World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

APPROPRIATE MODELS FOR MEASURING CREATIVE ACCOUNTING PRACTICES AND ITS IMPACT ON TAX RETURNS: APPLIED STUDY IN IRAQI GENERAL TAX AUTHORITY

Ban Abdul-Kadhm Abdulaali
Al-Qadisiyah University, College of Veterinary Medicine- Veterinary Public Health Branch, ban.abdalalie@qu.edu.iq

Article history:
Received: 26th April 2025
Accepted: 24th May 2025

Abstract:
The research purposes to classify the degree to which some businesses repetition creative accounting (CA) processes, and the level to first outlining the nature of CA processes, their indications, their justifications, their methods of practice, and their ramifications, and then demonstrating the connection between CA practices and tax returns, they demonstrate their awareness of the hazards that arise from this. The Iraqi General Tax Authority served as the research sample for the 2015–2024 timeframe in order to examine the connection between tax returns and innovative accounting techniques. The research reached a number of conclusions, the most important of which was that CA practices have an impact on financial statements. This is because CA is a novel practice in which accountants use their understanding of accounting laws and regulations to process or manipulate numbers recorded in economic units' accounts in order to achieve particular goals. Tax returns are negatively impacted by the income statement's increasing or decreasing effects on expenses, revenues, total profit, and net profit. To hide defects and performance problems in order to achieve the intended results.

Keywords:

INTRODUCTION:

The appearance of numerous multifaceted financial and profitable dealings in recent years has caused the business environment to undergo radical changes. Because of this, management has made a lot of decisions that affect the accounting data that the stakeholders in the economic unit's operation depend on. This has resulted in the publication of accounting standards that cover a broad range of information and interpretations, in addition to the numerous options and techniques that are available. However, because these criteria are commonly used, management has plenty of room to falsify financial performance reports. In order to give the economic unit a favorable advantage without sacrificing any of the accounting principles and norms, CA is the process of employing existing accounting laws to transform accounting data from their true form into a desired picture. Due to the quick and sequential changes in the contemporary business environment and the technological advancements in information and communication that different economic units—regardless of their size, shape, activity, or market openness—must contend with, CA is crucial at the moment. globally, in addition to the rise of many problems and difficulties that these units encounter, necessitating appropriate remedies that the government should determine.

PART ONE: RESEARCH METHODOLOGY

1-1 - Research problem:

The issue with study is that businesses have specific objectives, which motivates them to procedure data by developing new AT, utilizing certain laws, accounting procedures, or policies to accomplish these objectives. This is known as CA, and the research problem can be stated as follows: Which models are suitable for evaluating CA techniques, and how do they contribute to better tax revenues?.

1-2 - Importance of Research:

The study's importance lies in identifying these practices and attempting to highlight their effects on financial and accounting work outcomes. It does this by addressing a critical aspect of the actions that the tax administration may take to control the accounting information that those interested in the economic unit's results rely on, as well as the decisions that may arise from them that may deliberately manipulate or distort that information in order to have a positive or negative impact on tax returns.

1-3 - Objectives of Research:

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

The purpose of the research is to identify the degree to which some companies prepare CA operations and the extent to which they are aware of the risks resulting from this by introducing CA processes in terms of their nature, indicators, justifications, methods of practice, and implications, and then indicating the relationship between CA practices and tax returns.

1-4 - Research Hypothesis:

The study is based on the following fundamental theory: (There is no statistically significant effect between CA practices and tax returns).

1-5 - Research Sample:

To investigate the relationship between tax returns and cutting-edge accounting methods, the Iraqi General Tax Authority was used as the research sample for the 2015–2024 period.

PART TWO: THE THEORETICAL FRAMEWORK OF THE RESEARCH

2-1 - The Concept of Creative Accounting (CA):

The procedure of using current accounting laws to change accounting statistics from their factual form to a desired copy so that new figures benefit the economy without violating any accounting rules or principles is known as CA (Oliver & Amat, 2013:7).

Therefore, Instead of recording transactions in an unbiased and compliant way, CA is the process of structuring transactions to produce the required accounting results. It is a collection of accounting practices that enable accounting operation by utilizing the measurement options and alternatives found in accounting laws (Amat, et.al., 2018:4).

Consequently, it explains how flexibility in accounting procedures can be used to manage metrics and depict accounts in a way that is advantageous to specific groups, especially those who prepare them. The accounting process includes resolving disputes between competing approaches and handling various governance challenges in order to display the results of financial events and corporate operations. Due to this flexibility, many areas of the accounting profession came to be characterized as CA. These behaviors include manipulation, fraud, deception, distortion, and misrepresentation (Jones, 2007:81).

By taking advantage of flaws in external auditing methods or the variety of accounting policies that the accounting standards permit the economic unit to adhere to in the areas of measurement and disclosure methods used in the preparation of financial statements, economic units occasionally turn to particular accounting procedures in an attempt to create a false (not real) improvement in their profitability or financial position.

The excellence of the numbers displayed by those declarations suffers as a result, both for the position and in terms of profits. financial, followed by financial ratios' credibility. Because of the complicated and dramatic financial reporting outcomes of these practices, they have been dubbed CAs and are used to distort the economic unit's actual income, assets, and liabilities in order to provide unlawful or dubious benefits to preserve the object of the economic component accounts (Breton & Taffler,2021:98).

2.2 Ethical Perspective of Creative Accounting:

Various viewpoints regarding the purported "ethical perspective of CA" have prompted numerous researchers to search for the ethics of CA. Accounting academics have taken a keen interest in the worldwide phenomenon of CA, and both pro and anti-CA voices have become more prevalent. Accounting as a social science Its main goal is to support financial statement users by providing accurate and reliable information so that decisions can be made with assurance. It is recognized that every theoretical approach to accounting includes an ethical element derived from These three ethical principles are as follows: (Naser & Pendlebury, 2010:212)

1. Justice: It indicates that each beneficiary party is treated according to fair criteria and bases.
2. Honesty: This refers to being truthful.
3. Impartiality: This refers to creating reports that benefit every user.

When an accountant violates the secretariat's rules and conducts his work in a way that undermines the confidence that the people who use the financial statements have in him, it is regarded as unethical and professional behavior. Whether for personal benefit or to slant the information revealed in the financial statements in favor of a specific sect, examples of such behavior include forgery, record alteration, embezzlement, deleting or canceling operation results from the records, recording fictitious operations, and improper association with accounting rules, among others. goes against the principles of objectivity and professional independence (Andresen, 2008:7) .

The question of how ethical these methods and practices are is raised by the obvious differences in opinions regarding the degree of the positive or negative impact of CA practices in the financial statements, as well as the fact that those who support these opinions have strong points of view and arguments. Since some scholars think that using the intentionality criterion with its intentions as a basis for evaluating the ethical aspect of any management behavior or

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

practice could lead to the separation and distinction of various motives in controlling management's behavior, management may change the applicable accounting rules to obtain more appropriate information, which is considered efficient behavior, or management may seek to further its own interests or goals, which is regarded as opportunistic and unethical behavior (Sen & Lnanga,2019:8).

2-3- Measuring creative accounting practices using the Jones model:

Non-optional receivables are calculated using the formula below. Jones' model was developed to enhance the process of calculating non-optional receivables by considering the operational and economic circumstances of each company when determining those receivables. It is predicated on the idea that the total amount of receivables consists of both optional and non-optional receivables. NDA t: Annual non-optional benefits t .
REV: Revenue difference between the current and prior years.
PPE: Total fixed assets, including equipment, machinery, and any assets that could go extinct.
A t-1 : Total assets (Beneis,2012:4).
A1,a 2,a 3 : limits of the model.
Additionally, this formula is used to compute voluntary receivables, which are the optional receivables resulting from management intervention and profit management strategies. Voluntary receivables are the portion of receivables that cannot be explained by the model variables (Philips, 2018:4). .
To enhance his earlier model and lower measurement errors for optional receivables, Jones included the change in receivables REC. The model variables are computed based on the subsequent hypotheses: (Robert, 2016:5)
1. Management's CA practices are the cause of every shift in future sales.
2. Non-optional receivables in working capital related to sales are expressed by the REV-REC variable. The following formula is used to measure non-optional receivables:

$$NDA_t = a_1(1/A_{t-1}) +_{a\,2}(REV\text{-}REC/\ A_{t-1}) + a_3(PPE/\ A_{t-1}) + e_t$$

Whereas:
REC: The difference in receivables from the prior year to the current one.
To reduce errors, the majority of researchers have used the modified Jones model to calculate optional receivables. The addition of change in receivables demonstrates the extent of management's intervention to practice profit management through manipulation of future sales, which are more susceptible to manipulation and management involvement than cash sales. Then, the same techniques used in the previous model to determine optional receivables are used (Amat & Blake, 2015:11) .

2-4- The relationship between CA practices and tax returns:

CA refers to the use of non-traditional accounting techniques to affect a company's financial offerings, and the relationship between CA practices and tax returns is a part that integrates accounting, financial, and tax aspects. These strategies could involve falsifying financial reports in order to accomplish specific objectives, like raising performance that is visible or lowering taxes that are owed. The following are some of the causes for using CA: (Balaciu,2010:47)
1. Improving financial performance: Businesses may employ cutting-edge techniques to enhance their performance in order to draw in investors or secure loans.
2. Lower tax liabilities: Businesses can lower net profit and, consequently, lower the amount of taxes owed by making adjustments to the numbers, delaying revenues, or raising expenses.
Companies may feel under pressure to use CA to improve their financial positions, and tax laws may dictate how returns and deductions are handled, influencing the amount of CA that can be used. The following serves as an example of how CA affects tax returns: (Ramanth, 2010:35)

1. Cutting down on tax returns Innovative methods can lower reported profits and, consequently, tax obligations.
2. Tax revenue fluctuations: If multiple businesses employ comparable strategies, this could result in abrupt shifts in economic units' profits and fluctuations in the state's tax revenue.

Therefore, one could argue that the connection between tax returns and CA practices represents a continuous conflict between generating profits and abiding by legal requirements. Although CA may have short-term benefits, there may be long-term negative effects that could harm the state and businesses (Libby, et.al., 1996:107) .

PART THREE: THE APPLIED ASPECT OF RESEARCH

3-1 - About the research sample:

On February 27, 1982, the General Tax Authority was created in accordance with Ministry of Finance Law No. 92 of 1981. The Authority continued to be a part of the Ministry of Finance, which was created when the General Directorate of Income, which applied the Income Tax Law, and the General Imports Directorate, which applied the Real Estate Tax

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

Law and the Land Tax Law, merged to form the General Tax Authority. Finding new sources of income, increasing the tax base in order to minimize tax evasion and achieve economic equilibrium in light of the implementation of the principle of tax justice among all taxpayers, achieving the sameness in tax assignment, strengthening the culture of voluntary loyalty among those who pay taxes, developing all capabilities and advanced methods of work to serve citizens, and generating revenues that assist in financing the state funding are some of the main goals that the General Tax Authority aims to achieve.

3-2- Measuring CA practices in taxable units for the period (2015-2024):

The Jones, 1995 model will be used to measure CA practices in taxable units based on the value of optional receivables for the 2015–2024 period. There are several ways to do this, including calculating the total amount owed, estimating the model's parameters, identifying the non-optional receivables, and finally identifying the optional receivables that allow the measurement of CA operations. These steps are explained in the following:

First: Calculation of total dues: The following model can be used to determine the total dues of the study model's taxable units:

$$TAC_{it} = NI_{it} - CFO_{it} \text{ .... } (1)$$

Whereas:

TAC_{it} : Total Benefits (i) during the year (t) .
NI_{it} : Net Income (i) during the year (t) .
CFO_{it} : Operating Cash Flow (i) during the year (t) .

Second: Estimating the model's limits: The regression equation applied to the research sample's taxable units and for each year independently is used to estimate the model's parameters in order to compute the non-optional rights, as indicated in the following form:

$$TAC_{ijt} / A_{ijt-1} = \alpha 1 \ (1/A_{ijt-1}) + \alpha 2[(\Delta REV_{ijt} - \Delta REC_{ijt})/A_{ijt-1}) + \alpha 3 \ (PPE_{ijt} / A_{ijt-1}) + e_{it} \text{ .... } (2)$$

Whereas:

TAC_{ijt} / A_{ijt-1} : Total receivables (i) during year (t) on total assets of bank (i) at the beginning of the year (t) .
ΔREV_{ijt} : change in unit (i) between the period (t) and (t-1)) .
ΔREC_{ijt} : Change in customer account balance (i) between period (t) and (t-1)) .
PPE_{ijt} : Total Real Estate, Property and Machinery (i) during the year (t) .

Third: Calculation of non-optional dues: Non-optional dues can be calculated for taxable units of the research sample according to the following model:

$$NDAC_{ijt} / A_{ijt-1} = \alpha 1 \ (1/A_{ijt-1}) + \alpha 2[(\Delta REV_{ijt} - \Delta REC_{ijt})/A_{ijt-1})] + \alpha 3 \ (PPE_{ijt}/A_{ijt-1}) \text{ .... } (3)$$

Whereas:

$NDAC_{ijt/A\ ijt-1}$: Non-optional receivables for taxable units (i) on the total assets of these units (i) at the start of the year (t) during the year (t.(

Fourth: Determining optional fees: The following model can be used to calculate optional dues for taxable units of the study sample. Optional dues are represented by the difference between total dues and non-optional dues.:

$$DAC_{IT}/A_{it-1} = TAC_{ijt}/A_{ijt-1} - NDAC_{ijt}/A_{ijt-1} \text{ .... } (4)$$

Whereas:

DAC_{it}/A_{it-1} : Optional receivables (i) on the total assets of taxable units (i) at the start of the year (t) during the year (t). α1, α2, and α3 are special model parameters (i), while eit is the random error. The total, non-optional, and optional dues will be determined once the models used to measure profit management in the taxable units of the study sample for the period (2013-2018) have been decided. The total dues can then be explained using the following table:

Table (1)
Total dues of taxable units research sample for the period (2015-2024)

Years	Total dues for taxable units

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

2015	40.066
2016	.0454
2017	.0785
2018	.0321
2019	.0742
2020	.0552
2021	.0391
2022	.0645
2023	.0654
2024	.0848
Average	.0606

The aforementioned table makes it evident that the year 2018 had the lowest total receivables value (0.0321), the year 2024 had the greatest total receivables value (0.0848), and the average balance was 0.0606.

The following table provides clarification on the non-optional dues for taxable units of the research sample for the years 2015–2024:

Table (2)
Non-Optional Entitlements for Taxable Units Research Sample for the Period (2015-2024)

Years	Non-optional dues for taxable units
2015	.0564
2016	.0386
2017	.0667
2018	.0273
2019	.0631
2020	.0469
2021	.0332
2022	.0548
2023	.0556
2024	.0721
Average	.5147

The aforementioned table makes it evident that the non-optional receivables value was at its lowest in 2018 (0.0273), at its greatest in 2024 (0.0721), and at its average in 2024 (0.5147).

The optional entitlements for taxable units of the study sample for the years 2015–2024 are explained in the following table:

Table (3)
Optional dues for taxable units research sample for the period (2015-2024)

Years	Optional dues for taxable units
2015	.0099
2016	.0068
2017	.0118
2018	.0048
2019	.0111
2020	.0083
2021	.0059
2022	.0097
2023	.0098
2024	.0127
Average	.0091

The aforementioned table makes it evident that the year 2018 had the lowest value of optional receivables (0.0048), the year 2024 had the greatest value (0.0127), and the average value was 0.0091.

The following table reveals the years in which CA was practiced and the years in which these practices were not, following the computation of the optional receivables.:

Table (4)

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

Distinguishing the years in which CA was practiced from the years in which CA was not practiced for the period (2015-2024)

Years	Absolute value of optional receivables	medium Absolute value of optional receivables	Classification (Practitioner / Non-Practitioner) for CA
2015	.0099	.0091	practitioner
2016	.0068	.0091	Non-Practicing
2017	.0118	.0091	practitioner
2018	.0048	.0091	Non-Practicing
2019	.0111	.0091	practitioner
2020	.0083	.0091	Non-Practicing
2021	.0059	.0091	Non-Practicing
2022	.0097	.0091	practitioner
2023	.0098	.0091	practitioner
2024	.0127	.0091	practitioner
Average	.0091	.0091	-

The aforementioned table makes it evident that CA was practiced in taxable units in 2015 - 2024, and the remaining years when CA was not practiced.

3-3- Determining the tax returns in the Iraqi General Tax Authority for the period (2015-2024):

Tax returns can be determined in the Iraqi General Tax Authority for the period (2015-2024) as shown in the following table:

Table (5)
Tax returns in the General Authority for Taxes of Iraq for the period (2015-2024)

Years	Tax Returns
2015	1068.12
2016	3861.89
2017	3451.50
2018	5686.20
2019	4014.50
2020	4718.20
2021	3807.63
2022	4802.93
2023	5216.75
2024	5963.12
Average	4259.084

The preceding table clearly shows that the lowest tax return value was 1068.12 for the entire year 2015, the highest value was 5963.12 for the year 2024, and the average value was 4259.084.

3-4 - Measuring the impact relationship between the variables and testing the research hypothesis:

The following table explains the estimation of the regression parameter's value and the value of t, as well as the significance of the relationship between CA practices and tax returns. The research hypothesis states that there is no statistically significant effect between CA practices and tax returns:

Table No. (6)
Estimating the value of the regression parameter and the value and significance of t-between CA practices and tax returns

Coefficients[a]						
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.774	.417		11.277	.000
	CA Practices	.825	.048	.514	14.386	.000

World Economics & Finance Bulletin (WEFB)
Available Online at: https://www.scholarexpress.net
Vol. 46, May, 2025
ISSN: 2749-3628,

We reject the hypothesis of nothingness and accept the alternative hypothesis, which is that there are significant impact relationships between CA practices and tax returns, indicating that CA practices can affect tax returns in the Iraqi General Tax Authority. The results of the arithmetical program displayed in the above table for the test of the significance of the regression parameter showed that its value was (0.825) and its t-test value is (14386891).

FOURTH THEME: CONCLUSIONS AND RECOMMENDATIONS

4.1 CONCLUSIONS:

1- CA is a collection of accounting practices used to make it easier to manipulate accounting by utilizing the options provided by accounting laws and dimension choices, or it is the process of structuring dealings to generate the necessary accounting consequences rather than recording them in a neutral and compatible way.
2- When an accountant violates the secretariat's rules and conducts his work in a manner that betrays the confidence that the financial statement consumers have placed in him, it is considered unethical professional behavior. Forgery, record alteration, embezzlement, removal or cancellation of operation results from the records, recording false operations, incorrect association with accounting rules, and other practices are examples of this.
3- A persistent tension between turning a profit and abiding by the law is seen in the relationship between tax returns and CA activities. Although CA may have short-term advantages, there may be long-term negative effects on the state and enterprises.
4. The relationship between tax returns and CA practices is influenced by various factors, including tax laws and regulations. As a result, companies may feel pressured to use CA to improve their financial positions, and tax laws may dictate how returns and deductions are handled.
5. The financial statements are impacted by CA practices; the income statement is impacted by changes in expenses, revenues, total profit, and net profit, which have an adverse effect on tax returns.

4.2 RECOMMENDATIONS:

1. Companies' dedication to using generally accepted accounting principles requires that when they change their accounting methods, they disclose the reasons behind the change as well as the total impact that results from it.
2. To boost trust in accounting information, it is necessary to consider the ethical considerations of both the auditor and the people who prepare the information, as well as the level of integrity of the auditor.
3. Stressing that any CA technique or practice should not conceal performance issues in order to deceive decision-makers using accounting data, but rather to enhance and develop performance
4. Improving users' comprehension of the most important CA procedures in accounting data so they can decide wisely and spot any impacts on the financial statements the economic unit prepares at the end of the accounting period
5. Accountants must refrain from any actions that compromise the accuracy of the accounting data in financial statements. These actions include highlighting the truthfulness of the balance sheet presentation, avoiding overstating or understating expenses and revenues, and displaying cash inflows and outflows in their actual amounts.

REFERENCES:

1. Amat, O. and Blake , J. , "The Ethics of Creative Accounting", Accounting and Business Research Journal, Vo.(1), No.(1), 2015, pp(1-17).
2. Amat, Oriole & Blake, John & Oliver, Ester, "The Struggle Against Creative Accounting", True & Fair View, 2018, pp(1-8), http:// www.ssrn.com .
3. Andresen, Thomas E., "Professional Skills in Creative Accounting", Managerial Accounting Journal, Vo.(16), No.(1), 2008, pp(1-17).
4. Balaciu , Diana V. "A Brief Review of the Creative Accounting Literature and its Consequences in Practice", Economical Business Review, May, 20, 2010, pp(45-66).
5. Beneis K, W. "Ethical of management earnings", Working paper, Virginia polytechnic Institute and state university. Jan, 2012 .
6. Breton, G. and Taffler, R. J., "Creative Accounting and Investment Analyst Response", Accounting and Business Research Review, 2021, pp(1-20).
7. Jones, M. R., "Causes, consequences, and deterrence of financial statement fraud", Critical Perspectives on Accounting , Volume(16), Issue(3) , 2007, pp(75-89).
8. Libby, R. M., Healy, P. M. and Wahlen , J. M. , "A Review of the Creative Accounting Literature and its Implications for Standard Setting", Journal of Accountancy, Vo.(23), No.(2), 1996, pp. (98-118).
9. Naser, K. and Pendlebury M.:, "A Note on the use of Creative Accounting", British Accounting Review 24, 2010 .

10. Oliver, G. & Amat, K. "Creative Accounting", Journal of Management History, Vol.(8), No.(9), 2013, pp(1-25).
11. Philips, R. K., "Creativity, Principles, and Accuracy", Journal of Accounting, Vol.(16), No. (12), 2018, pp(1–14).
12. Ramanth, M. E. "Approach of Cash Flow and Development of Financial Reports", Harvard Business Review, November-December, 2010, pp(29-41).
13. Robert Obert K. "Financial Statement in Modern Organization", Working paper, France polytechnic Institute, 2016, pp(1-22)
14. Sen, W. & Lnanga, N. "A Review of the Creative Accounting", International Journal of Quality and Reliability Management, Vol.(15), No.(2), 2019, pp(1-22).