The role of auditing in reduction the creative accounting effects on the financial data of the Iraqi companies

M. Mageed AbdZaid Hamad
University of Al-Qadissiya
College of Economic and Administration
Department of Accounting

Abstract:
What is meant by creative accounting is the refuge of some companies to the utilization of the gaps within the available methods and substitutions in order to improve the company’s image before the beneficiaries even if that was on the account of reality, so it’s the process of converting the financial and accounting numbers from its current situation, the situation which is preferred by the arrangers of these numbers through utilizing some of the available laws or overlooking some of them, in this our search, it was tackled with the role of the auditing in reduction the effects of the creative accounting on the financial data of the Iraqi companies, the method of descriptive analysis has been used through theoretical side depending on references, books, previous studies and the published essays on the internet, while in the scientific side, it was depended on questionnaire of group of auditors in the Office of Financial Supervision as well as some of the auditors who are licensed to work in Iraq, through this it has been reached to some results, one of the most prominent is broadcasting the sufficient awareness for knowing and explanation the creative accounting as well as the necessity to train and improve the auditors continuously within the development of creative accounting culture among the investors and the user of the accounting information.

Introduction:
The concept of creative accounting has enormously became the focus and attention of auditors and accountants during the last years, especially after the collapse of Enron Company for energy, and throwing part of responsibility of it's collapse upon Arthur (Enron) company since it the responsible company of auditing accounts of that company, as well as accusing it of manipulating the company's accounting data, utilizing some treatments and accounting policies which show accounting data without it's correct form (القطيش الصوفي، 2011، ص 358).
The creative accounting is nothing but transfer of financial accounting figures than it is actually to what preparators want through utilizing accountants' knowledge by principles and accounting rules and flexibility which allow especially with what related to personal evaluations and making use of found laws and denying some of them, this mean following some analyses, accounting irregularities and flexibility which allow in order to make the concerned company look better than reality both in terms of financial strength or the size of the profits and sometimes the apposite may happen so it used in reduction size of profits for tax evasion and it called creative since it follows created rules in hiding and showing things that not exist i.e. results unreal events so it create incorrect and unreal situation for the company.

A lot of superficial growth in profits which occurred in eighties was a result of Accounting versatility not as result of economic growth because accounting numbers which appear in financial statements require many diligences and personal evaluations so it should to take it's numbers with a lot of limit, and many Professional bodies worked to reduce this phenomenon but it still inherent work of the profession.

Section one / research methodology and previous studies.

1- The research problem:

Due to prevailing conditions in business world, and resort of many Iraqi companies' Administrations to refine financial data in order to improve financial situation both in terms of financial strength or the size of the profits to achieve personal aims. These administrations tend to use methods of creative accounting, thus this study seeks to recognize these methods and showing external auditors' action to make the required audit procedures to reduce these methods in order to achieve credibility of published financial data.

2- The importance of the research.

The creative accounting represents an importance problem especially when companies administrations used their methods to show result of activity and financial position which achieve their aims, even if that was at the expense of other categories, and this contributed to the financial crisis and broke of a group, one of the greatest worldly groups, this study also aims to recognize the roles of financial auditors in detecting these methods and coming out with group of result and recommendations which serve many categories like investors, analysts, auditors and others from the categories of society.

3- The aim of the research.

This study aim to show the most important methods that used in the creative accounting, and their effect at the credibility of accounting data. Recognizing the trends and manners that used to discover creative accounting activities, and their contribution in imitating the manipulation of financial statements.
Showing the motivations of administration of using the creative accounting methods and their effect at the credibility of accounting measurement and the submitted financial data, as well as recognizing the moral perspective of the creative accounting to show the role of the auditor in knowing the results and activities of the creative accounting in order to use them to discover the financial position of the companies.

4- The research Hypotheses:

To answer about the above questions the researcher supposed the following Hypotheses:
The first Hypothesis: the Iraqi private joint stock companies do not practice methods and activities of creative accounting in order to beautify the income image.
The second Hypothesis: using methods and activities of creative accounting don’t effect on the credibility of financial data.
The third Hypothesis: auditors do not apply activities and necessary requirements to reduce the effects of creative accounting methods on financial statements.

5- Data collection method:

The researcher used descriptive analysis approach which fits the nature of this research, where was depended in theatrical side on sources, books, previous studies and the published essays through internet while in the practical side a questionnaire was designed in order to recognize the use of creative accounting methods in the Iraqi companies and their effect, as well as the impregnable activities that used by auditors to reduce these method’s effect on financial statements, where the three hypotheses were tested by using T.test, and utilizing of the statistic program (spss) to access the results.

6- Sample and society of the research:

Sample of the research consists of group of external auditors from employers of superficial auditing board as well as a number of auditors who licentiate to work in Iraq.

7- The previous studies:

1- Martin's study entitled (the quality of lending state):

This study aimed to search in the last changes of employing new administrators and administration councilor, searching their movements in the American ZAR Company, due to the economic decline which the American economic suffers from, in order to know their points of view of mechanism and the methods that used to increase the income amount, and the study found administrators' trends concentrated on improving the financial situation of the company through using whole accounting policies which contribute in better
financial situation in the future which reflect in profits image (Amat, Blake 1999, P124).

2- Chen's study entitled (The fraudulent financial reporting characteristics of computer industry).

This study aimed to recognize characteristics of the misleading financial reporting of computer industry companies through the collective action and analysis of all data.

This study found that some of companies within the study sample were able to increase the profit margin which related on essentials as well these companies decreased their cash flow though the noticed decrease in their current sells by using some creative accounting methods, though their failure to recognize the danger of using these methods (Mulford 2002, P 201).

3- Khashawy and Dausary's study entitled (the creative accounting and auditor's role in checking it's actions and results).

This study aimed to spot the light on the concept of creative accounting from many sides with focus on auditor's role in checking its actions and results, the researchers found to the most important methods used in beautifying profit image in order to introduce fraudulent impression about the profits, and a lot of methods which are used in profit management and beautifying the profit image as well as the aim behind doing these methods.

4- Mutar and Al.Halaby's study entitled (external auditor's role in limiting the effects of creative accounting on credibility of financial data which issue from the Jordanian public joint stock company).

This study aimed to recognize the used creative accounting methods and their effects on credibility of accounting data, also showing administration's motives of using creative accounting methods, and recognizing the role of auditors of that company in limiting the creative accounting actions which did by boards of Jordanian public joint stock companies in checked financial statements. The study society consisted of Jordanian public joint stock companies, A sample around (150) person consisted of external auditors and financial analysts were taken of these companies, the theories were tested according to their answers by using tests of purpose of achieving the study aims. The researchers found to a number of conclusions, the most important ones of these conclusions are:

The creative accounting is "a manipulation in accounting numbers through getting rid of commitment by accounting rules, substitutions of measurement and disclosure applications to transfer the financial data from what are they must to be to what the contagious of these data prefer. these methods and results of creative accounting effects on financial data credibility which issued from Jordanian public joint stock companies.

pipeline
The boards of Jordanian public joint stock companies making methods and results of creative accounting during preparing the financial data which issued from these companies, but on the contrary the auditors are doing the required tests and results in order to reveal these actions (الخلابي 2009 ص 207).

Section one / theoretical side of the research

First/ Appearing and methods of creative accounting:

Usually the word (creative) is used to refer to every beautiful and amazing thing and even rare without recognizing between these things especially in terms of their nature, even the common public used this word when the talk about extraordinary things, witty thoughts and beautiful arts (الخشابري، النورسي 2008 ص 2). Through understanding accounting concepts and applying it in terms of soul not text, for example to maximize the disclosure credibility in financial data, and he might be able to make use of these concepts in a creative way in order to hide certain financial facts. The creativity in order to be positive it must cooperate with profession morals or it will be a negative creativity used in manipulation.

1- The appearing of creative accounting:

The manipulation in financial data is considered an art of fraudulent arts though its lack of ethics, and it might be difficult to audit destinations, both external and internal auditors, or even the auditing destination which related to the government to discover this fraudulent especially during the presence skillful and practiced accountant as well as he his acquainted with this art.

The beginnings of Manipulations of accounting financial data for companies returns to the beginnings of industry revolution era, hence these manipulations were happen during cost accounts performance which required specialist employers in this performance especially during the weakness of accountant independence and his freedom in using accountings principles, therefore the professional accountant behavior cornered in this period in terms of response to administrations' aims and their wishes who had right in assets evaluation and their evaluation to companies' income (الخلابي 2009 ص 227).

The hidden actions of accounting data manipulation is professionally termed by a lot of terms, this what appeared in Accounting, for example (الخلابي 2009 ص 200):

Creative accounting.
Cosmetic accounting
Earning management
Earning management
Income smoothing
Disclosure management.
The creative accounting has enormously became the focus and attention of auditors and accountants during the last years, especially after the collapse of Enron Company for energy, and throwing part of responsibility of it's collapse upon Arthur (Enron) company since it the responsible company of auditing accounts of that company, as well as accusing it of manipulating the company's accounting data, utilizing some treatments and accounting policies which show accounting data without it's correct form, since the company administrators exaggerated it's profit and hide it's debts in order to get an exceptional profits, all this happened by connive with Arthur Anderson company.

(الاغا ، 2001، ص88).

Concept of creative accounting:
At the first look on superficial meaning of creative accounting term, it seems as new type of accounting, but it mainly appeared by financial analysts and professionals in financial markets to refer that the accounting includes creativity in analyses, manipulation and fraudulent of investors and accounting and financial information users, in matter of fact there is not scientific preparatory and endoscopy to such kind of accounting because it appeared originally out the academia accounting (Kammerer 2005, P 20).

There several definition to the creativity accounting made by researchers and the learners, but we can chose the following definition of creative accountin:

- Creative accounting means a method of manipulating accounts, and it's used to hide the real performance of companies in order to achieve useful results for the company or for some of its employees, and it pursued not by exceeding accounting standards and acceptable principles, but by making use of the flexibility and the choice in these standards and principles (Bamboo Dictionary http://www.Bambooweb.com/articles/d/i/Dictionary).

- It is a process of companies asylum to exploit the gaps found in accounting methods and substitutions which found to improve the company image in the eyes of beneficiaries even if that was on the expense of reality.

- It is processes or invented modern and complex activities, where the accountants use their knowledge in accounting laws and rules deal with the numbers that recorded in companies' accountings or manipulation of these number to achieve certain aims (Kammerer 2005, P 30).

2-The creative accounting from an ethical perspective:
The ethics of profession is defined as the moral principles system and codes of practicing which became a standard for the right professional behavior, so for each profession it's morals which formed and grew gradually with time till they became certified legally and morally(www.JPS accounting formus.com).
As a result of this, there was a need to put systems for the different professions especially the scientific ones as the accounting, where these systems include these bases, activities, duties, and rights which must be followed during practicing any certain professional work. Though the interest in ethics was a part of profession, but today leaders of professions started to view these ethics as a group of Behavioral principles and instructions rather that they are group and stiff rules, thus the profession ethics is not mere a try to put a standard that enable the employers to know what is anticipated of them, but it's also a try to encourage the employers, administrators and members of administrating board to think and make decisions through the conjoint principles organization.

Here, the question is arising, whether the accountant who create the financial numbers and data, intending by this deceiving others at variance of accounting profession ethics, or he does this in order to keep on the company's advantage to which he belongs (www.Oecd.org).

**Second / Reason and motives of using creative accounting:**

1- The factors that help the emergence of creative accounting:

There are several problems helped the emergence of creative accounting:

**A- Freedom of choice of the accounting principles:**

The accounting policies and rules of the company allow to choose between different accounting methods which used in preparing financial statements, that lead to company's choice of the accounting methods which corresponds with it's aims and wishes which create better image of the company's performance. (Amat, Blake 1999, P 37).

**B- Freedom of accounting evaluation**

Preparing some accounting operations may include large amount of estimation, personal judgment and anticipation, which allow the administration to manipulate in estimations in order to achieve certain aims which were set previously, so in some cases, like estimations of assets productive age in order to calculate the extinctions, this operation usually happen inside the company, thus it will enable the creative accountant of manipulation in an unspoken way which hard to be discovered through setting the report or biasing in preparing these reports in an optimistic way or discreet one according to administration's needs and it's aim in effecting on the financial statements in terms of magnification or minimizing their values. (Mulford, Comisky 20002, P 64).

**C. Timing of The real operation execution:**

Giving the freedom for the administration in execution some operations at the time it deems appropriate, may push it to postpone execution these operations in order to achieve certain aims and goals, for example if the
company investment was limited in one million dollar and it is the historical cost and it can be sold by three million dollars and this in the current value, in this case the administrators of companies are free in choosing the year in which they planned to sell this investment, surely this will reflect on increasing or decreasing the profit in the final the accounts (Griffiths 1992, P 85).

2- The reasons of administrating resorting to the creative accounting activities.

Many studies proved the occurrence and prevalence of profit management operations, whenever the company wanted or faced important decisions. The administration motivations are limited in the creative accounting following:

A- Tax Evasion: (Amat, Blake 1999, P 42)

Tax evasion is considered one of the main motives of administration to use the creative accounting, with the bless of the main owners cooperating with foreign auditors.

B- Achieving Personal gains:
The personal gains is considered one of the most important motives of administration to use the creative accounting cooperating with the foreign auditor on the expense of the other categories which have interests in the company, but sometimes this might be on the expense of the economy and the society as all what appeared clearly during the last global financial crisis (المطش، الصف، 8033، ص 161).

C- Fulfilling the necessary requirements:
The companies and their administrations are restricted by many Contractual and lawful requirements, and sometimes these administrations are restricted by the competitive requirements which are necessary to continue and maintain the market share, achieving these requirements might enable the company of maintaining their customers and employers as well as continuing it's development, thus the company might use the creative accounting methods in order to meet the necessary requirements when it's operational and investing condition do not allowed achieving these requirement (ناصر، بوليد، 2009، ص 71).

D- Getting the funding or maintaining it:

Usually the companies wish to get the required funding with it's different forms, when company suffers problems in the liquidity which is necessary for maintaining it's operational and investing processes, and sometimes suffers to fulfill it's needs. Here the company resort to refinance it's expenses and obligations through the financial facilities, thus it resort to use the creative accounting methods in order to improve the activity result or the financial status in accounting way and not real in order to achieve the funding conditions that imposed by the financial facilities (The directory of accounting).
Third / audit role in reducing the impacts of creative accounting on the financial statements

Checker responsibility for errors, fraud discovery and reporting them still one of the most controversial issues that facing the auditing profession and could even say that it is one of the main reasons that contributed to the occurrence of the so-called audit expectations gap.

If the beneficiary communities of the observer report expect to discover errors and fraud that observers focus their report on them, but the standards of the profession has confirmed that the responsibility of the observer in this regard tend to their assessment of the normal audit process and not to the discovery of fraud.

However, the attention to the observers responsibility in the field of the discovery of fraud might be active and started again at the forefront in the early eighties as a result of failure projects, bankruptcy and unexpected landslides of many companies in the capital markets, As well as increased awareness and basic and general interest of the public by the magnitude of fraud in many facilities, especially that which is done by managers (Amat, Blake 1992, P68).

I- The role of the auditor in facing the techniques and procedures of creative accounting and reducing their effects:

Although the interesting of auditor in detecting the errors and frauds that located in the books and financial reports, whether the auditor was making an optional test or comprehensive one, as well the interest of professional organization in accounting and auditing the field that the auditor should detect errors and substantial fraud within facing the financial community wished and the judiciary. But till now these errors and frauds are in a continuous increasing for several reason, the most important of these reasons are:

- The large size of business facilities and the breadth of their business and services which are subject to auditing.

- The schism between the professional authorities and the researcher whether the responsibility of detecting errors and fraud within books and financial reports is related to the administration or the auditor.

Basing on the previous, the international federation accountants council (IFAC) efforts more to keep up with the desires and needs of the financial community, and within this framework the (IFAC) issued IFAC a succession of standards for the development of the responsibilities of the auditors on fraud, this series Standard began the standard number (10) of the year 1989 and sealed with the international auditing standard number (240) with it's latest amendments in 2005, this standard identified some of the considerations on creative accounting methods that auditor must take in account when auditing the financial statements, and the most important of these considerations:
A- during planning and audit performance, the auditor must reduce the audit risks to the lowest acceptable level; taking into account the risks of materialistic deviations within the financial data that resulted from the fraud. 

B- the primary responsibility for the prevention and detection of fraud is located on each of the persons who are in charge of the facility control and management. 

C- The process of the auditing that conducted in accordance with international auditing standards, are designed to provide reasonable assurance, that the financial statements if they taken as a whole are free from any materialistic distortion when it occurred as a result of fraud or error, where the auditor can not obtain absolute guarantee that the financial distortions within the financial data will be discovered. 

D- The risks of distortion non-discovery that resulting from fraud is greater than the risk of 

E- The auditor must authenticate his understanding of the company and its environment as well as his evaluation of the risks within the required materialistic deviations ( مجلس معايير التدقيق، ص 2007، ص 3 )

While the standard of U.S. Audit Standard No. (99) state some instructions that enable the auditor to free his responsibility towards methods and procedures of creative accounting that associated with the fraud, the important implications of this standard could be summarized with the following:

1. Description of the fraud characteristics. 
2. Discussion among the members of the audit team concerning the fundamental risks of substantial deviation resulted from the fraud. 
3. Getting the required information in order to specify the risks of substantial deviation resulted from the fraud. 
4. Specifying the risks that lead to substantial deviation because of the fraud. 
5. Evaluation of the specified risk after the consideration of the internal control system of the facility. 
6. Responding to the results of evaluation. 
7. Evaluating the results of the audit test. 
8. Informing the administration, the auditing committee and the other parties by the fraud. 
9. Authentication of the audit study about the fraud. ( Amat , Blake 1992 , P68) 

2/ Procedures and tests that applied by the auditor to reduce the effects of creative accounting: 

The following are the most important procedures and tests carried out by the auditor to reduce the effects of management use of creative accounting methods to protect the rights of the parties that have interests in the company: 

I- Procedures and tests applied by the auditor to reduce the effects of creative accounting on the income statement: 

The administration aims from using creative accounting methods that it apply on the elements of the income statement to improve profit by showing sham profits
(not real) through exaggerating sells or reducing the expenses or both in order to improve the financial rates that take in it's account the sells figures and their cost as well as the profit net as profit rates and activity efficiency, the following the most important activities of the creative accounting that effects on the input statement as well as the antagonistic procedures that done by the auditor in order to reduce the effect of the creative accounting activities on the input statement: (Schilit, Howard 2002, P 93)

- Sells: the administration aims to improve the sells figures within the input statement through increasing it by making sham deals before the end of the financial period in order to be cancel in the next period as well as making real sell deals, but with easy conditions or recording the fidelity good for that sent to agents as sells.

While the antagonistic procedures that done by the auditor in checking, are considered of sells bills especially of the deals with parties that related to the company as the sub companies, also checking the fidelity conditions including payment condition, discount and the efficiency of doubtful debts provisions as well as checking documents of charging the transmissions and matching them with documents of goods payments prices that sent from the agents.

- Cost of sold goods: administration aims to reduce the cost of sold goods in the income statement in order to increase profits through the facility's liquidate of its Inventory that previously Rated with (LIFO) method, and the unjustified change within the way of inventory evaluation and including the inventory statements with stagnant varieties as well as postponing of proving purchase invoices that related to current financial period to next financial period.

- Operating expenses: administration aims to reduce operating expenses to increase operating profits and then increasing profits net through the capitalization of an income expenses in which conditions of capitalization do not apply these profits, such as maintenance expenses and the unjustified change is in the ways of calculating the extinction of fixed assets and amortization of intangible assets, as well as the using rates of extinction or extinguishing than usual within in the industry in which it operates the facility. (Schilit, Howard 2002 P 47)

While anti procedures of the auditor in checking the availability of the capitalization terms in these expenses and recognizing the reasons of changing consumption methods, as well as re-calculated the consumption according to accepted rates

2-Procedures and tests that applied by the auditor to reduce the effects of creative accounting on the statement of financial position:
administration aims of the creative accounting methods on the elements of financial position is to improve the financial position of the company and that by inflating asset values or reducing the values of liabilities or both in order to improve the presentation of ratios that derived from them, such as ratios of liquidity or profitability, etc. Here are the top activities of creative accounting to influence on the statement of financial position as well as the anti procedures that done by the auditor to reduce their effect of creative accounting on the statement of financial position:

- **Cash:** The administration aims to improve the liquidity ratio through non-disclosure about the terms of restricted cash, and manipulation of monetary exchange rates of foreign currencies.

- **Current investments:** The administration aims to increase or maintain the value of current assets in order to improve the liquidity ratios through the evaluation of current investments by the incorrect market prices and the reclassification of current investments to long-term ones during the drop of their market prices.

**Section three / the practical side of the research:**
The primary objective of this study is to show the extent of the impact of the creative accounting activities on the credibility of the financial statements and trying to highlight the role of the external auditor in reducing the impact of creative accounting on the reliability of the financial statements in the Iraqi companies, and to achieve this goal has been to follow style of views survey through the formulation of a form questionnaire to solicit the views of the study sample members, study tool was distributed in Arabic on a representative sample of the research community, and they are a sample of the external auditors from the board of the financial audit and licensed auditors (Mulford, Comisky 2002, P 33).

The questionnaire sample that showed in appendix number (1) has been prepared by relying on previous studies as well as the variables that research aims to, with a form that allows the sample to answer according to (Likert) quintet scale, where the answer of each sample take it's rational importance, where the questionnaire is the main measurement tool, where this research rely on this tool for data collection and it designed to cover all the variables of the model, within three axes:

*In the first axis of measuring the extent of Iraqi companies practice of the creative accounting methods and procedures: (9) questions has been directed about this axis, and the same questions were directed to measure the impact of these methods on the credibility of the financial statements, while in the third*
axis, in order to recognize the extent to which the auditors are restricted by conducting the necessary tests to detect the methods and procedures of creative accounting that practiced by Iraqi companies: (8) questions has been directed in this axis (Mulford, Comisky 20002, P 48).

These questions has enabled the researcher give an idea of the extent of Iraqi companies practice of the creative accounting methods and procedures and the impact of these practices on the reliability of the financial statements and the role of the auditor in reducing their effects, these questions were directed to the study sample, while (30) forms of questionnaire has been distributed on the study sample, the number of retrieved forms was (25) forms (Mulford, Comisky 20002, P 51).

The first hypothesis Test:
After retrieving the questionnaire forms from the research sample, was followed:
The division of these answers that contained within the forms according to the Quintet scale of (Likert). In the first axis the first hypothesis test (The Iraqi companies do not practice methods and procedures of creative accounting) where this hypothesis was chosen relying on nine questions, which were fleshed out in the light of previous studies in this area and in the light of the theoretical study of Search in addition to the academic and practical experience in this field, the table (1) shows the descriptive statistics for the views of the sample in order to determine the extent of Iraqi companies practice of methods and procedures of the creative accounting, results were reached depending on the statistical program (SPSS).
Table (1)/ The extent of the Iraqi companies administration practice of the creative accounting methods and procedures

<table>
<thead>
<tr>
<th>S.</th>
<th>The Iraqi companies do not practice the following methods:</th>
<th>covariance</th>
<th>standard deviation</th>
<th>coefficient of variation</th>
<th>The effect ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Change the Way commodity stock pricing without reasonable justifications</td>
<td>3,52</td>
<td>1,445</td>
<td>42.1%</td>
<td>71.7%</td>
</tr>
<tr>
<td>2</td>
<td>Change the Way extinction without reasonable justifications</td>
<td>4,08</td>
<td>1,110</td>
<td>37.3%</td>
<td>81.2%</td>
</tr>
<tr>
<td>3</td>
<td>Implying The figure of debtors within the budget as a pact to the relevant parties or to sub companies</td>
<td>5,28</td>
<td>1,841</td>
<td>34.8%</td>
<td>75.2%</td>
</tr>
<tr>
<td>4</td>
<td>Capitalizing of income expenses that do not contain capitalization conditions</td>
<td>4,12</td>
<td>1,332</td>
<td>39.3%</td>
<td>84.4%</td>
</tr>
<tr>
<td>5</td>
<td>Inflation of commodity stock market value compared to current prices</td>
<td>7,38</td>
<td>1,332</td>
<td>35.3%</td>
<td>74.9%</td>
</tr>
<tr>
<td>6</td>
<td>bills for the purchase and sale of fake operations are prepared at the end of the year and will be canceled in the following year.</td>
<td>7,40</td>
<td>1,445</td>
<td>32.4%</td>
<td>72.4%</td>
</tr>
<tr>
<td>7</td>
<td>exaggerates the evaluation of it's financial assets</td>
<td>7,32</td>
<td>1,350</td>
<td>42.1%</td>
<td>71.7%</td>
</tr>
<tr>
<td>8</td>
<td>Consume fixed assets at rates that are different from those prevailing in the market</td>
<td>7,48</td>
<td>1,340</td>
<td>44.8%</td>
<td>85.1%</td>
</tr>
<tr>
<td>9</td>
<td>Depend Low rates for the allowance of the doubtful debts to total debtors</td>
<td>7,53</td>
<td>1,320</td>
<td>52.3%</td>
<td>71.7%</td>
</tr>
<tr>
<td>10</td>
<td>Questions together</td>
<td>7,143</td>
<td>1,340</td>
<td>46.8%</td>
<td>73.8%</td>
</tr>
</tbody>
</table>

(Mulford , Comisky 20002 , P 64)

We can notice from the table (1), that the Iraqi companies practice the procedures and methods of the creative accounting through the covariance which higher than the measurement tool number (3), and the The effect ratio was (73.86 %) in which this ratio is accepted and it's higher than the adopted ratio (60 %)

Also it has been noted from the table (1) above, that there is harmony and lack of contrast within the sample search answers through the coefficient of variation (8.36 %) where if the ratio of variation coefficient was less than (50 %) it considered acceptable.

Also it has been noticed that the Iraqi companies practice the capitalization of income expenses without a clear justification for capitalization of these expenses which is clear from the high effect ratio that was (82.4%). Also there is a capitalization in the Iraqi companies in order to change the way of extinction from year to another where the effect ratio was (%81.7) that was the less effecting items, in which bills for the purchase and sale of fake operations are prepared at the end of the year and will be canceled in the following year.
for the first hypothesis test (T.Test) has been used, table (2) explains the result of the first hypothesis test.

Table (2) the result of the first hypothesis test according to (T.Test):

<table>
<thead>
<tr>
<th>Tabular t</th>
<th>Calculated t</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1,984</td>
<td>21,16</td>
<td>0,005</td>
</tr>
</tbody>
</table>

(Kammerer, 2005, P 145)

It is clear from the table (2) that the value of calculated t is bigger than the tabular t at a level of confidence (95%), it also has been noticed that the level of significance (sig) is less than (0.05), so the nihilism hypothesis is rejected and the alternative hypothesis is accepted that mean the Iraqi companies practice the procedure and methods of the creative accounting in relatively uneven level.

The second hypothesis test:
For the second hypothesis of the research (the procedures and methods of creative accounting don’t effect on the credibility of the financial data), the same questions of the first hypothesis has been followed to recognize if the these procedure and methods has been practiced in the Iraqi companies will that effect on the credibility of the financial data.

Table 3/ the extent of procedures and methods of creative accounting effects on the credibility of the financial data:
The Iraqi companies do not practice the following methods:

<table>
<thead>
<tr>
<th>S.</th>
<th>The method described</th>
<th>Covariance</th>
<th>Standard Deviation</th>
<th>Coefficient of Variation</th>
<th>Effect Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Change the Way of commodity stock pricing without reasonable justifications</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>79.2%</td>
</tr>
<tr>
<td>2</td>
<td>Change the Way extinction without reasonable justifications</td>
<td>0.23</td>
<td>1.4</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>3</td>
<td>Implying The figure of debtors within the budget as a pact to the relevant parties or to sub companies</td>
<td>0.23</td>
<td>1.4</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>4</td>
<td>Capitalizing of income expenses that do not contain capitalization conditions</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>5</td>
<td>Inflation of commodity stock market value compared to current prices</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>6</td>
<td>Bills for the purchase and sale of fake operations are prepared at the end of the year and will be canceled in the following year.</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>7</td>
<td>Exaggerates the evaluation of it's financial assets</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>8</td>
<td>Consume fixed assets at rates that are different from those prevailing in the market</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
<tr>
<td>9</td>
<td>Depend Low rates for the allowance of the doubtful debts to total debtors</td>
<td>0.32</td>
<td>1.12</td>
<td>7.17%</td>
<td>7.4%</td>
</tr>
</tbody>
</table>

(Mulford, Comisky 20002, P 123)

After analyzing the sample answers, it was noticed that the research sample support that the practice of procedures and methods effect on the credibility of the financial data, where the covariance was (3,96) and the standard deviation was ( 0,284) while the coefficient of variation was ( 7,17%), In which this ratio is considered accepted because it less than (50%), and this to a big and clear harmony as well as a lack of difference among the research sample members, the effect ratio was (79,2%) which means more than (60%), thus it is accepted.

It was clear from the table (3), the highest ratio was in the sixth question where the effect ratio was (84,8%) where the research sample see if the companies prepared bills for the purchase and sale of fake operations at the end of the year and will be canceled in the following year, this will effect clearly on the credibility of the financial data also it is the same if the way of pricing the stock is changed, or the way of extinction is changed without a reasonable justifications.

For the second hypothesis test ( T.Test ) has been used, table (4) explains the result of the second hypothesis test.

Table (4) the result of the second hypothesis test according to (T.Test):
It is clear from the table (4) that the value of calculated $t$ is bigger than the tabular $t$ at a level of confidence (95%) ($0.05 = a$), it also has been noticed that the level of significance (sig) is less than (0.05), so the nihilism hypothesis is rejected and the alternative hypothesis is accepted that mean that there is clear effect of the procedure and methods of the creative accounting on the credibility of the financial data if they are practiced by the Iraqi companies.

**The third hypothesis test:**

( the auditors are not restricted to do the necessary test in order to discover the procedures and methods of the creative accounting that practiced by the Iraqi companies )

This hypothesis has been tested depending on (8) substantial questions in order to know the extent of auditor's restriction by the necessary test in order to recognize the procedures and methods of the creative accounting, these questions were prepared through depending on the theoretical side and the previous studies as well as the practical experience, where the table (5) explains the descriptive statistics about these questions: (Mulford, Comisky 20002, P 89)
Table (5): extent of auditor's restriction by doing the necessary test in order to recognize the procedures and methods of the creative accounting which practiced by the Iraqi companies:

<table>
<thead>
<tr>
<th>S.</th>
<th>The auditor do not practice the following tests:</th>
<th>covariance</th>
<th>standard deviation</th>
<th>coefficient of variation</th>
<th>The effect ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The auditor checks the reason of changing the way of extinction and discloses about this.</td>
<td>1.42</td>
<td>1.04</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>2</td>
<td>The auditor checks the justifications of commodity stock pricing and the effect of this.</td>
<td>1.12</td>
<td>1.07</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>3</td>
<td>The auditor checks the extinction values though comparing it with the prevailing ratios.</td>
<td>1.14</td>
<td>1.08</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>4</td>
<td>The Auditor discloses about the restricted cash ,and excluding it during calculating the liquidity ratios</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>5</td>
<td>The auditor calculate the operational profit after excluding the extraordinary items profits.</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>6</td>
<td>The auditor checks of non-inclusion of previous years within profit gains</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>7</td>
<td>The auditor checks the validity of the sale and purchase bills, that accomplish at the end of the year.</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td>8</td>
<td>The auditor checks the availability of the capitalization terms within the various expenses.</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
<tr>
<td></td>
<td>Questions together</td>
<td>3.12</td>
<td>1.32</td>
<td>0.2%</td>
<td>82.4%</td>
</tr>
</tbody>
</table>

(Mulford , Comisky 20002 , P 89)

We noticed through table (5) from the covariance (4,12) , that the auditors are committed by doing the tests in order to recognize those procedures and methods , the The effect ratio was ( 82,4%) ,the standard deviation for the questions together was (0,207) and coefficient of variation of the questions together was(5,02%) while the effect ratio was ( 82,4%), these ratios refers that there is a harmony , lack of contrast and a high effect ratio within the sample search answers.

It also has been noticed from table(5) , that The auditor checks the validity of the sale and purchase bills, that accomplish at the end of the year , where the question about this subject was the most effective question hence the ratio was ( 88,8%).

For the hypothesis test ( T.Test ) has been used , table (6) explains the results of the third hypothesis test.

<table>
<thead>
<tr>
<th>Tabular t</th>
<th>Calculated t</th>
<th>sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.944</td>
<td>19.544</td>
<td>0.000</td>
</tr>
</tbody>
</table>

( Griffiths , 1992 , P 177 )
It is clear from the table (6) that the value of calculated t is bigger than the tabular t at a level of confidence (95%), it also has been noticed that the level of significance (sig) is less than (0.05), so the nihilism hypothesis is rejected and the alternative hypothesis is accepted that mean the auditors are committed to do the necessary tests in order to recognize the procedure and methods of the creative accounting that practiced by the Iraqi companies. As a conclusion to the above, we see that Iraqi companies practice the methods and procedures of the creative accounting, also the practice of methods and procedures of the creative accounting by the administration effects on the credibility of the financial statements that included within the financial statements of these companies, the auditors do all the necessary tests to recognize these methods since they affect on the interests of those who benefit from the companies financial statements, with their different destinations as well as its impact on the overall economy of the state since it based on the fraud, manipulation and distortion.

Section 4 / Conclusions and recommendations:
First/ conclusions:
The researcher found through his study of the creative accounting subject the following results:
1- The Iraqi companies practice the procedures and methods of creative accounting, while the effect of these methods is weak on the credibility of the financial data.
2- The creative accounting: is operations or Innovative, complex and modern practices, through it, the accountants use their knowledge by laws and the accounting rules to process the recorded numbers within the companies account or manipulation these number in order to achieve certain aims.
3- There are several means and methods which are used in the creative accounting, of them are choosing the accounting policies that achieve the aims of those who responsible on the company or using the lawful gaps and making the imaginary deals, for either to manipulate in the budget money or to move the profits among the accounting periods or to specify certain time for the real deals in order to give a good impression about the accounts.
4- The most important aim of the creative accounting is beautifying the income image to serve different purposes and aims, and there are several methods and practice which are used in profit and management and beautifying the income image.
5- The countering of the creative accounting practices is one of the complex and tough things, thus those who are interest in this area have to pursuit in order to detect these practices then reducing them. The wake of auditors and accountant in detecting the creative accounting practices is the most powerful and the most important mean to counter the practice of the creative accounting.
The auditor has a vital and axial role in checking and detecting the practices and result of the creative accounting within the auditing offices or the financial audit board, and evaluating the possibility of relying on information and data that introduced by the companies which are under checking, in order to prevent any manipulation or distortion.

**Second / Recommendations:**

1- Raising the enough awareness, to know and to clarify the creative accounting for the purpose of showing its harms and thus reducing the creative accounting and fighting it with the proper means.

2- Working on developing and training the auditors continuously, because the profession of auditing require people with special features, have the professional and cultural awareness as well as the adequate perception of various economic activities and developments within their business development.

3- Developing the accounting culture among investors and users of financial information by displaying the cultural accounting programs and holding seminars for users of financial information to explain the creative accounting practices that practiced by some companies as well as the most important developments in the field of accounting and auditing.

4- Assuring the auditing by the specialized auditing authorities in the state on the companies that involved in doing some practices of the creative accounting like manipulation or distortion in the data and information of their own.

5- Issuing the necessary laws and legislation in order to reduce the practices of the creative accounting by issuing punishments to reduce the manipulation of the financial data.

6- The need of the financial auditing board to cultivate and introduce the auditors in the auditing financial board of the final developments and the means that help to detect the practices of the creative accounting and reducing them.

7- The need of the financial auditing board to publish the concept of the creative accounting through holding training courses or distributing the cultivating publications that related to the creative accounting, especially the auditors who work in the companies and investing sector.
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