PERCEPTIONS AND VIEWS OF FINANCIAL MANAGERS AND AUDITORS ON CREATIVE ACCOUNTING PRACTICES, MOTIVES, AND IMPACT ON FINANCIAL REPORTING QUALITY: EVIDENCE FROM JORDAN

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ABSTRACT

This study aims to investigate the perception and views of auditors and financial managers in Jordan regarding creative accounting practices, motives, preventive measures, and impact on the quality of accounting information. The study utilized a survey methodology using questionnaires for data collection. One hundred and seventy (170) questionnaires were distributed to the sample of the study of which one hundred and forty-five (145) questionnaires were returned and analyzed. The results of study revealed that creative accounting in its various forms, whether it complied with accounting standards or not, affects the quality of the accounting information. In addition, the most used practice of creative accounting is controlling the construction or reduction of the provisions and reserves such as the provision of bad debts to increase or decrease expenses and revenues. Meanwhile, gaining tax benefits is the most important motive for creative accounting practices. Also, the study revealed that the most important mean for limiting creative accounting practices was activating the role of auditing profession and related regulatory legislation governing their work in order to enhance their independence and professional competence.

Finally, and based on these findings, the study provided a number of recommendations that would hopefully assist legislators, auditors and accountants in curbing creative accounting practices and improving the quality of accounting information in the Jordanian business environment.

Keywords: Creative Accounting, Fraudulent Financial Reporting, Accounting Information Quality, Earnings Management, Income Smoothing.

INTRODUCTION

In the last decade, a series of accounting scandals and corporate collapses (e.g., Enron and World com) has shaken the confidence of investors and users in accounting statements and reports (Ramaswamy, 2005). The main cause of investors' lack of confidence was mainly due to the lack of accounting information quality. The majority of collapsed corporations have manipulated accounting numbers in their financial statements to satisfy their interests, meet their targets and positively affect their image (Jones, 2011; Khatri, 2015; Bhasin, 2016; Akpanuko &

Umoren, 2018). This manipulative behavior by corporations has negatively affected the quality of accounting information and posed a threat to stakeholders, especially investors and creditors (Gherai & Balaciu, 2011; Wokukwu, 2015). Thus, providing high-quality accounting information that is relevant and faithfully represent the economic reality and actual performance without favoring one party's interests at the expense of others is vital for regaining investors and stakeholders' confidence in financial statements and reports to guide their decisions (Popescu & Ashrafzadeh, 2013).

In the last decade, a series of accounting scandals and corporate collapses (e.g., Enron and World com) has shaken the confidence of investors and users in accounting statements and reports (Ramaswamy, 2005). The main cause of investors' lack of confidence was mainly due to the lack of accounting information quality. The majority of collapsed corporations have manipulated accounting numbers in their financial statements to satisfy their interests, meet their targets and positively affect their image (Jones, 2011; Khatri, 2015; Bhasin, 2016; Akpanuko & Umoren, 2018). This manipulative behavior by corporations has negatively affected the quality of accounting information and posed a threat to stakeholders, especially investors and creditors (Gherai & Balaciu, 2011; Wokukwu, 2015). Thus, providing high-quality accounting information that is relevant and faithfully represent the economic reality and actual performance without favoring one party's interests at the expense of others is vital for regaining investors and stakeholders' confidence in financial statements and reports to guide their decisions (Popescu & Ashrafzadeh, 2013).

Given the nature and complexity of the accounting transactions and the preparation process of financial statements and reports, minor undeliberate errors in the accounting numbers might happen. However, if errors are deliberate and even becomes, in addition to other manipulative practices, a policy by corporate managers and accountants to *"cooking"* their accounts, then such manipulative behavior falls under the term creative accounting, income smoothing, financial engineering, aggressive accounting and/or earnings management (Amat & Gowthorpe, 2004).

Although the literature uses earnings management more frequently, the current study uses creative accounting (CA), as it is broader and encompasses all manipulative forms affecting the fair presentation of both the financial position as well as comprehensive income statements.

CA is defined, in the UK Oxford dictionary, as *"the exploitation of loopholes in financial regulation in order to gain advantage or present figures in a misleadingly favourable light"* (Oxford University Press, 2020). Thus, CA under this definition refers to taking advantage of gaps and flexibility in accounting standards to measure accounts and present the financial statements, albeit not representing a true and fair view of the business, to serve the interests of preparers not users (Jones, 2011). Bhasin (2016) refers to CA as manipulative practices that transforms accounting numbers from what they actually are to what the preparer of financial reports desires, not only by taking advantage of the gaps and flexibility of accounting principles and standards but also by ignoring some or all of them.

The flexibility of accounting standards permits managers to present financial statements in the most meaningful form, while emphasizing on preserving the substance over form principle (Bhasin, 2015). In addition, the flexibility in accounting standards was necessary to permit financial reporting to keep pace with business innovations, not using that flexibility to manipulate results and present financial reports that are anything but "*true and fair*" (Mulford & Comiskey, 2005).

The IASB conceptual framework of accounting emphasizes the importance of the principle *"substance over form"* for reporting true and fair financial statements and thus, curbing CA 'opportunistic behavior. The lessons learnt from the collapsed corporations, such as the Enron case, indicates that they have presented their financial statements emphasizing the legal form of business transactions, such as off-balance sheet financing, revenue recognition, leasing and disclosure, rather than their true economic reality and substance. (Baker & Hayes, 2004). Thus, CA also refers to accounting practices that deviates from the accounting principle *"economic substance over legal form"* to present financial statements that mislead users and serve the interests of preparers.

The question of whether CA practices are legal and ethical or not is still controversial. According to Jones (2011), CA is *"not illegal"* as long as managers use 'creatively the loopholes' within the existing accounting standards and rules. However, when managers go outside the regulatory framework and/or neglect accounting standards and rules, they become illegal and indulge in fraudulent financial reporting. Thus, Jones (2011) considers CA practices different from fraud accounting, as long as it complies with accounting standards and rules. Whereas fraud accounting ignores accounting rules and standards. Bhasin (2015) in turn, argues that CA is illegal and unethical regardless of it adheres to accounting principles and standards or not, since CA deviates from what those principles and standards intend to achieve-present true and fair view financial statements.

Creative accounting has many forms, motives and outputs. It is possible to observe different forms and motives in developed countries with efficient stock markets and others in less developed countries (Cugova & Cug, 2020). Most of the previous studies also dealt with the topic of creative accounting in developed countries, and therefore it is useful to know whether the results of these studies are consistent with the Jordanian business environment.

The current study aims at investigating creative accounting in Jordanian perspective. The study main objectives are to understand the views and perceptions of corporate financial statements prepares and auditors regarding CA practices, motives, ethical issues, preventive tools and impact on accounting information quality. In addition, the study investigates the perception gap between preparers and auditors of financial statements concerning creative accounting.

Study Importance and Contribution

The study importance stems from the importance of its topic, creative accounting, which gained its importance after corporate administrations began to apply its related methods; to influence the outcome of their activities in a manner commensurate with their goals. The quality of accounting information is extremely important for the purposes of decision-making by interested parties in the financial statements. Based on this importance, it is necessary to increase interest in understanding creative accounting practices and their motivations and the means to limit them, so that this can contribute to mitigating its impact on the quality of accounting information owing to its role in presenting accounting information in the financial statements in a manner that does not reflect the reality.

Most of the previous studies also dealt with the topic of creative accounting in developed countries, and therefore it is useful to know whether the results of these studies are consistent with the Jordanian business environment, in light of the differences within the business environments between these countries. Therefore, this study came as an important addition and a starting point for completing what was discussed in previous studies in the context of examining creative accounting in non-Jordanian business environments. Another dimension of the current study's importance is that it is one of the few survey studies that aimed to find out the approaches of the respondents (auditors and financial managers) towards creative accounting practices and their impact on the quality of accounting information, and the means to limit them, as well as uncover the subjects' approaches towards the ethical dimension of creative accounting. Most of the previous studies, however, tackled creative accounting and its practices in terms of mathematical models and did not consider the stakeholders' opinions.

The remainder of the study is organized as follows. The next section briefly describes the theoretical framework regarding the methods, motives, of creative accounting practices. The third section presents our research design and methodology to achieve research objectives. The fourth section reports the data analysis and tackles whether there is a perception gap between auditors and preparers of financial statements regarding creative accounting. The final section of our paper presents the main findings, recommendations and limitations of the study.

LITERATURE REVIEW

Creative accounting has different forms based on the motives of the financial statement preparers. Creative accounting can be done either by exploiting gaps and flexibility of accounting standards and rules or can be done by intentionally misapplying accounting standards and rules (Nelson et al., 2002; Riahi-Belkaoui, 2004 a).

Nelson et al. (2002) interpreted this definition and concluded that three kinds of earnings management exists: earnings management that is consistent with GAAP like structuring leases to allow lessors to use capital lease treatment and recognize gross margin at lease inception; earnings management that is difficult to distinguish from GAAP like over- or underestimating bad debt reserves and earnings management that is clearly not GAAP like intentionally misapplying revenue recognition rules.

Creative accounting can be done either *"Beyond the Regulatory requirements"* that consists of fraudulent manipulations or can be done *"Within the Regulatory requirements"* that includes profitability and leverage manipulations. Profitability manipulations further includes window dressing and Leverage manipulations further includes Income smoothing and big bath accounting (Shawar & Qaisar, 2015).

One of the most forms of creative accounting are Income Smoothing and earning management, despite of disagreement between researchers and writers regarding the concept of income smoothing in terms of its formulation, but they do agree on its content, since most companies prefer their profits to be stable over the years. Income smoothing is defined as a settlement of the declared income in order to reach the desired level. It expresses the administration's desire to reduce the inappropriate deviations in the income to the permitted level under the accepted principles (Riahi-Belkaoui, 2004b). Also, income smoothing can be defined as a set of procedures for exploiting the flexibility available in the processes for choosing accounting policies and procedures with the aim of reducing income fluctuations and making them more stable (Acharya & Lambrecht, 2015). Blak et al. (2000) defines CA as a deliberate choice by the management for accounting policies and methods or influencing accounting transactions in order to give a favourable impression of the corporate's activity and the outcomes of its business. Inventories also leave space for creative accounting. The increase/decrease in stock impacts the present as well as next year’s financial statements.

Okoye et al. (2019) believed that creative accounting is the main cause of many accounting scandals, it is important as they believed to eliminate the practices of creative accounting, one of these practices is the Fraudulent Financial Reporting, Richard et al. (2009)

investigated the accounting scandals such as Enron and WorldCom), they found that management had shown different figures of financial reporting and there after collapsed.

It is the deliberate presentation of inaccurate statements, writing off certain values or hiding them in the financial statements in order to mislead the financial statements users, thus cannot represent a real and fair view of the economic position of the company. Examples of this include the company’s early recognition of revenues or recording false and unreal revenues (Mulford & Comisky, 2011).

Another practice of creative accounting is Big Bath Accounting hypothesis which emphasizes reducing the company's earnings estimates in a specific period and exaggerating the losses in order to get rid of the accumulated losses during the year all at once to ensure improvement in profits in the next year or years (Dechow & Skinne, 2000).

Various studies have investigated the motivation to apply the practices of creative accounting, the significant motivator for creative accounting is to report a decrease in business income to lower the tax paid. Second, to enable the company’s performance to appear better in future, company will maximize the reported loss to make bad loss in that year. This is called ‘big bath’ accounting for the purpose in smoothing the income. Thirdly, to provide positive view on expectations, securities valuation and reduction on risk for analysts in anticipated capital market transactions and maintain firm’s performance in analyst’s expectation. Other motivations are to manipulate profit to match the reported income to profit forecasts and to distract attention from negative news by boosting company’s profit figure though creative accounting practices. Managers’ motivations in managing earning aim to report a stable growth in profit not only to reduce the perception of variability toward organization’s earnings, but also are in relation to income measurement. To make company faces less risk and gain more benefit in aspect of raising fund, takeover bids as well as prevent takeover by other company.

Creative accounting is needed to maintain or promote the share price and create a good profit growth. To gain benefit from inside knowledge, director of the company engages creative accounting to postpone the release of information to the market. Finally, many types of contractual right, obligation and constraints based on the amount reported in the accounts also motivate company to apply creative accounting.

> *“The literature indicated that one of the most important motives of creative accounting is income smoothing with the aim of reducing the degree of inequality and fluctuations in profits announced by the accepted management (Riahi-Belkaoui, 2004a)”*.

Creative accounting is used to improve the accounting numbers associated with the company’s work, which limits its operating or investment conditions obstacle the achievement of this improvement regularly and without interference of the company’s administration. If that intervention does not happen, the company's reputation may be negatively affected in the market, especially in front of potential shareholders and investors (Mulford & Comisky, 2011).

The corporate departments seek to obtain the necessary fund of all kinds when they encounter liquidity problems to continue their operational or investment processes and sometimes to pay off their liabilities. In order to obtain fund from financial institutions, they will be subject to some requirements stipulating that the outcome of the corporate's activity during the period of receiving the fund until its repayment can cover the repayment of principal and interest (Mulford & Comisky, 2011).

Some companies reduce profits and increase expenses in order to reduce the tax base on which the amount of the withholding tax will be calculated. This means reducing the taxes to be paid to a minimum (Amat & Gowthorpe, 2004).

Another motive may be the incentive system which may encourage departments to achieve the interests of owners with the utmost effort, where incentives and rewards are linked to achieving certain levels of performance so that some managers use creative accounting to improve profits, especially when these incentives are linked to those profits (Mulford & Comisky, 2011; Vyas et al., 2015).

Creative Accounting and Financial Reporting Quality

Several studies investigated the creative accounting’s practices and its impact on the quality of financial reporting, it is concluded that examined companies used the practices of creative accounting and found a negative impact on the quality of financial reporting, (Diana et al., 2014); concluded that more than 50% of the managers had used accounting creative practices to beautify their companies.

Ismael (2017) studied the impact of creative accounting techniques on the reliability of financial reporting from auditors and academics point of view. He found a negative effects of creative accounting practices on financial reporting reliability, and the importance of active corporate governance principles to control these practices.

Fizza & Qaisar (2015) focused also on the importance of corporate governance in controlling the practices of creative accounting, by activating the social responsibility and increasing the number of outside directors. Al-Baaj, Qasim Muhammad. (2018)

Concluded that creative accounting practices affect the quality of accounting information. It also found that the motive for obtaining tax benefits and that the desire to obtain compensation, influence investment decisions and improve the image of the financial position for obtaining loans is one of the most important motives for creative accounting practice.

Popescu & Ashrafzadeh (2013) concluded that the creative accounting practices have a negative impact on the quality of financial reporting, so it is necessary to enhance transparency, security, and accuracy in the accounting data in the future in order to generate confidence in the financial statements and there is a need to take the necessary measures to limit creative accounting. Bhasin (2016) examined the creative accounting practices in the Asian market. He found that creative accounting practices are a deliberate attempt by accountants and corporate managers to obtain certain advantages for them. Ismail (2017) also concluded that the creative accounting techniques used by management negatively affect the reliability of financial reports, and the application of the concept of corporate governance helps in limiting creative accounting practices. The study also found that the auditor has an effective role in limiting creative accounting practices.

Study Methodology

Based on the nature of the current study and the goals it seeks to achieve, the descriptive survey method was used. This method relies on studying the phenomenon as it is on the ground, describes it accurately and expresses it qualitatively and quantitatively (Sekaran & Bougie, 2016) The current study population consists of all the financial managers (financial statements writers) belonging to the 68 companies listed on the Amman Stock Exchange according to the ASE bulletin for the year 2017, and the 418 external auditors working in the external audit offices who are licensed to practice the profession according to a statistic from the Jordanian Association of Certified Public Accountants from 2018. A random sample of (120) external auditors, and (50) financial managers in companies was chosen. The questionnaire is considered the main appropriate tool for collecting data, because this study seeks to measure the attitudes and opinions of external auditors and financial managers towards creative accounting practices as they are the most direct and influential category in the subject of the study, and this means obtaining reliable and more realistic information, since the questionnaire provides explicit and free answers from the study sample. Also, the questionnaire is considered appropriate for this study because of the geographical dimension of the study sample distribution, ensuring a fast and cost-effective tool to reach the respondents. 170 questionnaires were distributed to the study sample, and 145 valid questionnaires were retrieved for the purposes of statistical analysis.

Statistical Analysis of the Study

First: Description of the study sample characteristics

Table 1 shows the characteristics of respondents according to the demographic variables, the characteristics results indicate the respondents' ability to answer study questions, given that the sample respondents possess the skills, scientific and professional knowledge and experience in their field of work.

Table 1
THE CHARACTERISTICS OF RESPONDENTS ACCORDING TO THE DEMOGRAPHIC VARIABLES

Variable	Level	Frequency	Percentage
Academic Level	Bachelor	97	66.90%
	Master's	42	29%
	Doctorate	6	4.10%
	Total	145	100%
Specialization	Accounting	122	84.10%
	Business Administration	17	11.70%
	Financing	4	2.80%
	Economics	2	1.40%
	Total	145	100%
Job Title	Financial Manager	24	16.60%
	Account Manager	21	14.50%
	Audit Manager	19	13.10%
	Chief Auditor	81	55.90%
	Total	145	100
Number of Experience years	5-9 years	33	22.80%
	10-14 years	56	38.60%
	15-19 years	22	15.20%
	20-24 years	24	16.60%
	25-30 years	10	6.90%
	Total	145	100%
Career Certificates	CIA	1	0.70%
	JCPA	30	20.70%
	CPAp	6	4.10%
	CMA	20	13.80%
	Total	57	39.30%

Second: The results of answering the study questions

To test the study questionnaire scale, the degree of support has been divided into three levels (high, medium, and low) according to the scale 1.33=3/(1-5), which is the length of the category as shown in Table 2.

Table 2
LEVELS OF SUPPORT DEGREE

Mean	Support Degree
5.00-3.68	High
3.67-2.34	Medium
2.33-1.00	Low

Research question 1: What are the creative accounting methods used in the Jordanian industrial companies?

As it appears from Table 3, all means indicated an intermediate approval level that ranged (2.92-3.65), where the mean for the first axis total was 3.25 with an intermediate approval degree.

Table 3
THE DESCRIPTIVE ANALYSIS OF THE CREATIVE ACCOUNTING METHODS AND PRACTICES AXIS

No	Method	Mean	Standard Deviation	Degree of Approval	Rank
1	Sales management and timing of revenue recognition by transferring sales of subsequent periods to the current period, or vice versa by using high discounts or increasing the credit period granted for credit sales.	3.275	1.282	Medium	4
2	Managing discretionary expenses by altering thier size and timing such as advertising, research and development, general and administrative expenses.	3.241	1.226	Medium	5
3	Managing production by increasing or decreasing production to control the average unit cost in relation to fixed costs as well as at the level of goods stock at the end of the period to affect the cost of sold goods.	2.924	1.137	Medium	9
4	Manipulating revenues and expenses by using incorrect or fraudulent fake invoices to inflate revenues or expenses.	3.31	1.266	Medium	3
5	Making changes to the exchange rates by adopting incorrect exchange rates.	3.117	2.073	Medium	8
6	Controlling the increase or reduction of provisions and reserves such as the provision for bad debts and others to increase or decrease expenses and revenues.	3.655	1.361	Medium	1
7	Selling fixed assets; for immediate gains, and repurchasing or leasing them later.	3.117	1.511	Medium	7
8	Making unjustified changes to accounting policies and estimaes such as policies related to depreciation or stock valuation, etc., to affect expenses and assets.	3.441	1.388	Medium	2
9	Off-budget Financing by branches or other companies not included in the consolidated statements	3.193	1.375	Medium	6
Creative Accounting Methods and Practices		3.252	0.754	Medium	

Research question 2: What are the motives for practicing creative accounting in Jordanian industrial enterprises?

To answer this question, both researchers used an ordinal scale in which respondents were asked to rank seven motives for practicing creative accounting in industrial companies in terms of importance (Table 4).

Table 4
THE ANALYSIS RESULTS OF THE MOTIVES FOR USING CREATIVE ACCOUNTING IN TERMS OF FREQUENCY, PERCENTAGE, AND RANK

No	Item	Frequency	Percentage	Rank
1	Improve the company's chances of obtaining external funding by influencing the decisions of lenders and investors in the financial market.	28	19%	3
2	The desire of new managers to show losses and attribute them to the poor performance of previous managers.	32	22%	2
3	Achieving individual interests, such as maintaining a career position or obtaining the benefits and rewards associated with achieving targeted levels of performance by senior management.	5	3%	6
4	Income smoothing and controlling disparity in profits over the years to avoid setting high performance expectations by analysts or senior management that will be difficult for management to achieve in the future.	6	4%	5
5	Covering financial and administrative corruption	6	4%	5
6	Avoiding the political costs that large companies may incur because of laws imposed by the state, such as increasing tax rates or imposing high social burdens.	7	5%	4
7	Receiving tax benefits by reducing profits.	61	42%	1
	Total	145	100%	

The questionnaire also included a question to know if the aim of creative accounting practices is to inflate or reduce profits. Table 5 shows the results of purposes of creative accounting practices.

Table 5
RESULTS OF THE ANALYSIS OF THE PURPOSE OF CREATIVE ACCOUNTING PRACTICES (TO INFLATE PROFITS OR REDUCE THEM)

In your opinion, do the creative accounting practices in Jordanian companies aim to inflate profits or reduce them?	Frequency	Percentage
Profit inflation	56	38.60%
Profit reduction	88	60.70%
Neutral	1	0.70%
Total	145	100%

To find out the size of creative accounting practices impact on actual profits, Table 6 shows the results of analyzing this question in terms of frequency and percentage.

Table 6
RESULTS OF THE ANALYSIS OF THE IMPACT SIZE OF CREATIVE ACCOUNTING PRACTICES ON ACTUAL PROFITS

In your opinion, how big is the impact of creative accounting practices on actual profits?	Frequency	Percentage
Up to 25% of actual profits	79	54.50%
More than 25% of actual profits	64	44.10%
Neutral	2	1.40%
Total	145	100%

Research Question 3: What is the effect of creative accounting on the quality of accounting information?

It is clear from Table 7 that respondents agree that creative accounting has an effect on the quality of accounting information and a high mean of (4,136) for all axis questions and a standard deviation of (0.399). Also, the means for the axis questions ranged (3.8000-4.4690), with a high degree of approval.

Table 7
DESCRIPTIVE ANALYSIS OF THE AXIS OF THE IMPACT OF CREATIVE ACCOUNTING ON THE QUALITY OF ACCOUNTING INFORMATION

No	Item	Mean	Standard Deviation	Degree of Approval	Rank
1	The choice of accounting policies that are appropriate to the goals of those in charge of the company or its owners affects the fairness and reliability of the financial statements.	3.806	1.197	High	4
2	Creative accounting practices of all kinds, whether they are consistent with accounting standards and norms or not, affect the quality of accounting information.	4.469	0.697	High	1
3	Creative accounting practices that are consistent with the standards of accounting standards and norms affect the quality of accounting information	3.8	1.058	High	5
4	Creative accounting affects the fair and reliable presentation of financials in the financial statements.	4.255	0.653	High	3
5	Creative accounting affects the ability of analysts and users of financial data to make correct decisions.	4.351	0.74	High	2
	The impact of creative accounting on the quality of accounting information	4.136	0.399	High	

It also appears from Table 8 that respondents expressed a high degree of approval for the item *"creative accounting practices in all their forms, whether they are consistent with accounting standards and norms or not, affect the quality of accounting information"* with a mean of 4.4690, followed by the item *"creative accounting affects the ability of analysts and users of financial statements to make correct decisions about the facility"* with a mean of 4.3517 *"and finally the item"* creative accounting affects the fair and reliable presentation of financials in the financial statements *"with a mean of 4.2552"*.

Research Question 4: What is the ethical dimension of creative accounting?

Table 8
DESCRIPTIVE ANALYSIS OF THE ETHICAL DIMENSION OF CREATIVE ACCOUNTING

No	Item	Mean	Standard Deviation	Degree of Approval	Rank
1	Although some creative accounting practices do not violate the text of the accounting standard and principles, they are considered illegal and unethical because they oppose the objectives of financial reporting.	4.393	0.951	High	1
2	creative accounting is considered a legitimate and ethical behavior if it is applied in a manner that does not violate the form of the prevailing standards and legislations (inverse)	3.282	1.289	medium	3
3	Creative accounting is always illegal and unethical since it aims to present financial statements in a way that does not represent the economic reality	4.337	1.06	High	2
	The ethical dimension of creative accounting	3.999	0.524	High	

Note: * The table included an inverse question (the second question)

Table 8 shows that all mathematical averages indicated a degree of approval that ranged between medium and high, since mean ranged (4.3931-3.2828), and the mean for the overall fourth axis reached 3.9993 with a high degree of approval.

Research Question 5: What are the most important means that can be used to limit creative accounting?

From Table 9, we can see that all means indicated a high degree of approval that ranged (4.2897-3.8621), and the mean for the total axis reached 4.0345 with a high degree of approval.

Table 9
DESCRIPTIVE ANALYSIS OF THE AXIS OF THE MEANS OF LIMITING CREATIVE ACCOUNTING

No	Item	Mean	Standard Deviation	Degree of Approval	Rank
1	Developing a general framework for accounting legislation by financial and regulatory authorities to help limit creative accounting practices.	3.931	0.879	High	5
2	Activating the role of the company's internal control committee to contribute to limiting creative accounting practices.	3.993	0.916	High	4
3	Directing analysts and external users to focus on the cash flow statement, as it is less vulnerable to creative accounting practices, given that creative accounting is based on controlling revenue and expenses, not flows.	3.862	0.886	High	6
4	Effective application of governance procedures to reduce creative accounting practices.	4.11	0.817	High	2
5	Reducing the selection scope of accounting alternatives and treatments in international accounting standards, adopting only one accounting treatment.	4.02	1.017	High	3
6	Activating the role of the auditing profession and the legislation regulating their work, which can be reflected in their independence and professional competence	4.289	0.865	High	1
	Means of limiting creative accounting practices	4.034	0.598	High	

Table 10 shows which stakeholders are most inclined to use creative accounting,

Table 10
RESULTS OF THE MOST LIKELY PARTIES TO USE CREATIVE ACCOUNTING PRACTICES

In your opinion, who are the most likely parties to use creative accounting practices when preparing financial statements

	Accountants	Managers	Auditors	Board of directors
Frequency	32	87	8	18
Percentage	22.10%	60%	5.50%	12.40%
Rank	2	1	4	3

To know the respondents' approaches towards the ease of discovering creative accounting practices, it appears from Table 11.

Table 11
RESULTS OF HOW EASY IT IS TO DISCOVER AND LIMIT CREATIVE ACCOUNTING PRACTICES

	Very easy	Easy	Not sure	Difficult	Very difficult
Frequency	4	23	37	49	32
Percentage	2.80%	15.90%	25.50%	33.80%	22.10%

Third: Hypotheses Testing

Further analyses were performed to test the research hypotheses.

H_1 Examines whether there is a statistically significant effect of creative accounting on the quality of accounting information.

The analysis results of the T-test for one sample shown in Table 12 below show that there is a statistically significant effect of creative accounting methods on the quality of information, since the value of t=18.058 and the significance value is less than 5%. Therefore, the first null hypothesis *"there is no statistically significant effect of creative accounting methods on the quality of information in the Jordanian industrial institutions"* is rejected in favor of accepting the alternative hypothesis *"there is a statistically significant effect of creative accounting methods on the quality of information in companies"*.

Table 12
TESTING RESULTS OF H01

	Mean	t	Sig.
The impact of creative accounting practices on information quality	4.136	18.058	0

The second hypothesis,

H_2, was designed to test whether there are statistically significant differences between the attitudes of auditors and financial managers towards creative accounting.

The analysis results of T-test for two samples shown in Table 13 showed that there were no statistically significant differences between auditors' and financial managers' attitudes towards creatives a, except for the effect of creative accounting on the quality of accounting information. It was shown from the results that there are statistically significant differences for the auditors' and the authors of the financial statements' attitudes towards the effect of creative accounting on the quality of accounting information in the industrial companies listed on the Amman Stock Exchange at the level of significance 5% and in favor of the authors of the financial statements. Financial managers believe in the effect of creative accounting on the quality of financial statements more than auditors. This result is unexpected due to the important role of the external auditor in reducing it.

Table 13
TESTING RESULTS OF H02

Axis	Respondent	Mean	Standard Deviation	Difference	T-Value	Significance
Applicable creative accounting methods and practices	Managers	3.4247	0.74922	0.24914	1.855	0.066
	Auditors	3.1756	0.74797			
The effect of creative accounting on the quality of accounting information	Managers	4.3733	0.20224	0.3433	2.496	0.014*
	Auditors	4.03	1.37968			
The ethical behavior of creative accounting	Managers	3.7029	1.12494	-0.4016	-0.748	0.456
	Auditors	4.1045	0.2733			
Preventive measures to curb creative accounting practices	Managers	3.8382	1.09911	-0.4641	-0.509	0.612
	Auditors	4.3023	0.2468			

Main Findings, Recommendations, and Direction for Future Research

The study revealed that the most important creative accounting methods used in Jordanian manufacturing companies from the respondents' point of view is controlling the increase or reduction of provisions and reserves (e.g., provision for bad debts) to increase or decrease expenses and revenues. Provisions and reserves are considered a discretionary accounting component where companies can inflate the value of the provision in good financial years with the aim of creating a reserve that it can use and reduce in bad years (Torre, 2009). The study also revealed that the most important motive for practicing creative accounting was obtaining tax benefits. Thus, companies seek to reduce revenues and increase expenses in order to reduce profits and thus the company pays lower income taxes. This result is also emphasized by respondents when answering the question related to the goal of practicing creative accounting (reducing profits or inflating profits), given that most respondents believe that creative accounting practices aim to reduce profits. However, respondents also perceive the impact of creative accounting practices on actual profits does not exceed 25% of actual profits.

Regarding the impact of creative accounting on the quality of accounting information, the study revealed that creative accounting practices in all forms, regardless they are inconsistent with accounting standards and norms or not, affect the quality of accounting information. Thus, any distortion or concealment of facts will affect the quality of their information content. This explains the consensus of respondents that creative accounting methods impact inversely the quality of accounting information. In addition, the study revealed that discovering and curbing creative accounting practices is not easy task, and that managers and accountants are the most likely parties to use creative accounting practices. Whereas the most important means to limit creative accounting is to activate the role of the accounting and auditing profession societies and legislations governing their work, which would enhance their independence, neutrality, and professionalism. This was emphasized by respondents' views that auditors, by virtue of their role to uncover these practices, were considered to have the most important role for curbing creative accounting practices and assure users on the reliability and quality of accounting information. However, and surprisingly, the study found that external auditors, compared to financial statements preparers, underestimate the impact of creative accounting on the quality of financial statements.

The study recommends the association of certified public accountants holds specialized training workshops for its members, explaining the negative effects of creative accounting practices on the accounting and auditing professions, how to uncover them, and how these methods will affect the quality of the information provided by companies. Furthermore, it is important to find mechanisms to enhance and raise the rules of professional ethical conduct, as well as directing accountants and auditors to be careful about creative accounting practices and dealing with them with the highest values of ethical behavior, and to activate the role of the auditing profession and the legislation regulating the work of auditors, which will be reflected on their independence enabling them to discover creative accounting practices, not to overlook them, and work to implement effective governance procedures to limit creative accounting practices.

Finally, as with other creative accounting studies, the current study has limitations which provide avenues for future research. The study focused on creative accounting practices from the perspectives of preparers and auditors of manufacturing listed companies. To understand creative accounting practices in other Jordanian listed companies, future research can target companies in other sectors such as banking, services, and retail. In addition, future research can also build on this study to investigate the views of legislators, analysts, and investors on creative accounting practices and its impact on accounting information quality.

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