activating the legal and judicial systems to protect the rights of investors and other parties from opportunistic practices pursued by corporate management by imposing material and moral penalties on those companies.

5-Educating users of financial reports in general, and investors and lenders in particular, about the effects and repercussions of creative accounting applications in their economic decisions and its role in reducing integrity, the spread of corruption and opportunistic behavior of management through seminars and educational media programs.

6. The use of statistical methods and models (especially the Miller model) by auditors to detect applications of creative accounting practices, as it is an effective tool and a good means that can be added to other procedures used by them.

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