

Creative Accounting Practices: Perception Gap Analysis among Users and Preparer of Financial Information

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Abstract

This research explores the views of creative accounting practices and perception gap between the present and potential users and preparers of financial report accentuating on developing country perspective. Creative accounting is the misstatement of financial information being within the periphery of edict. Data were collected through a questionnaire survey to analyze the views of respondents. Optimization of benefit of the manipulators is the main reason of practicing this negative creativity for preparing company report. Respondents have significant perception gap about the overall view of this financial reporting and creativity of information. Lack of regulation, flexibility in regulation, discretionary position of management team and transaction timing will act as vital components of negative creativity. However, independence of external auditors and number of outside directors may lessen the use of creative accounting. As creative accounting is legal; strong, virtuous and ethical values are essential to reduce the implication of it.

Keywords: Creative Accounting, Perception Gap and Financial Information.

1. Introduction

Financial statements are the core resource of information of any organization which traded publicly. The steadfastness of those reports depends on the lucidity and exactness of it. Moreover, capital market uses the disclosed information of a company to place the price for the listed security and the users rely on them to establish their decision regarding that firm. It should be noted that managers intentionally exploit the financial report to pressure some market competitor occasionally. Intentional manner of manager to manipulate the financial figure is known as creative accounting. Nonetheless, in 2014, 40 US public companies report profitable condition using some techniques of creative accounting while they were in loss position under traditional accounting methods (Bhasin, 2016). In different literature, creative accounting also named as aggressive accounting, earnings management, Hollywood accounting and so on. In general sense, creative accounting refers accounting treatments that are within the boundary of law, having a few deviation from the spirit of that laws.

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In line with Cambridge Dictionary, it is a method of recording company's financial data using a legal way which does not show the reality of that company and most of the time the company appears more flourishing than they actually are. Authentication of accounting system and the dependence of disclosed report for creating management and investment decisions are being questioned as the list of failed economic and business enterprise in recent time is not too short. The disintegrate of BCCI, Enron, Adelphia, World.Com, Robert Maxwell Pension Funds, Tyco and most importantly the downfall of Arthur Anderson which was the "Big Five" accounting firm are belonging to the above stated issue. For a number of accounting scandal and numerous suggestions for accounting restructuring, creative accounting acts as a starting line (Karim, Shaikh, Hock, and Islam, 2016). Basically, use of creative accounting for financial reporting depends on the eagerness of the management including accountant, internal auditor or other staff. The actual victims by this financial misstatements are the users namely investors, owners of the company, creditors and so on. Here, it is tried to find out the perception gap between the preparers and users of those information using creative accounting. For both the case preparer and users, we make our sample with present and potential one. In general sense, it is endeavoured to find out the opinion gap among the accounting professionals eg; (accountants, internal auditors) and the students specialized in accounting education (term as potential preparer and user) regarding the current scenario of creative accounting in Bangladesh. Along with the above stated fact, to motivate the study, there are some specific inquiries to construct a view of present scenario of creative accounting in Bangladesh namely reasons for adopting creative accounting, its mostly used techniques and creating idea about the facilitated and fatality group of it.

Persons who have specific accounting knowledge are treated here as respondent to optimize the objective of this study. Descriptive statistics, chi-square test through SPSS are used to analyze the data collected through questionnaire survey. Results of this study explore that upholding the betterment of the company works as a main motive for using creative accounting in a wrong way. However, using creative accounting for the preparation of financial statement is not an easy job and sometimes the deterioration of independency of internal auditor may work as an accelerator for implementing creative accounting. Exceptional items and off balancing finance are the mostly used way for applying creative accounting.

Prior empirical knowledge will be the second part of this study and this part will be prolonged with the development of hypotheses. Third part reveals the methodological factors, following the analysis and interpretation. Closing part will be completed dictating some future research suggestions and limitations of this study.

2. Literature Review

2.1 Creative Accounting: Meaning and Reasons

Now a days, creative accounting emerge to attract investors or others stakeholders of business by misleading the accounting figures and numbers in an undesirable way. According to this, creative accounting deals with something those have negative intentions. Creative accounting is a procedure whereby bookkeepers practice their understanding of accounting rulebooks to manipulate the numbers described in the accounts of a corporate. Sanusi, and Izedonmi, (2014) described creative accounting as “deceptive accounting” and identified two perspectives associated with. The first perspective tells the real modification in the practice of business accounting and later one replicates unwelcome “window-dressing” that have a tendency to falsify financial data. Creative accounting is the alteration of accounting records from what they truly are to what preparers craving by enchanting benefit of the prevailing rules and/or ignoring some or all of them (Gosh, 2010). Škoda, Lengyelalussy, and Gabrhelová, (2017) stated manipulation, dishonesty and deception were the outcome when anyone thought about the word creative accounting. Akpanuko and Umoren (2018) elucidated creative accounting as a failure of financial information, which were not able to cope up with the stakeholder’s anticipation.

The reason behind the use of creative accounting is to accelerate the earnings of a firm when the management intends to overcome some inappropriate situation (Yadav, 2014). Sometimes, external auditors act like motivator to facilitate the practice of earnings management to materialize their own initiatives (Patnaik et al., 2014). Sanusi, and Izedonmi, (2014) made a conclusion by analyzing the work of (Chen, 2007; Desai & Dharmapala, 2006; Ningi, 2006; Collingwood, 1991; Henry, 2004) different scholars regarding the reasons of creative accounting. According to their view, attainment of projected profit, snowballing the share price, assurance of director’s bonus plan, avoidance of government rules, escape from high tax are the main motivation to use creative accounting for disclosing financial data. Unethical motive, problem of agency and non-professional attitude are the main factors that enhance the usage of creative accounting (Tassadaq and Malik, 2015). Vyas, Ambadkar, and Bhargavat (2015) expressed that window dressing or adoption of creative accounting is done for increasing the manager’s profit bonus, boost up share prices, lowering the amount of tax, making financial statement eligible for loan from financial institutions and finally, giving a false information to the present and potential users about the firm’s future operating expertise.

2.2 Quality of Financial Reporting & Creative Accounting

The main motto of accounting is not confined to identify, classify and record the transaction. Moreover, communicating that disclosed information to the desired one is also an integral part of accounting. The quality of this financial information should be ensued otherwise the implication of those information will be in question. Beest, Braam

and Boelens (2009) did an analysis to measure the financial reporting quality in light of fundamental and enhancing characteristics and they concluded that relevance, faithful representation, understandability, comparability, verifiability and timeliness will grease quality of financial information. Herath, and Albarqi (2017) reviewed literature related to financial reporting quality from 2009 to 2015 and concluded about the quality of financial information according to the conceptual framework. Shahid and Ali (2016) explained that creative accounting have significant negative influence on the credibility of financial information. It means, usage of creative accounting practice destroy the effective decision making ability of disclosed financial data. Micah and Chinwe (2014) recommended monitoring the accounting standards strictly, so that the quality of financial data may increase. Their analysis found that practices of creative accounting techniques had negative impact on their profitability. Lack of harmonization in accounting standards, insufficiency of policies and the power to make operational and financial decision of management accelerate the motive of creative accounting (Laura and Ileana, 2013).

2.3 Empirical Perception Analysis of Creative Accounting & Financial Reporting

Karim, Fowzia and Rashid (2014) did an analysis to find out the gap of perception regarding the creative accounting among external auditors and accountants of Bangladesh. According to their findings, accountants believe that creative accounting is the result of ill-treatment of accounting guiding principle choices and exploitation of transactions. However, most of the auditors take the practices of creative accounting as a time demanding procedure and consider its positivity depends on its uses. Popescu and Nişulescu (2014) took an attempt to analyze the intention toward fraud and creative accounting and stated that most of the respondents consider the concept of fraud and creative accounting interchangeably. Yavav (2014) did an empirical analysis to bring the idea about the techniques, causes and probable solution of creative accounting. The results of survey suggest that practice of effective corporate governance may reduce the amount of creative accounting adaption. Managers use this measure only when it is needed to improve the financial health towards the outside users and their financial compensation to some extent depends on it. From the study of Balaciu, Bogdana, Feleaga, and Popa (2014), it should be concluded that manager in respected organization play with financial information to create a better image of the firm towards its users and most of the time, show a pessimistic attitude toward disclosing loss or negative information of the concerned firm. Ioana, and Lucian (2015) uncovered that using creative accounting for disclosing financial information was done intentionally not vehemently. The surveyed persons disclosed different judgment regarding the techniques and causes of using this kind manipulative behavior done by the managerial body of an organization. From the view point of Nicolaescu, Gomoi, Tăgăduan, and Cernusca (2016), it should be alleged that techniques of creative accounting will be used for tax evasion rather than the necessity of better pictorial view of financial data.

Most of the professional thought creative accounting as an innovative activity. However, half of the surveyed students gave their opinion that financial reporting should be done according to the accounting rules and standard to have an accurate picture of financial information. Tassadaq and Malik (2015), using professionals as the interviewed group, developed a model expressing the causes and techniques of creative accounting and empirically tested that model with significant results. Auditor's attitude towards detecting fraud, government or international standards, manipulative behavior and ethical ground of a person are the factors of misleading information in financial reporting. Micah and Chinwe (2014) tried to unearth the impact of creative accounting on organizational efficiency. To do so, they used a triangulation approach to collect and analyze data and concluded that firms with low competence use more creative accounting for being legitimate in the market. Patnaik, Satpathy, and Das (2014) concluded that level of window dressing is depend on the professional competence of accounting division of respective firms. Sometimes, external auditors also facilitate these behaviors of using this exploitation of financial numbers optimizing their own concern and keep their name confidential. Mudel (2016) disclosed that company with less efficient corporate governance are supposed to do more creative accounting. Change of corporate governance guidelines and legislative may create the pressure of management to reduce accounting scandals like Enron and others. Sanusi, and Izedonmi (2014) analyzed the professional's perception regarding creative accounting and revealed that this practice is for increasing the share price and thus mislead the users of financial information. As this information was lack of materiality, a punishment measure should be taken to lessen this crime. Cernusca, David, Nicolaescu and Gomoi (2016) did an investigation to explore the perception gap of professionals and students regarding creative accounting. Analysis said that students are not interested to use this to reduce the tax or getting facilities. Nonetheless, most of the professionals were agree regarding the use of creative accounting to have some financial advantage. The justification behind this difference may be the experience gap between the stated two groups. Akpanuko and Umoren (2018) placed that creative accounting create a hindrance against the transparent view of financial statement. Regulation with shortcomings and absence of reprimand allow this attitude and hoodwink the user's assessment regarding their investment.

By reviewing the prior empirical research toward creative accounting, it should be concluded that most of the study try to investigate the opinion confined with one or two group of people. The surveyed people in previous study were the accountants, internal or external auditors, bankers and so on. Here it is attempted to explore the gap of perception among the accounting professionals and accounting specialized students from the perspective of Bangladesh related to the adaptation of techniques for confusing information. Moreover, the ethical ground is also analyzed of the interviewed person. By doing this study the stakeholders group may come to know about the extent

of creative accounting in Bangladesh. They will be more cautious regarding the information disclosed by the firm. Economic health of a country is very much dependent on the efficiency of capital market and capital market use the disclosed information of a firm. Moreover, the result of this study will be able to grow some ethical concern among the preparers of financial report.

3. Hypothesis Development

The main objective of this study is to identify the perception gap between the present and potential preparers and users of financial information regarding creative accounting practices in Bangladesh and perception gap is analyzed through measuring the association between the groups of opinion. Respondents give their opinion by answering the question those are in questionnaire. Therefore, the main hypothesis for perception gap analysis will be:

H₁: There is difference of perception regarding the creative accounting practices and quality of financial reporting between the present users and preparers and potential users and preparers of financial report.

There are eleven (11) sub-hypotheses regarding this.

H_{1a}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the importance of financial report as a fundamental component of a company.

H_{1b}: There is difference of view between the two groups of respondent regarding their opinion about the faithfulness of disclosed financial report.

H_{1c}: There is difference of perception between the present users and preparers and potential users and preparers regarding their opinion about the motive of using creative accounting for financial reporting.

H_{1d}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the simplicity of using creative accounting technique.

H_{1e}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the exposure of creative accounting practice.

H_{1f}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the worthiness of usage of creative accounting.

H_{1g}: There is difference of view between the present and potential users and preparers regarding their opinion about the reducing measure of creative accounting.

H_{1h}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the party may suffer loss due to creative accounting.

H_{1i}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the effective items for manipulation.

H_{1j}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about the legality state of creative accounting.

H_{1k}: There is difference of view between the present users and preparers and potential users and preparers regarding their opinion about aspects to assist the pessimism of creative accounting.

4. Methodology of Research

The study type of this research was cross-sectional as data were collected at one of time (Sekaran and Bougie, 2010) and conclusions were obscuring similarly. For reaching the conclusion, data used in this study were related to the creative accounting practices and their techniques and characteristics of financial reporting quality. A structured close-ended questionnaire was developed to collect the desired data to prove the significance of early stated hypotheses. The questionnaire was adopted from Tassadaq and Malik, 2015; Akpanuko and Umoren, 2018; Nicolaescu, Risti and Tagaduan, 2015 and author construct. Quantitative research approach was used to optimize the research objective. Questionnaire survey method is quite useful to collect data regarding the perception of a defined sample group.

This study tries to find out the perception gap among the users and preparers of financial information regarding creative accounting and quality of financial information. Here the users and prepares are divided into present and potential one. Present users and prepares of financial information include academicians, internal auditors, external auditor or accounting professionals and investors of capital market. For the potential part accounting, specialized students are considered here. Total 600 (six hundred) questionnaire were distributed to the respondent. Among these 600 questionnaire 300 send to the present users and preparers of financial information (academicians, accounting professionals and investors) and 300 send to the potentials one (accounting students). **Table 1** states the response rate that has been originated in the existing study as follows.

Table 1: Respondent's Response Rate

Questionnaire	Present Users & Preparer	Potential Users & Preparer
Distributed Questionnaire	300	300
Returned Questionnaire	175	200
Usable Questionnaire	152	128
Unusable Questionnaire	23	72
Equalize the Number of Usable Questionnaire		
Usable Questionnaire	128	128
Unused Usable Questionnaire	24	0

Source: Author's Construction using survey result

The total usable number of questionnaire is 256 and response rate will be 42.67%. There is no strict policy regarding the sample size determination to analyze the data. Hayes, (2000) explained that in social science 20% to 30% response will be reflected as adequate sample scope. Besides, with 32% response rate, analysis provided quite significant result in the context of Bangladesh (Rubel and Kee, 2017).

Statistical Package for Social Sciences (SPSS) will be used here to analyze the collected data from the respondent. Hypotheses that were developed earlier, has been tested through this software using descriptive statistics, chi-square test. To find out the perception gap between present and potential users of financial information regarding creative accounting and quality of financial information, chi-square test will be used to measure the association between the stated facts.

Demographic information has a significant impact regarding any perception analysis. Table 2, present the demographic information of the respondent participated for this research.

Table 2: Respondent's Profile

Demographic Profile	Number 256	Percentage
Gender		
Male	157	61.3%
Female	99	38.7%
Age		
20-25 Years	128	50.0%
26-35 Years	75	29.3%
36-45 Years	35	13.7%

45 and above	18	7.0%
Profession		
Accounting Students	128	50.0%
Accounting Academician	32	12.5%
Accounting Professionals	41	16.0%
Internal Auditors	39	15.2%
Investors	16	6.3%
Profession		
Present Users & Preparers	128	50%
Potential Users & Preparers	128	50%

Source: Author's Construction using survey result

5. Analysis and Findings

5.1 Descriptive Statistics of Creative Accounting & Quality of Financial Reporting

Respondent were asked in total 18 questions among them 3 were demographic and rest are related to the overview of creative accounting, its reasons, techniques and way out. Now the descriptive statistics were to present the frequency of asked questions. Respondent gave answer against the question that financial report is the fundamental component of a company. 45.7% of respondent expressed their resilient consent to accept that financial report is vital component for the organization, 42.7% gave their consent regarding this (Table: 5.1). However, 7% were neutral regarding this issue and around 4.7% did not show any harmony about this question (Table: 3).

Table 3: Financial Report is a Fundamental Component.

Fundamental Component					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	8	3.1	3.1	3.1
	Disagree	4	1.6	1.6	4.7
	Neutral	18	7.0	7.0	11.7
	Agree	109	42.6	42.6	54.3
	Strongly Agree	117	45.7	45.7	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

Among the 256 respondents, 51.2% respondent has strong faith towards the disclosed financial report of a company, while 29.3% were being neutral and 19.6% did not show any faith or confidence on the financial report (Table: 4).

Table 4: Faith on Financial Report

Faith					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Completely Unreliable	13	5.1	5.1	5.1
	Unreliable	37	14.5	14.5	19.5
	Neutral	75	29.3	29.3	48.8
	Reliable	105	41.0	41.0	89.8
	Completely Reliable	26	10.2	10.2	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

Creative accounting practices have been done in a positive intention as well as with a negative intention. Respondents gave their consent to identify the main purpose of creative accounting usage. The benefit of company secured 44.1% consent as a motive of doing or having creative accounting technique in preparing financial report. 21.9% respondents thought to attract the investors would the main purpose of creative accounting. Creative accounting helped to seem the preparing financial statement as art and it is the thought of 17.6% respondent. The rest thought company may use creative accounting to gain competitive advantage in the market and it is only 16.4%.

Table 5: Motive of Using Creative Accounting Practices

Motive					
		Frequency	Percent	Valid Percent	Cumulative Percent
	A vicious rivalry among corporations	42	16.4	16.4	16.4
	The assistance of the exploiter	113	44.1	44.1	60.5
	The straight requisite to pursue investment	56	21.9	21.9	82.4
	The emerge of the statement creating knack	45	17.6	17.6	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

Next question intended to know about the ease of employing the creative accounting in financial information. Among all the respondent 45.3% respondent gave, their view that it is facile to use and 10.5% stated that it is very facile to implement. 13.3% respondents were indifferent to this question. However, around 26.2% people thought it is tough to employ and 4.7% assumed it as very tough.

Table 6: Ease of Using Creative Accounting Technique

Simplicity of Using Creative Accounting Technique				
	Frequency	Percent	Valid Percent	Cumulative Percent
Very Tough	12	4.7	4.7	4.7
Tough	67	26.2	26.2	30.9
Neither	34	13.3	13.3	44.1
Facile	116	45.3	45.3	89.5
Very Facile	27	10.5	10.5	100.0
Total	256	100.0	100.0	

Source: Author's Construction using survey result

Company or organizations are bound to disclose the audited financial statements after passing every accounting. Investors or stakeholders take decision by analyzing the information provided. Therefore, stakeholders need to scrutinize information very carefully whether they are biased or not. Respondents were asked a question regarding the level of toughness of detection of manipulation in financial report. Around 40.2% persons seemed it as rigid and 12.9% appeared it as very rigid while, 14.1 % people were not sure about it. 9.4% people thought the exposure of manipulation was very easy and 23.4% people believed; it is trite to detect.

Table 7: Exposure of Creative Accounting Practices

Exposure of Creative Accounting Practice				
	Frequency	Percent	Valid Percent	Cumulative Percent
Very Rigid	33	12.9	12.9	12.9
Rigid	103	40.2	40.2	53.1
Neither	36	14.1	14.1	67.2
Trite	60	23.4	23.4	90.6
Very Trite	24	9.4	9.4	100.0
Total	256	100.0	100.0	

Source: Author's Construction using survey result

Among all the respondents, 30.1% believed that, the usage of creative accounting is worthy and 11.3% gave their strong assertion regarding this issue. 16.8% respondents provided the indifferent state. However, 25.4% stated their non-consent regarding matter and 16.4% respondent showed their strong opposition in this perspective.

Table 8: Creative Accounting; Worthy to Use

Worthy to usage					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Strongly Disagree	42	16.4	16.4	16.4
	Disagree	65	25.4	25.4	41.8
	Neutral	43	16.8	16.8	58.6
	Agree	77	30.1	30.1	88.7
	Strongly Agree	29	11.3	11.3	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

At this stage, reducing criteria will be the matter of concern. 35.2% people believed that by employing or ensuring the state of internal auditor may reduce the level of creative accounting, here. Next important criteria to reduce the use of creative accounting was to refine or establish new accounting standards optimizing the loopholes associated with it and it was 30.1 %. After that, external auditor secured high position and it was 24.6% and next was related to snowball or accelerate the penalty.

Table 9: Lessen the use of Creative Accounting

Lessen the use of Creative Accounting					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Amplify Internal Auditor	90	35.2	35.2	35.2
	Amplify External Auditor	63	24.6	24.6	59.8
	Refining Accounting Standards	77	30.1	30.1	89.8
	Snowballing Penalty	26	10.2	10.2	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

As creative accounting termed negative and which party would suffer more, was the issue to discuss. Here, 64.5% respondent alleged that the mostly suffered entity due to creative accounting were the investors or the creditors of the company. After that, their view turned to firm and it was 13.3%. 12.1% respondents believed it was society which suffers much and rest part thought the customers suffered and it was only 10.2%.

Table 10: Loss Suffering Due to Creative Accounting Practice

Loss Suffering					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Firm	34	13.3	13.3	13.3
	Customers	26	10.2	10.2	23.4
	Financiers	165	64.5	64.5	87.9
	Society	31	12.1	12.1	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

There are some items on which the manipulation is easily done and according to the respondents of this study, 29.7% people assumed off balance finance as a way for manipulating financial numbers. Extraordinary and exceptional objects seemed as manipulating item, according to 26.2% respondent. Depreciation method is also a criterion for manipulation and 23.8% people gave consent on it. Evaluation or valuation of money was other way for manipulation and around 20.3% people assumed that.

Table 11: Items for Manipulation

Items for Manipulation					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Off balance Finance	76	29.7	29.7	29.7
	Depreciation Method Shifting	61	23.8	23.8	53.5
	Extraordinary and exceptional objects	67	26.2	26.2	79.7
	Evaluation of Currency	52	20.3	20.3	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

As creative accounting assumed negative implication towards the financial report, next question related to the legality state of using this issue. No one respondent said it was illegal. 38.3% respondent was indifferent to this issue and 25.8% believed it is legal. However 12.9% assumed it as fairly legal attire.

Table 12: State of Legality

State of Legality					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Legal	66	25.8	25.8	25.8
	Fairly Legal	33	12.9	12.9	38.7
	Neutral	98	38.3	38.3	77.0
	Fairly Illegal	59	23.0	23.0	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

This part covers about the accelerating factors that will increase the pessimism of creative accounting. The result of this question is tough to decide for the respondent. 24.6% respondent believed that inadequate professional ethical foundation may increase the negative impact of it. According to 19.1% people thought poor knowledge of theoretical concepts of professionals may increase the level of creative accounting. Greed by directors and comprised manager was the reason and it was the assumption of 17.2% people. 14.8% people thought a loophole in legal system. Disciplinary issues of professionals were another issue and 12.5% people assumed that. Last but not the least, lack of auditor independence was another reason and 11.7% respondents have belief on it.

Table 13: Aspect to assist the pessimism of Creative Accounting

Aspect to Assist the pessimism of Creative Accounting					
		Frequency	Percent	Valid Percent	Cumulative Percent
	Lack of Auditors Independence	30	11.7	11.7	11.7
	Greed by directors and comprised managers	44	17.2	17.2	28.9
	Legal system that encourages inconclusive prosecution	38	14.8	14.8	43.8
	Lack of discipline from professional bodies	32	12.5	12.5	56.3
	Lack of professional ethical foundations	63	24.6	24.6	80.9
	Poor understanding of theoretical underpinnings by practitioners	49	19.1	19.1	100.0
	Total	256	100.0	100.0	

Source: Author's Construction using survey result

5.2: Analysis of Perception Gap

At the time of data collection, profession of respondent was categorized into four. To analyze the perception gap among the respondent, these four categories were converted into two groups. First group consists with academicians, accounting professionals (internal auditors & external auditors) and investors and named as “Present users & preparers of financial information”. Second group consists with the accounting students and named as “Potential users & preparers of financial information”. Now, the perception gap of their opinion about the creative accounting and quality of financial reporting through the results of chi-square test (Table: 14). To measure this “Pearson Chi-Square Test” used.

Previously developed main hypothesis has 11 sub-sections. Results are presented in Table 14 and from the result, it is concluded that two sub-hypotheses cannot able to reject the null hypotheses, as their significance level is not satisfactory. Therefore, perception regarding the financial report act as fundamental component did not differ between the two target groups as the null hypothesis is failed to reject.

State of legality or the use of creative accounting is legal or illegal and here, results indicate that null hypothesis is again failed to reject. The meaning is that both the groups have same concept concerning this matter.

For the other nine elements, the null hypotheses are rejected and the alternate hypotheses are accepted. The conclusion is that there is a perception or opinion gap about the stated matter between the two groups. The view of present users and preparers of financial information fluctuate from the potential users and preparers of financial data. According to the result, there are perception gap about the issue of the faith of financial information, motives or the reasons of employing creative accounting, ease of use of creative accounting, exposure criteria of creative accounting in financial report, whether it is good to use or not, reducing criteria of creative accounting, which party will suffer the most, items to use manipulation and aspect to facilitate the negativity of creative accounting.

Table 14: Analysis of Perception Gap

Items of Perception Gap	Value	df	Significance Value (P-value)	Result
Fundamental Component	5.278	4	0.260	Rejected
Faith	32.744	4	0.000	Supported
Motive	30.111	3	0.000	Supported
Simplicity of Using Creative Accounting Technique	19.858	4	0.001	Supported
Exposure of Creative Accounting Practice	28.467	4	0.000	Supported
Worthy to usage	19.146	4	0.001	Supported

Lessen the use of Creative Accounting	14.650	3	0.002	Supported
Loss Suffering	11.499	3	0.009	Supported
Items for Manipulation	21.459	3	0.000	Supported
<i>State of Legality</i>	<i>6.085</i>	<i>4</i>	<i>0.193</i>	<i>Rejected</i>
Aspect to Assist the pessimism of Creative Accounting	31.226	5	0.000	Supported

Source: Author's Construction using survey result

In short, it can be concluded that because of work experience and practical knowledge, the present and potential users have difference in their opinion and gap arises.

6. Conclusion

Defaming one's need while accelerating others becomes a problem and it creates the negative impact of using creativity in a wrong way. Most of the respondents in this study assumed that the main motive of using this negative creativity in their financial reporting is to ensure the benefit of the company. Internal auditor has a significant role to minimize the uses of this negative creativity. Internal auditor is mainly the key note person to prepare the financial information. If their independence is ensured, we will expect less creative financial information. Investors and creditors are the focal point sufferer of this creative accounting, as they invest basing on misstated results. In the long run, the company itself will suffer much as it reduces the image and reputation of the company in the market. Furthermore, finance through off balancing and exceptional items is popular or mostly used items for doing manipulation. Sometimes, lacking in ethical professionalism of management may help to increase the attitude of doing creative report in negative way. Perception gap between the present and potential users and preparers of financial information gives a view that opinion may differ basing on their knowledge state about the reality. Accounting students only have some bookish knowledge and understanding regarding the stated matter. However, academicians, accounting professionals and investors gave their view from the practical perspective. Use of negative creativity may reduce the quality of financial information and some of the methods of creative accounting are significantly associated with the financial reporting quality. It explains the fact that management uses this practice to optimize their needs by exploiting other stakeholders. It is expected that the result of this study will pave the way to explore the real scenario of creative accounting practices in Bangladesh and give clarification regarding the existing perception gap among different level of users and preparers of financial information. Investors and creditors will use their analysis cautiously prepared from the disclosed financial statement and be able to optimize their returns. Regulatory authority may emphasize on the implication of strict rules and try to explore the loopholes in existing regulation. Regulation based on comply will not be the solution for reducing the practices of creative accounting.

Moreover, there need some punishment clause in this perspective. Present study considers the respondent from Dhaka city only. More geographical area may ensure diversified views about the stated matter. Longitudinal study may be considered to know the effect of time on the perception of the desired group of people.

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