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Research Article

# Exploring The Impact of Creative Accounting on Financial Reporting and Corporate Responsibility: A Comprehensive Analysis in Earnings Manipulation in Corporate Accounts

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**Abstract**: This comprehensive analysis delves into the intricate web of creative accounting and its profound implications on financial reporting and corporate responsibility, with a specific focus on earnings manipulation within corporate accounts. In response to creative accounting, regulators and accounting standards boards have instituted stringent rules and regulations to promote transparency and comparability in financial reporting. Engaging in creative accounting practices erodes corporate responsibility, jeopardizes reputations, and shatters trust among stakeholders. The study illuminates the long-term repercussions of creative accounting, emphasizing the inherent risks it poses. Stakeholders, from shareholders to employees and creditors, are affected by creative accounting's deceptive financial statements. This study offers a comprehensive examination of the impact of creative accounting, emphasizing its implications for financial reporting and the imperative of upholding corporate responsibility.

**Keywords**: Corporate Responsibility, Creative Accounting, Financial Reporting, Stakeholders

## INTRODUCTION

The world of finance and corporate governance has long been engaged in a delicate dance between the need to present a favorable image of a company's financial health and the imperative to maintain transparency and integrity in financial reporting. This intricate balance is often tested by the practice known as "creative accounting." The skillful manipulating of economic information to offer a rosier image of a company's success than reality is known as creative accounting, and it has significant implications for both financial reporting and corporate responsibility (Tassadaq, 2015).

In this comprehensive analysis, we embark on an exploration of the multifaceted impact of creative accounting, with a particular focus on earnings manipulation within corporate accounts. This analysis delves into the techniques employed, the consequences faced, and the ethical considerations that underscore this phenomenon. By understanding the intricate interplay between creative accounting, financial reporting, and corporate responsibility, we aim to shed light on the challenges and opportunities that this practice presents to stakeholders in the corporate world (Akpanuko, 2018).

### *The Art of Creative Accounting: Techniques and Methods*

The practice of creative accounting is as old as financial reporting itself, with its techniques evolving in tandem with the regulatory environment. Creative accountants employ a range of methods, such as revenue recognition manipulation, expense deferral, and strategic use of accounting estimates, to manipulate a company's earnings. These techniques are designed to either artificially inflate earnings to meet market expectations or to mask declining financial performance, potentially misleading investors, analysts, and other stakeholders (Healy & Wahlen, 1999).

### *Regulatory Framework: A Balancing Act*

Creative accounting is not a covert operation but one that takes place within the bounds of accounting regulations and standards. Regulators and accounting standards boards have established a complex framework, to define and monitor acceptable accounting practices. However, this regulatory landscape is constantly evolving in response to creative accounting techniques. Companies must navigate these standards while still adhering to the ethical principles that underpin corporate responsibility (Leuz & Wysocki, 2016).

### *Corporate Responsibility in the Spotlight*

At the heart of this analysis lies the concept of corporate responsibility. Companies have a fundamental responsibility to act transparently and ethically when disclosing financial information. Engaging in creative accounting practices, which can distort financial statements, not only undermines this responsibility but also jeopardizes a company's reputation and the trust of its stakeholders (Adams, 2002).

### *Long-term Consequences and Stakeholder Impact*

The consequences of creative accounting are not limited to the short-term benefits it may offer, such as stock price


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increases or the attainment of earnings targets. Once discovered, it can lead to lawsuits, regulatory fines, and a loss of investor confidence, with severe long-term consequences for a company's financial health and sustainability (Dechow et al., 2003). Stakeholders, including shareholders, employees, creditors, and the broader public, can face adverse effects, including financial losses, job insecurity, and a general erosion of trust in the corporate sector.

***Ethical Dimensions: Leadership, Auditors, and Boards***

Beyond the financial implications, creative accounting raises critical ethical questions. It challenges the moral obligations of corporate leadership in ensuring financial transparency and integrity. Auditors, who play a pivotal role in verifying financial statements, must exercise vigilance, and boards of directors must diligently oversee financial reporting practices to uphold corporate responsibility and protect the interests of stakeholders (Jones & Dugan, 2006).

In essence, the purpose of this research is to offer a thorough knowledge of the influence of imaginative accounting on financial reporting and corporate responsibility. By exploring its techniques, regulatory responses, ethical considerations, and the consequences faced by stakeholders, we hope to shed light on the intricate dynamics at play and underscore the critical role of transparent and ethical financial reporting in sustaining corporate responsibility and long-term credibility. Through this exploration, we invite stakeholders and scholars alike to consider the broader implications of creative accounting on the financial landscape.

***Objectives:***

The following are some of the objectives of the research,

1. To investigate the factors that impact innovative accounting in the business sector.
2. To investigate the influence of accounting records reliability on descriptive information regarding accounting features.
3. To comprehend the role of audits in the development of creative accounting.

## LITERATURE REVIEW:

Creative accounting, a practice that involves manipulating financial information to achieve specific objectives, has a profound influence on financial reporting. The incorporation of auditing processes to portray financial information is sometimes termed as creative accounting in a way that deviates from standard accounting practices or regulations (Schilit, 2002). Research has explored the various motives behind creative accounting, which include meeting earnings targets, managing tax liabilities, and influencing investor perceptions**.**

Creative accounting, often known as revenue optimisation or monetary engineering, is the practise of manipulating financial data to give a more favourable picture of the fiscal health of a business. This literature review explores key findings and insights on creative accounting, its methods, motivations, and the consequences for corporate accounts. It also highlights significant studies and their contributions to the field.

***Methods and Motivations of Creative Accounting***

The methods used in creative accounting are diverse, and the motivations behind its use can vary widely. Researchers have identified several common methods, including income smoothing, revenue recognition manipulation, and liability management. Notable motivations include:

- Meeting earnings targets: Companies may employ creative accounting to meet analyst expectations and maintain or boost stock prices (Healy & Wahlen, 1999).
- Debt covenant compliance: Firms may engage in creative accounting to adhere to debt covenants and avoid default (Dechow & Skinner, 2000).
- Tax planning: Minimizing tax liabilities through creative accounting practices can help organizations retain more earnings (Schön, 2014).

***Consequences of Creative Accounting***

Creative accounting can have significant consequences for corporate accounts, financial reporting, and corporate responsibility:

- Misleading financial statements: Creative accounting practices can lead to distorted financial statements, potentially misleading investors and stakeholders (Debbarma, 2023).
- Erosion of trust: When stakeholders perceive that a company is manipulating its financials, their trust in the organization diminishes, affecting stock prices and long-term investments (Nekhili, 2017).
- Regulatory scrutiny: In response to creative accounting scandals, regulators have increased scrutiny on financial reporting, leading to more stringent accounting standards and regulations (Armstrong et al., 2017).

***Detecting and Preventing Creative Accounting***

Studies have examined methods for detecting and preventing creative accounting:

- Auditors' role: The effectiveness and limitations of external auditors in detecting creative accounting practices have been explored (Bankole, 2018).
- Machine learning and data analytics: Some research has focused on the use of data analytics and machine learning techniques to identify potential instances of creative accounting (Saggi, 2018).

***Global Perspectives and Cultural Variances***

There is recognition that the acceptance and prevalence of creative accounting can vary by industry, culture, and region (Jarah et al., 2022). Researchers have examined these cultural and industry variances in creative accounting practices.

***Methods and Techniques:***

Creative accounting encompasses a range of methods and techniques. Researchers have examined the methods used for revenue recognition manipulation, expense deferral, and the use of accounting estimates to manipulate reported earnings. These techniques can distort financial statements, making it difficult for stakeholders to assess a company's true financial health (Healy & Wahlen, 1999).

***Consequences for Investors and Stakeholders:***

Creative accounting can have significant implications for investors and stakeholders. Research has shown that earnings manipulation can mislead investors, impact stock prices, and reduce market efficiency (Teoh, Welch, & Wong, 1998). These practices can damage a company's reputation and erode trust among stakeholders, resulting in financial losses and job insecurity (Schleicher, 2018).

***Financial Reporting Transparency**:*

Creative accounting can undermine the transparency and accuracy of financial reporting. Researchers have explored the extent to which manipulative practices erode the reliability of financial statements and hinder the ability of stakeholders to make informed decisions (Molloy & Zmijewski, 1991).

***Long-term Consequences:***

The consequences of creative accounting are not limited to the short term. Research has highlighted the potential long-term consequences for companies that engage in manipulative practices. Once discovered, creative accounting can lead to lawsuits, regulatory fines, and a loss of investor confidence, damaging a company's reputation and corporate responsibility (Dechow, Richardson, & Tuna, 2003).

***Regulatory Responses and Standard Setting:***

Regulators and accounting standards boards have responded to creative accounting by introducing rules and regulations aimed at enhancing transparency and accountability in financial reporting. Research has examined the effectiveness of regulatory responses in deterring manipulative practices and promoting corporate responsibility.

***Corporate Responsibility***

Corporate responsibility, often referred to as corporate social responsibility (CSR), pertains to a company's ethical and sustainable conduct in relation to various stakeholders, including shareholders, employees, customers, and the broader community. CSR involves initiatives that extend beyond profit generation and focus on environmental, social, and governance (ESG) factors.

***Effects of Innovative Accounting on Corporate Social Responsibility***

Several studies have explored the impact of creative accounting on corporate responsibility, revealing several key findings:

- Erosion of Ethical Standards: The use of creative accounting can undermine a company's ethical standards and commitment to responsible business practices (Muller, 2015). When financial manipulation is prioritized, corporate responsibility may take a back seat.
- Short-Term Focus: Creative accounting often emphasizes short-term financial goals, such as meeting earnings targets, which can conflict with the principles of corporate responsibility that emphasize long-term sustainability (Richardson et al., 2006).
- Reputational Damage: Companies engaging in creative accounting practices are at risk of reputational damage. Negative publicity resulting from accounting scandals can harm the company's image, affecting its standing with stakeholders and the broader public (Li & Chen, 2019).
- Impact on Stakeholders: Creative accounting can have adverse consequences for various stakeholders. Shareholders and investors may suffer financial losses when misleading financial information leads to poor investment decisions (Hope & Langli, 2019). Employees and customers may also be adversely affected when a company's irresponsible financial practices lead to instability or ethical concerns.
- Regulatory Consequences: The impact of creative accounting on corporate responsibility is addressed by regulatory authorities. Regulatory bodies have been prompted to introduce more stringent regulations and accounting standards to combat financial manipulation (Armstrong et al., 2017). These efforts aim to enhance corporate responsibility in financial reporting.

***Mitigating the Impact***

While the negative consequences of creative accounting on corporate responsibility are apparent, there have been attempts to mitigate its impact:

- Regulatory Oversight: Regulatory authorities play a critical role in addressing creative accounting's impact on corporate responsibility. Stricter regulations and increased scrutiny help deter financial manipulation and promote responsible accounting (Dechow et al., 2010).
- Ethical Frameworks: The integration of ethical frameworks and corporate governance practices can foster corporate responsibility (Zaman et al., 2021). Companies committed to ethical principles may be less likely to engage in creative accounting.
- Transparency and Disclosure: Promoting transparency in financial reporting and disclosure practices is vital. Clear, honest reporting can enhance corporate responsibility and rebuild trust with stakeholders (Mahmood et al., 2019).

***Corporate Governance and Auditor Role:***

The role of auditors in addressing creative accounting has been a central theme of research. Researchers have explored the effectiveness of auditors in detecting and preventing manipulative practices. Auditors' professional skepticism and independence are key factors in their capacity to preserve reporting on finances fidelity.

***The Role of Audit Committees:***

Audit committees play an important role in company governance and can impact auditors' effectiveness in dealing with creative accounting. The influence of the auditing committee's monitoring, structure, and impartiality on financial reporting quality has been studied (Kusnadi et al., 2016).

***Role of Auditors in Creative Accounting:***

The role of auditors in detecting and preventing creative accounting practices is a critical aspect of financial reporting and corporate governance. This literature review provides an overview of key studies and research on the role of auditors in addressing creative accounting.

***Auditors' Responsibility and Independence:***

Auditors are critical in assuring the precision of accounts receivable and conformity with accounting rules. Their major role is to provide an unbiased evaluation on the audited financial statements' fairness. However, creative accounting can pose challenges to auditors' independence. Research has explored the risks associated with auditor-client relationships that compromise independence and the potential for auditors to acquiesce to client pressures (DeAngelo, 1981).

***Detection of Creative Accounting:***

Researchers have examined the effectiveness of auditors in detecting creative accounting practices. While auditors are expected to be vigilant and skeptical, creative accounting techniques can be sophisticated and difficult to detect. Studies have highlighted that auditors face challenges in identifying earnings management, particularly when it involves subtle manipulation of accounting estimates (Geiger & Raghunandan, 2002).

Audit committees within corporate governance structures can influence auditors' ability to address creative accounting. Research has explored the effectiveness of audit committees in overseeing the financial reporting process, selecting auditors, and assessing auditor independence. Strong, independent audit committees are seen as a critical component in facilitating auditors' ability to act without undue influence (Knechel & Payne, 2001).

***Regulatory Framework and Auditor Liability:***

The regulatory framework plays a significant role in defining auditors' responsibilities and liability in detecting and reporting creative accounting. Regulatory bodies have introduced standards and guidelines to enhance auditor independence and audit quality. Research has examined the impact of regulatory changes on auditors' roles and their potential liability (Abbott et al., 2003).

***Whistleblowing and Reporting Fraud:***

Studies have also explored auditors' willingness and ability to blow the whistle and report fraudulent or creative accounting activities within their client organizations. Whistleblowing can be a complex and challenging process, often involving ethical and legal dilemmas for auditors. Research has investigated the factors that influence auditors' decisions to report misconduct (Kaplan & Whitecotton, 2001).

Research emphasizes the importance of strong corporate governance structures, regulatory frameworks, and audit committee oversight in supporting auditors' efforts to uphold the integrity of financial reporting. Additionally, it underscores the need for continued research and vigilance to enhance the effectiveness of auditors in preventing and detecting creative accounting practices.

***Issues due to creative accounting***

Creative accounting, a practice involving the manipulation of financial information to achieve specific objectives, has raised several significant issues within the realm of corporate finance and financial reporting (Amat, 2004). Below, I'll outline some of the key issues faced due to creative accounting, along with relevant references:

- Misleading Financial Statements: Creative accounting can result in financial statements that do not accurately reflect a company's financial health. This misrepresentation can mislead investors and other stakeholders.
- Investor Deception: When financial statements are manipulated, investors may be deceived into making investment decisions based on false information, leading to financial losses (Yadav et al., 2014).
- Erosion of Trust: The use of creative accounting can erode trust in the financial reporting system and the companies engaging in these practices. This trust deficit can have far-reaching implications (Richardson et al., 2006).
- Regulatory Scrutiny: The prevalence of creative accounting has prompted regulatory authorities to increase scrutiny, leading to more complex and stringent accounting standards and regulations (Ijemo, 2014).
- Ethical Concerns: Engaging in creative accounting raises ethical concerns, as it prioritizes short-term financial goals over transparency and honesty, potentially compromising a company's ethical standards.
- Reputational Damage: Companies found practicing creative accounting risk significant reputational damage, which can impact their relationships with customers, employees, and the broader public.
- Long-Term Viability: Creative accounting often emphasizes short-term financial gains, potentially at the expense of a company's long-term sustainability. This short-term focus may hinder the long-term viability of the organization (Cugova, 2020).
- Loss of Credibility: Organizations engaging in creative accounting risk losing credibility with their stakeholders, including customers, employees, suppliers, and investors.

- Unpredictable Economic Consequences: The economic consequences of creative accounting can be unpredictable. When manipulation is detected or the consequences become apparent, they can disrupt markets and investor confidence (Dechow et al., 2010).
- Auditor Limitations: External auditors may face challenges in detecting creative accounting, and they may be influenced or pressured by their clients, limiting their effectiveness in preventing such practices.

In summary, creative accounting poses a range of issues that encompass financial misrepresentation, investor deception, trust erosion, regulatory responses, ethical concerns, reputational damage, and long-term viability concerns. Addressing these issues requires a combination of regulatory measures, ethical corporate cultures, transparency in financial reporting, and enhanced accountability within the financial industry.

## METHODOLOGY:

Many academics have already undertaken study on this issue using various factors and economic conditions. This study employs a quantitative research design. The study makes use of both primary and secondary data. The questions were selected from a journal (*https://www.econjournals.com/index.php/ijefi/article/view/2896*). The chosen questions are surveyed among 250 respondents. The correlation analysis was done to know the major factors involved to maintain ethical standards in creative accounting. The mean ranks were identified through Friedman and Kendall's W test.

The list of variables used in the research under the group1, techniques of creative accounting are termed as follows. The variables, Credibility as T1, use of creative accounting as T2, detecting creative accounting as T3, accounting policy as T4, Purpose as T5 and creative accounting methods as T6.

Group2 variables under role of statutory auditor in creative accounting practices were termed as below. Proper planning as A1, professional qualification as A2, accounting work as A3 and The independence of auditor as A4.

The variables under ethical standards (group 3) were named as E1, E2, E3 and E4 for The integrity contribute to the credibility of financial reports, commitment of professional conduct, maintaining the confidentiality and Teaching ethics respectively.

The variables under Qualitative characteristics of accounting information (group 4) were named as Q1, Q2, Q3, Q4, Q5 and Q6 for fair presentation, accuracy of accounting, timing, consistency of accounting policies, off balance finance and multiplicity of accounting respectively.

## DATA ANALYSIS AND INTERPRETATION:

***The descriptive statistics of the variables are identified and they are as follows.***

- Among demographic variables the values of gender (1.31 ± 0.46), age (2.50 1.17), educational level (1.97 ± 0.81), Experience (2.77 ± 1.10), Creative accounting legal (3.14 ± 1.45), and major manipulators (2.80 ± 1.10) were noted.
- Under group1, the descriptive statistics of T1, T2, T3, T4, T5 and T6 were (3.09 ± 1.45), (2.53 ± 1.18), (2.67 ± 1.43), (3.05 ± 1.45), (2.50 ± 1.17) and (2.73 ± 1.43) respectively.
- Under group2, the descriptive statistics of A1, A2, A3 and A4 were (3.69 ± 0.93), (4 ± 1.03), (4.18 ± 0.81) and (4.15 ± 0.91) respectively.
- Under group3, the descriptive statistics of E1, E2, E3 and E4 were (4.29 ± 0.77), (4.21 ± 0.77), (4.10 ± 0.92) and (4.25 ± 0.81) respectively.
- Under group4, the descriptive statistics of Q1, Q2, Q3, Q4, Q5 and Q6 were (4.23 ± 0.86), (3.70 ± 1.21), (4.33 ± 0.81), (4.20 ± 0.79), (3.03 ± 1.46) and (3.68 ± 1.21) respectively.

**Table 1.** Descriptive statistics of the variables

| **Groups** | **N** | **1st Quartile** | **Median** | **3rd Quartile** | **Mean** | **SD** |
|---|---|---|---|---|---|---|
| T1 | 250 | 2 | 3 | 4.5 | 3.0797 | 1.4648 |
| T2 | 250 | 1 | 2 | 4 | 2.5179 | 1.1877 |
| T3 | 250 | 1 | 2 | 4 | 2.6614 | 1.4342 |
| T4 | 250 | 2 | 3 | 5 | 3.0398 | 1.4637 |
| T5 | 250 | 1.5 | 2 | 4 | 2.4861 | 1.181 |
| T6 | 250 | 3 | 2 | 4 | 2.7211 | 1.4345 |
| A1 | 250 | 3 | 3 | 5 | 3.6733 | 0.9533 |
| A2 | 250 | 4 | 4 | 5 | 3.988 | 1.0601 |
| A3 | 250 | 4 | 4 | 5 | 4.1673 | 0.8461 |
| A4 | 250 | 4 | 4 | 5 | 4.1315 | 0.9437 |
| E1 | 250 | 4 | 4 | 5 | 4.2749 | 0.8149 |
| E2 | 250 | 4 | 4 | 5 | 4.1952 | 0.8135 |

| | | | | | | |
|---|---|---|---|---|---|---|
| E3 | 250 | 4 | 4 | 5 | 4.0876 | 0.9551 |
| E4 | 250 | 4 | 4 | 5 | 4.2351 | 0.8559 |
| Q1 | 250 | 4 | 4 | 5 | 4.2112 | 0.9029 |
| Q2 | 250 | 3 | 4 | 5 | 3.6813 | 1.2305 |
| Q3 | 250 | 4 | 4 | 5 | 4.3108 | 0.8573 |
| Q4 | 250 | 4 | 4 | 5 | 4.1793 | 0.8317 |
| Q5 | 250 | 2 | 3 | 4.5 | 3.0199 | 1.4682 |
| Q6 | 250 | 3 | 4 | 5 | 3.6614 | 1.2267 |

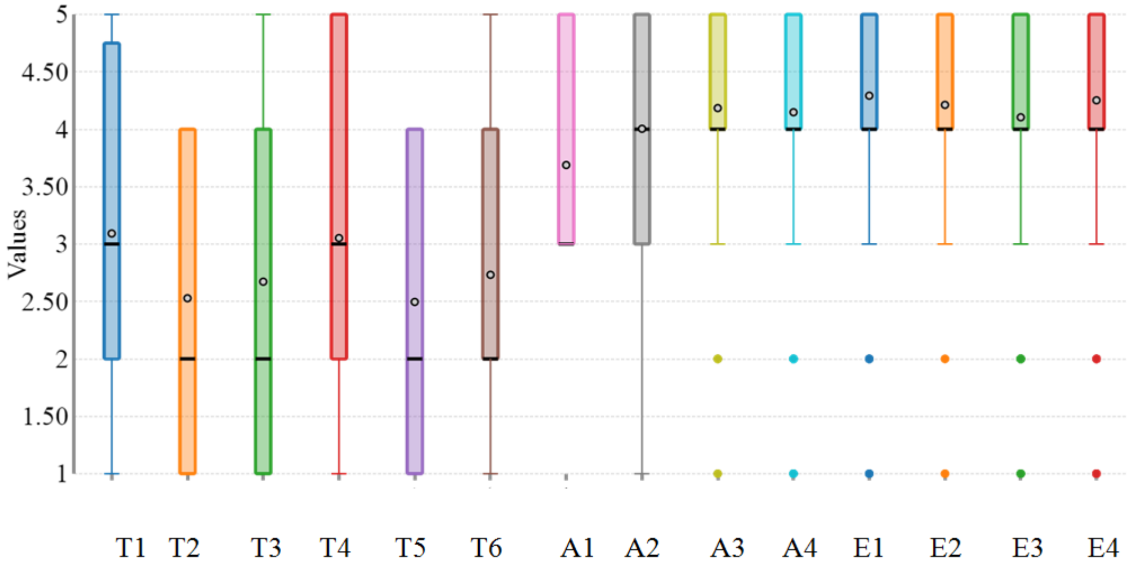


**Figure 1.** Box plot for techniques, role of auditor and ethical standards

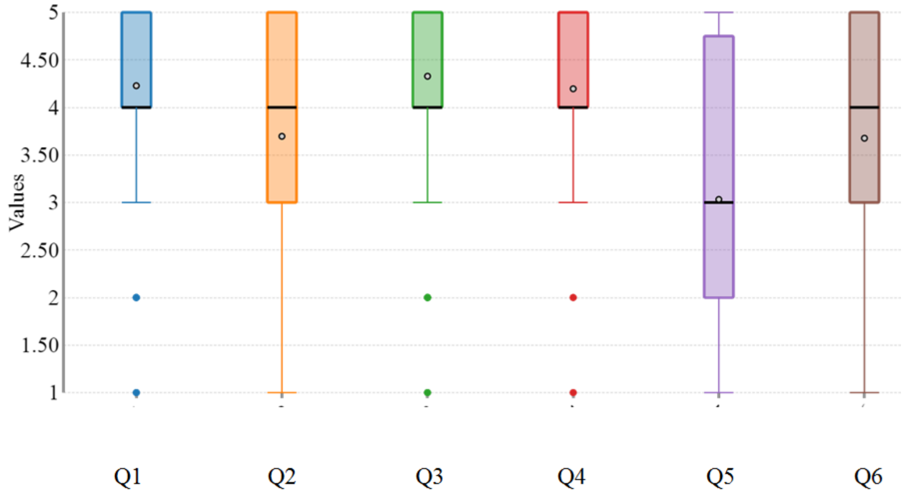


**Figure 2.** Box plot for qualitative characteristics of accounting information

From both the figures above it is evident that, the box is bigger in T2, T3 and T4, which shows that they possess greater variability than other variables. From the box plot, it is evident that except A2 and Q6 all other variable's distribution was skewed since the median doesn't fall in the middle of the box.

**Table 2**. Kendall's tau-B correlation of ethical standards followed in creative accounting

| **Correlations** | | | | | | |
|---|---|---|---|---|---|---|
| | | | E1 | E2 | E3 | E4 |
| **Kendall's tau_b** | E1 | Correlation Coefficient | 1.000 | .072 | .150** | -.001 |
| | | Sig. (2-tailed) | | .216 | .009 | .990 |
| | E2 | Correlation Coefficient | .072 | 1.000 | .238** | .153** |
| | | Sig. (2-tailed) | .216 | | .000 | .008 |
| | E3 | Correlation Coefficient | .150** | .238** | 1.000 | .163** |
| | | Sig. (2-tailed) | .009 | .000 | | .004 |
| | E4 | Correlation Coefficient | -.001 | .153** | .163** | 1.000 |
| | | Sig. (2-tailed) | .990 | .008 | .004 | |
| | | N | 250 | 250 | 250 | 250 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |

The highest correlation coefficient of 0.238 was noted between E2 and E3. This shows that there is moderate association between those two variables.

**Table 3.** Spearman’s rho correlation of ethical standards followed in creative accounting

| **Correlations** | | | | | | |
|---|---|---|---|---|---|---|
| | | | E1 | E2 | E3 | E4 |
| **Spearman's rho** | E1 | Correlation Coefficient | 1.000 | .078 | .166** | .000 |
| | | Sig. (2-tailed) | | .218 | .009 | .994 |
| | E2 | Correlation Coefficient | .078 | 1.000 | .264** | .165** |
| | | Sig. (2-tailed) | .218 | | .000 | .009 |
| | E3 | Correlation Coefficient | .166** | .264** | 1.000 | .176** |
| | | Sig. (2-tailed) | .009 | .000 | | .005 |
| | E4 | Correlation Coefficient | .000 | .165** | .176** | 1.000 |
| | | Sig. (2-tailed) | .994 | .009 | .005 | |
| | | N | 250 | 250 | 250 | 250 |
| **. Correlation is significant at the 0.01 level (2-tailed). | | | | | | |

The highest correlation coefficient of 0.264 was noted E2 and E3. This shows that there is moderate association between those two variables.

$H_{01}$: There is no significant relationship between Qualitative characteristics of accounting information and creative accounting
$H_{11}$: There is a significant relationship between Qualitative characteristics of accounting information and creative accounting

**Table 4.** Friedman and Kendall W test of Qualitative characteristics of accounting information

| Variables | Friedman Test Mean Rank | Kendall's W Test Mean Rank |
|---|---|---|
| Q1 | 4.66 | 4.66 |
| Q2 | 3.50 | 3.50 |
| Q3 | 4.37 | 4.37 |
| Q4 | 4.04 | 4.04 |
| Q5 | 2.69 | 2.69 |
| Q6 | 3.49 | 3.49 |
| T1 | 2.92 | 2.92 |

The mean rank is higher in the variable Q1. The highest rank is noted to be 4.66. The lowest rank value of 2.69 is noted in Q4. The Chi-Square value obtained for Friedman and Kendall W test of Qualitative characteristics of accounting information was 207.354. The Kendall's Coefficient of Concordance obtained was 0.138. The significance value attained is 0.000. The attained probability value was compared with the alpha value 0.05. From the comparison it was observed that the null-hypothesis is rejected and it can be concluded that the variables are significantly different from each other.

$H_{02}$: There is no significant relationship in role of statutory auditor in creative accounting practices
$H_{12}$: There is a significant relationship in role of statutory auditor in creative accounting practices

**Table 5.** Friedman and Kendall W test of role of statutory auditor in creative accounting practices

| Variables | Friedman Test Mean Rank | Kendall's W Test Mean Rank |
|---|---|---|
| A1 | 2.83 | 2.83 |
| A2 | 3.27 | 3.27 |
| A3 | 3.46 | 3.46 |
| A4 | 3.47 | 3.47 |
| T6 | 1.97 | 1.97 |

The mean rank is higher in the variable A4. The highest rank is noted to be 3.47. The lowest rank value of 1.97 is noted in A5. The Chi-Square value obtained for Friedman and Kendall W test of Qualitative characteristics of accounting information was 197.354. The Kendall's Coefficient of Concordance obtained was 0.197. The significance value attained is 0.000. The attained probability value was compared with the alpha value 0.05. From the comparison it was observed that the null-hypothesis is rejected and it can be concluded that the variables are significantly different from each other.

$H_{03}$: There is no significant relationship in techniques used in creative accounting
$H_{13}$: There is a significant relationship in techniques used in creative accounting

**Table 6.** Friedman and Kendall W test of techniques used in creative accounting

| Variables | Friedman Test Mean Rank | Kendall's W Test Mean Rank |
|---|---|---|
| T2 | 2.42 | 2.42 |
| T3 | 2.55 | 2.55 |
| T4 | 2.73 | 2.73 |
| T5 | 2.31 | 2.31 |

The mean rank is higher in the variable T4. The highest rank is noted to be 2.73. The lowest rank value of 2.31 is noted in T5.

The Chi-Square value obtained for Friedman and Kendall W test of techniques used in creative accounting was 16.704. The Kendall's Coefficient of Concordance obtained was 0.022. The significance value attained is 0.000. The attained probability value was compared with the alpha value 0.05. From the comparison it was observed that the null-hypothesis is rejected and it can be concluded that the variables are significantly different from each other.

## CONCLUSION:

Creative accounting, sometimes referred to as earnings management or financial engineering, involves the use of accounting techniques to present financial information in a way that deviates from standard accounting principles. While it is not inherently illegal, the practice has raised concerns about its impact on financial reporting accuracy and corporate responsibility. In this comprehensive analysis, we will explore the multifaceted impact of creative accounting on financial reporting and corporate responsibility. Companies often have to meet analyst expectations and maintain or increase their stock prices. When faced with the possibility of falling short of these expectations, they might employ creative accounting to manipulate earnings figures. In response to creative accounting scandals, regulators have increased scrutiny on financial reporting. This, in turn, has led to more stringent accounting standards and regulations, making it more challenging for companies to engage in such practices. Engaging in creative accounting can raise ethical issues.

When companies prioritize short-term financial gains over transparency and honesty, they may be compromising their corporate responsibility and integrity.

From the analysis, it is evident that there is a relationship between the creative accounting in corporate sector and techniques of creative accounting, the role of statutory auditor in creative accounting practices and Qualitative characteristics of accounting information.

In conclusion, creative accounting's impact on financial reporting and corporate responsibility underscores the importance of finding a balance between financial transparency and flexibility in accounting practices. This balance is essential for upholding corporate responsibility, maintaining trust, and ensuring the long-term sustainability of businesses in today's complex financial landscape.

***Limitations:***

- Companies engaged in creative accounting may invest significant resources in managing their reputation to mitigate the negative consequences of their actions. This can make it difficult for stakeholders to gauge the true extent of the impact on corporate responsibility.
- Detecting creative accounting practices can be challenging, as they often involve complex financial transactions and manipulations. Even with increased regulatory scrutiny, some instances may go unnoticed until they cause significant harm.

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