

CREATIVE ACCOUNTING AND CONSISTENCY

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The rise of “*creative accounting*” practices, Associate in devising expression for concealing some unfavourable money details and lightness favourable ones to form an effect of sound money health has resulted within the accounting profession taking additional hits to its quality. it's a standard incontrovertible fact that the recent depression witnessed companies that hid a number of their liabilities “*off the books*” or “*off-balance sheet*” things, the method within which the accounting profession functions has come back below revived scrutiny by the regulators. The dearth of theory in accounting has so been a curse for the profession as may be seen from the “*fragmented*” nature of the profession in numerous countries and at intervals constant country moreover in some cases. This has diode to a scenario wherever the skilled bodies of accountants had to step in oftentimes to adjudicate on matters of the responsibility of a selected theory over the opposite. Even as the medical community had to have interaction in big-ticket and long drawn battles within the courts over the ways utilized by them, the accountants too found themselves disceptation regarding the correctness of their ways Beattie and Goodacre (2006).

At the basis of this crisis is that the lack of a unified theory and also the fractious nature of the interpretation that accountants usually do once confronted with Associate in devising accounting problem. Theories of Accounting If we have a tendency to examine the theories of accounting that have developed over the course of the twentieth century, we discover that the amount was characterised by the adoption of descriptive, normative and positive theories that underpinned the abstract framework for accounting Alzoubi (2016).

The descriptive theories described the primary serious arrange to systemise the body of information current in accounting norms by recourse to description of the accounting practices instead of prescribing what have to be compelled to be done or predicting and explaining what has to be done. The descriptive theories of accounting developed within the 1920's and were fashionable until the 1960's once researchers took an elaborate to the normative or prescriptive theories of accounting. The normative theories of accounting developed within the amount of the 1960's and 1970's and failed to assume that what's being done by the bulk was right as was the case with the descriptive theories Alzoubi (2016).

The normative theories arose to satisfy the post warfare two booms in company laissez-faire economy Associate were the merchandise of an era that stressed deductive arguments supported estimating future growth and prescribing a group of actions that the companies may undertake with regards to increasing their revenues. Hence, the event of the normative accounting theories was characterised by a spotlight on estimation instead of observation that slot in nicely with the current worldview of these decades wherever growth was the mantra and companies required to form choices on the quality of a selected course of action from the money perspective Bhasin (2016). The come of positive theories that stressed rationality and also the reliance on refined tools that tested the predictions versus the results meant that researchers and also the accountants may once more take recourse to the “*rational*” means that of accounting.

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