
Solution of Adapting Creative Accounting Practices: An In depth Perception Gap Analysis among Accountants and Auditors of Listed Companies

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Abstract

Creative Accounting, also known as cosmetic accounting or window dressing, are accounting applications whereby accountants may take advantage of the loopholes in the accounting policies according to the International Accounting Standards (IAS), Generally Accepted Accounting Principles (GAAP). Auditors may also overlook such practices, as they are not considered fraudulent. The concerned parties involved takes advantage of the accounting policy loopholes to make a lucrative financial statement. This research is conducted on the empirical data collected from the auditors and the accountants of the listed companies in Bangladesh to determine the solution of adapting Creative Accounting practices among accountants and auditors. Solution to this practice can be achieved by imposing punitive measures by national bodies, introducing forensic accounting practice, and forensic cell to monitor the practices and compliance, giving emphasis to ethical code of accounting practice, and creating mass awareness among the investors regarding its practice.

Keywords: Creative Accounting; Forensic Accounting; Ethical Code of Practice; Forensic Cell

1 Introduction

Creative Accounting as a practice cannot be eliminated but minimized; here we will

also investigate the gap analysis between the perception of auditors and the accountants in relation to creative accounting solutions in Bangladesh among the listed companies. Creative accounting is accounting practices are not considered illegal, but may be somewhat unethical. Sometimes referred to as Hollywood Accounting, Earnings Management, or Cooking the Books, the idea behind creative accounting practices is often to emphasize the positive aspects of the company's financial situation, while downplaying any negative factors. The techniques of creative accounting change over time as accounting standards change. Many changes in accounting standards are meant to block particular ways of manipulating accounts, which means that intent on creative accounting needs to find new ways of doing things. At the same time, other well-intentioned changes in accounting standards open up new opportunities for creative accounting reporting. Entities follows standard accounting guidelines, use loopholes to twist their earnings numbers just to make crucial numbers such as earnings per share look better. According to several literature reviews, "*creative accounting is a euphemism referring to accounting practices that may follow the letter of the rules of standard accounting practices, but certainly deviate from the spirit of those rules*". The terms "innovative" or "aggressive" are also often used. Further study states that the term as generally understood refers to systematic misrepresentation of the true income and assets of corporations or other organizations. "Creative accounting" is at the root of a number of accounting scandals, and many proposals for accounting reform – usually centering on an updated analysis of capital and factors of production that would correctly reflect how value is added. The term creative accounting is defined from few sources and are as follows: (i) According to MacMillan Dictionary - The practice of showing financial information in a way that gives a false idea but is not illegal; (ii) According to Cambridge Dictionary – The use of methods of recording financial information about a company, etc. which are legal but which do not show the real situation clearly, usually making the company seem more successful than it really is; (iii) According to Longman Dictionary of Contemporary English – The process of using unusual but not illegal ways to change business accounts to make them look better than they really are; (iv) According to Oxford Dictionary – The exploitation of loopholes in financial regulation in order to gain advantage or present figures in a misleadingly favorable light; (v) According to Wiktionary – (Business, euphemistic, sometimes humorous) Financial accounting practices which are usually not explicitly illegal, but which are unorthodox, imaginative, usually misleading, and of questionable ethics; and (vi)

According to Encyclopedia.com creative accounting the exploitation of loopholes in financial regulation in order to gain advantage or present figures in a misleadingly favorable light.

2. Research Methodology

This study combines both primary and secondary data. Secondary data are collected through books, literatures, journals, industrial reviews, company's financial reports, newspaper articles etc. Primary data are collected from the auditors and accountants practicing in Bangladesh. Sampling method used is probability. This should be noted that there are 1263 members in the Institute of Chartered Accountants of Bangladesh (ICAB) as of July 2012 of which 344 are auditors and 919 are qualified accountants (ICAB, 2012). Of these, 344 auditors, represent 158 Chartered Accountant firms in the country, of which 79 Chartered Accountant firms are surveyed (50%) for their response in the category of Auditors. A total of 50 Auditors and 103 Accountants are surveyed from the listed companies as respondents to form an opinion at national level and have a meaningful contribution. Data are collected from the practicing auditors and accountants in Bangladesh by completing the questionnaire through face-to-face survey. Data are analyzed using SPSS version 14.0. Descriptive analysis and T-test are conducted to meet the research objectives and Chi Square test is conducted on the whole data collected to form constructive opinions.

This research survey is conducted in the following manner. Personal interview is carried out in the auditor and accountant's office. It is assisted by an executive face-to-face interview. Keeping in view our questionnaire and all the techniques of survey, the most suitable one is executive face-to-face interview as it confirms to the highest cooperation, availability through appointment and most importantly instantly available feedback. Face-to-face survey is preferred as the questionnaire is very sensitive in nature and many respondents will not feel comfortable responding them in isolation and so face-to-face survey is sought out to be the best alternative for the technique as the questionnaire at times does requires explanation and clarification for the respondent. The anticipated difficulties in conducting the survey were (i) most of the respondents do not want to share their perception about creative accounting techniques, and it's application; (ii) most of the respondents do not want their names or the names of their Chartered Accountant firms to be quoted or referred anywhere during the length of this research. In order to overcome the situation, confidentiality of their identity is ensured

through face-to-face survey. The questionnaire is developed using the 5-point Likert scale and all the data collected are first sorted into two categories (i) accountant and (ii) auditor. After this primary checking, all the respondents' questionnaire are thoroughly checked to ensure all the parts are answered and ticked properly. Then all these data collected are fed in SPSS 14.0 Version. Afterwards, the chi-square tests are performed through MS Excel 2010. Later each data finding is compared with the reference table and comments are made regarding the significance and non-significance of each variables.

3. Research Question

Research question that deals with this empirical study is as follows:

Q.1: Is there any gap in Auditor's and Accountant's perception regarding the solutions for adapting creative accounting practice in Bangladesh?

4. Literature Review

According to Merchant and Rockness (1994) creative accounting "Is any action on the part of management which affects reported income and which provides no true economic advantage to the organization and may in fact, in the long-term, be detrimental". Creative accounting has been defined by Shah (1998) as "the process by which management take advantage of gaps or ambiguities in accounting standards to present a biased picture of financial performance". Merchant and Rockness further highlights that it's the management who portray certain financial statements to look in a certain way as in term it may not provide any economic advantage in real terms". According to Salustro and Leburn (2000) "Crisis periods are actually trials for enterprises; affecting their cash flow and generating risks, that accounting doesn't deal with in a flawless manner. Therefore, managers are tempted to resort to ingenious, more often questionable procedures, for refining accounts presentation." Creative accounting, as a matter of approach, is an objectionable presentation, when unethical elements make intrusion, the resultant accounting details become anything but true and fair. Creativity in such context is like referring to a half glass of water as half-full instead of describing it as half empty. While both statements are literally correct, they paint different pictures and thus convey different images. Creativity in company accounting may arise under at least three different financial market conditions. The first is when a company floats its shares to attract investors to subscribe to such shares either at

par or at a premium. The second is when the company whose shares are already listed in a stock exchange, wants to paint an attractive picture of its financial conditions. Finally, a company having its shares listed in the stock exchange may declare and pay high dividends based on inflated profits through overvaluation of assets, undervaluation of liabilities and change in systems of stock valuation that may boost the image of the company at least in the short run. Unethical considerations in creative accounts have developed to such depths that terms like fraud audit and forensic accounting have gained currency and are becoming new professions. Accounting practitioners and auditors are increasingly required to appear in courts for deposition (Sen and Inanga, 2001). Stolowy and Breton (2003) are among the few interested in the subject of creative accounting daring to suggest a theoretical framework for the understanding of the accounting manipulation practices. The fundamental principle that their theoretical framework is based on is the following: the aim of publishing financial information is that to reduce the costs of the enterprise projects financing. But this reduction depends on the risks to transfer the wealth as they are perceived by the agents on the market. The practical means to operate these transfers are based on the results and the balance between the debts and share capital. Consequently, the purpose of accounting data management is to change these two measures: the variation of the result per share and the relation of liabilities and assets. The result per share can be changed in two ways: either adding or subtracting certain profits or expenses (which represents the change of the net result) or transferring a column from the upstream or the downstream of the results serving as a computation base of the result per share (which is management through classification). The relation between liabilities and assets can be modified by increasing the benefit or hiding certain financings with the help of engagement generating devices off the balance sheet.

Creative accounting is generally the European term and is referred to as earnings management in the United States (Amat and Gowthorpe, 2004). Creative accounting and earnings management practices have been referred to in the literature as income smoothing (DeFond and Park, 1997), window dressing (Teoh et al, 1998) and big bath accounting (Amat and Gowthorpe, 2004). “The reality of an enterprise can be mirrored in several aspects, starting from the atmosphere and the environment where the employees perform their daily activity, through the company’s brand and to the yearly financial statements. This reality, though seen from the perspective of the external environment, capitalized in clients, suppliers, public

institutions, banks, investors etc, is strongly influenced by the subjectivity of the one watching” (Balaciu, et al.2009). Creative accounting refers to accounting practices that may or may not follow the letter of the rules of standard accounting practices but certainly deviate from the spirit of those rules. They are characterized by excessive complication and the use of novel ways of characterizing income, assets, or liabilities. The term creative accounting as generally understood refers to systematic misrepresentation of the true income and assets of corporations or other organizations. Creative accounting is at the root of a number of accounting scandals, and many proposals for accounting reform - usually centering on an updated analysis of capital and factors of production that would correctly reflect how value is added”. Ghosh (2010) states “Creative accounting puts into practice in recent years not only in Bangladesh but also in a lot of developed countries. However, it is marked that the level of window-dressing of company financial statements in some developing countries has significantly desecrated all known ethical standards”. Karim Fowzia and Rashid (2011) emphasized that the practice of creative accounting is now universal and there is now no limitation as to its application. According to Shah (1998), it is said to be “the deliberate steps taken by the management in order to take advantages of the gaps in the rules and regulation of the accounting standard to an extent that the financial presentation will provide the user of the information a rosy picture regarding the state of the affairs of the reporting entity as of a particular date”. In his opinion, Jameson (1988) “appreciates the fact that accounting process in its essence, requires the operation with different motivations, different ideas. From this diversity, arise manipulation, cheating and falsification at some less scrupulous accounting members. It is he who states that these creative accounting practices do not break the law or the accounting standards; therefore, they comply with the law but not its spirit”. According to Hadani et al. (2011), a contrary impact on the quality and credibility of financial reports leads to the increase of informational asymmetries between owners and managers. Pfarer et al. (2008), quoted by Hadani et al. (2011), consider that the manipulation of results reported in the financial statements represents a current practice encountered in public companies. By misleading the investors, the manipulation of results may lead to an inaccurate allocation of temporary resources. A complex vision is provided by Naser (1993), and in his opinion, creative accounting is: “(i) the process through which, due to the existence of some breaches in the rules, accounting figures are manipulated and, taking advantage of the flexibility, they choose those measurement practices allowing the

transformation of the synthesis documents from what they are supposed to be into what the managers want; (ii) the process through which the transactions are structured in such a manner that it allows the ‘production’ of the “desired accounting result.” Almost in the same manner, Trotman (1993) defines creative accounting by appreciating that it is a communication technique having in view the amelioration of the information provided to the investors. Thus, the economic entity presents to the investors or to the prospective investors financial statements passed through the filter of some techniques capable of generating a more favourable image on the market and also the illusion of some more attractive results than it could have provided under normal circumstances. Balaciu, Bogdan and Vladu (2009) stated that creative accounting can still be found under the name of income smoothing, earnings smoothing, cosmetic accounting or accounting cosmetics, financial crafts or accounting crafts. According to (Manciu and Cotlet) ‘Creativity’ is defined as “the ability to create, and produce values” (<http://dexonline.ro/definitie/creativitate>). “Founded on a coherent set of principles, norms and conventions, the accounting provides through its fair view, a criterion of performance and legitimacy. Irrefutably, accounting based on real, true, complete and neutral information, expresses to a great extent the degree of morality of the actors involved in the economic activity: investors, state, employed staff, trade unions, manager, potential investors, etc” (E. Horomnea, 2012). Sen and Inanga (2001) summarize the speech of Jim Kennan, presented before the Australian Society of Accountants, which identified some significant effects of creative accounting. First, there are companies listed on the stock exchange, which show inflated profit and better financial position in their creative accounting statements to attract investors; this creation of accounts just misguides and creates confusion. Yet another purpose of adapting creative accounting technique may be that the managers are interested in paying less taxes and dividends, thus preventing shareholders’ from receiving dividends, the employees from obtaining higher salary and higher profit share, and the authorities from collecting more taxes (Junaid and Asif, 2014).

5. Hypotheses

The following hypotheses are developed in this study:

- 1) HA: Punitive measures against auditor by accounting bodies
- 2) HA: Punitive measures against accountant by accounting bodies

- 3) HA: Introduction of Forensic Accounting and Auditing
- 4) HA: Emphasis on professional ethical codes
- 5) HA: Soundly constituted stock market and SEC
- 6) HA: Creation of mass awareness among investors about malpractice.
- 7) HA: Developing accountant's skill and making Forensic Audit Cell.

We analyze each of the components of the questionnaire and then comment on the finding and discussion.

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E}$$

Where, O = observed frequency; and E = expected frequency

“The calculated value of chi-square is compared with the table value of the chi-square for given degree of freedom at specified level of significance. If the calculated value of chi-square is greater than the table value, the difference between theory and observation is considered to be significant, i.e., it could not arise due to fluctuations of simple sampling. On the other hand, if calculated value of chi-square is less than the table value, the difference between theory and observation is not considered significant, i.e., it could have arisen due to fluctuations of sampling”. (S.P. Gupta & M.P. Gupta – Basic Statistics New Edition 2006-2007)

“In a contingency table, the degree of freedom are calculated in a slightly different manner. The marginal total or frequencies place the limit in our choice of selecting cell frequencies. The cell frequencies of all columns but one (c-1) and of all rows but one (r-1) can be assigned arbitrarily and so the number of degree of freedom for all cell frequencies is (c-1) (r-1) where, c refers to columns and r refers to rows”. (S.P. Gupta & M.P. Gupta – Basic Statistics New Edition 2006-2007).

6. Findings and Analysis

We examine and analyze the part E of the questionnaire that discusses the solution of creative accounting practice. This part of the questionnaire contains 7 questions. Each of the questions are brought into a hypothesis whereby each of them is dealt separately as the respondent responds to the questions. The following analysis is then set forward.

Expected value = (Row sum × column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 5.27$$

Table 1: Observed frequencies (expected frequency) of respondent's opinions taking punitive measures against auditor by accounting bodies

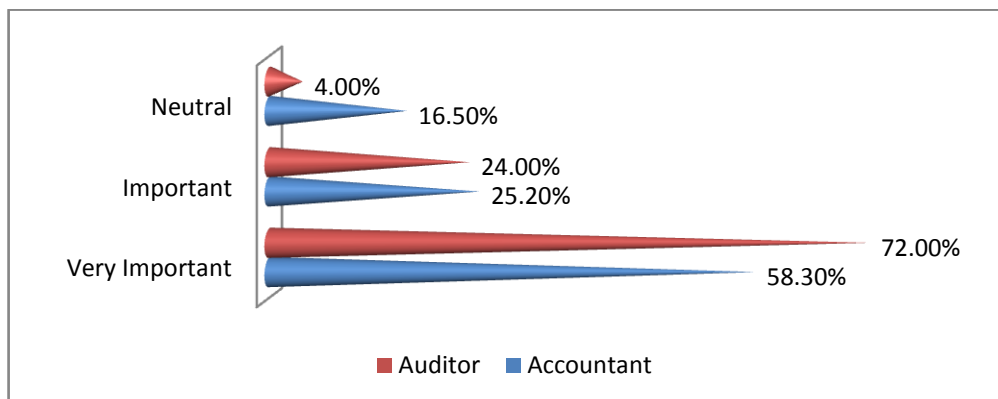
Group	Very Important	Important	Neutral	Total
Accountants	60 (64.63)	26 (25.58)	17 (12.79)	103
Auditors	36 (31.37)	12 (12.42)	2 (6.21)	50
Total	96	38	19	153

The degrees of freedom is $(R-1)(C-1) = (2-1)(3-1) = 2$.

At 5% level of significance, the critical value from G-distribution is 5.99. Since 5.27 is less than 5.99, the decision is to not reject the null hypothesis. So at 5% level of significance, it can be said that there is not enough evidence to support the claim that there is a gap between the opinion of two groups in taking punitive measures against auditor by accounting bodies as a solution to creative accounting practices. Here we can see both the accountants and the auditors responding in similar fashion as they all are in the positive framework of mind to have punitive measures in place. Since the respondents belong to same population i.e., they are members of professional accounting bodies, they have strong reasons to support punitive measures.

Let us examine the graph below to see a clearer picture.

Figure 1 Graphical representation of the analysis of the questionnaire



Responses from 83.50% and 96% of Auditors and Accountants respectively are categorized as important whereas 16.50% and 4% responses are in the 'others' categories respectively. The opinion gap is clearly very close. The analysis shows the same fact i.e. no significant opinion gap exists between two groups in regard to taking punitive measures against

auditor by accounting bodies as a solution of creative accounting practices.

It is to be noted from the observation that that many users of accounting information feel that if auditors perform their duty ethically and with professionalism, then such practice of creative accounting can be easily disclosed, detected and reported as well.

H_0 : The opinion about the importance of taking punitive measures against accountant by accounting bodies is independent of the profession.

And H_A : The opinion about the importance of taking punitive measures against accountant by accounting bodies is dependent of the profession.

Table 2: Observed frequencies (expected frequency) of respondent's opinions taking punitive measures against accountant by accounting bodies.

Group	Very Important	Important	Neutral	Total
Accountants	49 (55.20)	37 (35.68)	17 (12.12)	103
Auditors	33 (26.80)	16 (17.32)	1 (5.88)	50
Total	82	53	18	153

Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 8.30$$

The degrees of freedom are $(R-1)(C-1) = (2-1)(3-1) = 2$.

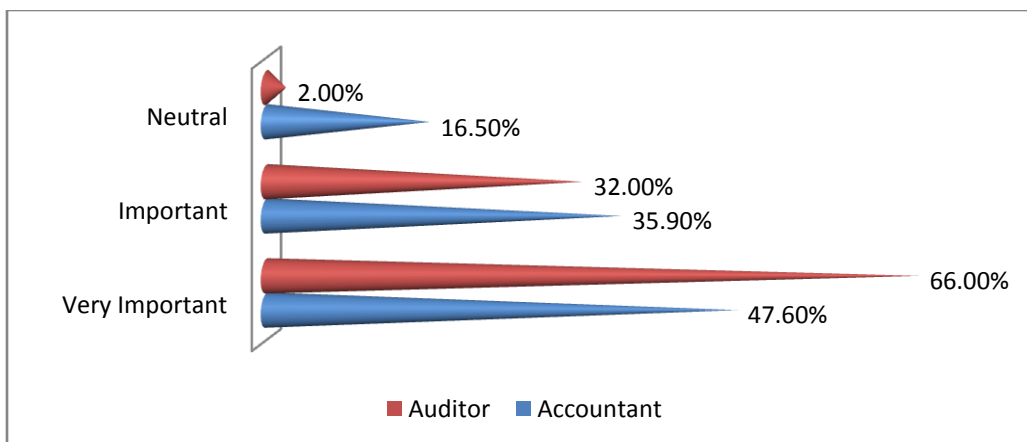
At 5% level of significance, the critical value from G-distribution is 5.99. Since $8.30 > 5.99$, the decision is to reject null hypothesis. So at 5% level of significance, it can be concluded that there is enough evidence to support the claim that opinion is related to (dependent on) profession; that is the accountants and auditors differ in their opinions in taking punitive measures against accountant by accounting bodies as a solution of creative accounting practices.

Here we can see both the accountants and the auditors responding differently. Since the respondents belong to the same population i.e., they are members of professional accounting bodies they have strong reasons to agree to the point that punitive measures should be in place.

Because, the accountants are working for the management, they are simply the employees of an organization. Now, if management gives the accountant a guideline that they want to see a particular set of financial statement and reporting in one particular way then as an employee, the accountant really does not have a lot of option as s/he has to keep the job first. It

is in fact the board of management that must be brought under scrutiny of the punitive measures, because in the eye of law, the person who kills someone is as liable as the person who plotted or masterminded the plot. In this case the accountant is simply carrying out the instructions of the management, as s/he possesses the accounting knowledge to set forward the financial statement and reporting. So, the management board whom actually guidelines their accountants should be also held accountable in punitive measures. The following graph gives a better pictorial understanding of the scenario discussed herewith.

Figure 2: Graphical representation of the analysis of the questionnaire



As per frequency (%) shown in the diagram above, 88.24% respondents believe that taking punitive measures against accountant by accounting bodies is an important solution measure for creative accounting practices. But the analysis shows that the professional accountants and auditor's opinion have difference (dependent on their professions) where auditor's response is 98% compared to that of accountant's 83.50% in identifying punitive action as important measure.

H_0 : There is no difference between the opinions about introduction of Forensic Accounting and Forensic Auditing.

And H_A : There is difference between the opinions about introduction of Forensic

6.1 Accounting and Forensic Auditing

Table 3: Observed frequencies (expected frequency) of respondent's opinions about introduction of Forensic Accounting and Forensic Auditing

Group	Very Important	Important	Neutral & Less Important	Total
Accountants	49 (49.82)	38 (40.39)	16 (12.79)	103
Auditors	25 (24.18)	22 (19.61)	3 (6.21)	50
Total	74	60	19	153

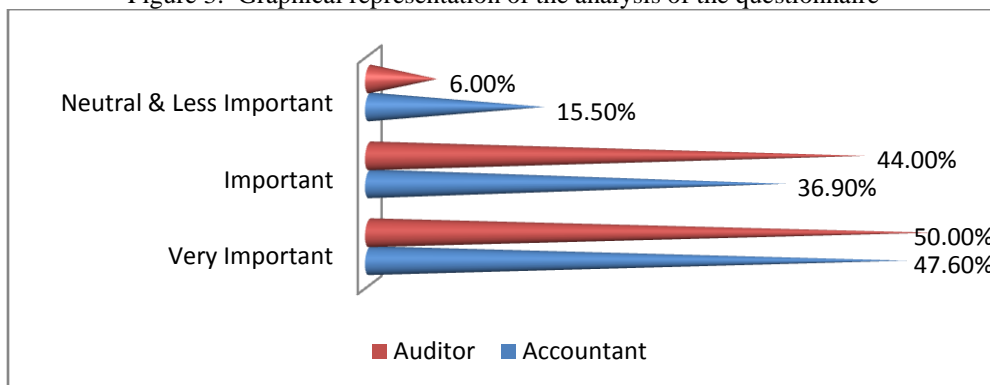
Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 2.94$$

The degrees of freedom are (R-1) (C-1) = (2-1) (3-1) = 2.

At 5% level of significance, the critical value from G-distribution is 5.99. Since 2.94 is less than 5.99, the decision is not to reject null hypothesis. So at 5% level of significance, it can be concluded that there is not enough evidence to support the claim that there is difference between the opinions about introduction of Forensic Accounting and Forensic Auditing as a solution for preventing creative accounting practices.

Figure 3: Graphical representation of the analysis of the questionnaire



Out of 153 respondents, 134 or 87.58% replied that introduction of Forensic Accounting and Forensic Auditing would be an effective solution to prevent creative accounting practices. Both categories of respondent's views are almost similar and analysis reveals that their

opinions under different categories do not have any significant difference.

Like a random visit, the government approved Forensic Auditor can inspect the books of an organization they feel needs to be looked into. So the accountants of those organizations and their external auditors will always be alert that a special forensic auditor and accountant are in place by the government.

The responses are justified as it is the population i.e., they are members of professional accounting bodies and so they have strong ethical reasons to accept that the role of forensic accountant and auditor by forming a special forensic accounts or audit cell is essential.

H_0 : There is no significant difference between the opinions in giving emphasis on professional ethical codes.

And H_A : There is a significant difference between the opinions in giving emphasis on professional ethical codes.

Table 4: Observed frequencies (expected frequency) of respondent's opinions in giving emphasis on professional ethical codes.

Group	Very Important	Important	Neutral & Less Important	Total
Accountants	77 (67.76)	23 (31.85)	3 (3.39)	103
Auditors	23 (32.24)	24 (15.15)	2 (1.61)	49
Total	100	47	5	152

Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 11.67$$

The degrees of freedom are $(R-1)(C-1) = (2-1)(3-1) = 2$.

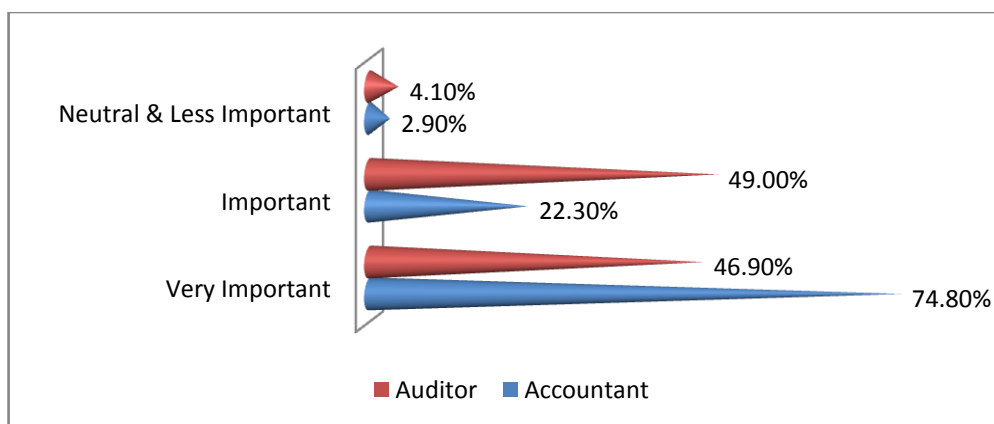
At 5% level of significance, the critical value from G-distribution is 5.99. Since $11.67 > 5.99$, the decision is to reject null hypothesis. So at 5% level of significance, it can be concluded that there is enough evidence to support the claim that there is a significant difference between the opinions in giving emphasis on professional ethical codes. Ethical issues are very subjective and varies from person to person. For instance, if a person sees a glass of water which half drunk. Then if two persons are looking into the glass one person will say the glass is half empty while the other person may say that the glass is half fill with water.

So, that is the reason why the ethical issues are very subjective and it will vary from person to person. The way we look into the perspective of world will obviously will not be the same for two persons.

As individual we are very different from one another in the same manner our values and norms toward ethical issues will be also different. No two person on the planet earth is similar, even twins are not similar as they also have different DNA's.

Let us look into the following graph for a better understanding through pictorial presentations.

Figure 4: Graphical representation of the analysis of the questionnaire



According to the analysis, significant difference exists between the opinions of two groups. But 97.10% accountants and 95.90% of auditors (96.71% of total respondents) had identified that by giving greater importance and emphasis to professional ethical codes by the national accounting bodies and government, creative accounting practices can be minimized. Here in both the situation the accountants – important and very important categories have commented that ethical issues are very vital. On the other hand if we see the auditor's point of view there is perception to the same category is more or less uniform which justifies a significant gap in the perception between both and hence the gap analysis is done accordingly.

H_0 : There is no gap between the opinions of two groups about establishing soundly constituted stock market and Securities and Exchange Commission (SEC).

And H_A : There is a gap between the opinions of two groups about establishing soundly constituted stock market and SEC.

Table 5: Observed frequencies (expected frequency) of respondent's opinions in establishing soundly constituted stock market and SEC.

Group	Very Important	Important	Neutral	Total
Accountants	50 (51.67)	42 (41.61)	10 (8.73)	102
Auditors	27 (25.33)	20 (20.40)	3 (4.28)	50
Total	77	62	13	152

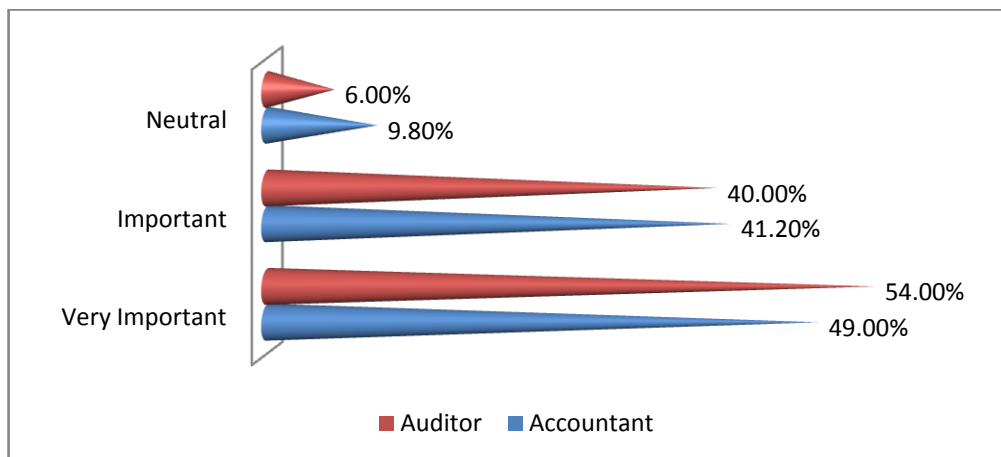
Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 0.74$$

The degrees of freedom are (R-1) (C-1) = (2-1) (3-1) = 2.

At 5% level of significance, the critical value from G-distribution is 5.99. Since $0.74 < 5.99$, the decision is not to reject null hypothesis. So at 5% level of significance, it can be concluded that there is no enough evidence to support the claim that there is a gap between the opinions of two groups about establishing soundly constituted stock market and Securities Exchange Commission (SEC).

Figure 5: Graphical representation of the analysis of the questionnaire



Of course, a soundly constituted stock market and Security and Exchange Commission (SEC) is essential to have a strong grip on the performance of the listed companies. If Securities and Exchange Commission as a regulatory body performs their duty and task well, even if it requires appointing more manpower to scrutinize the regulatory activities of the listed companies. A weaker regulatory body encourages the practice of creative accounting to a higher

extent. If regulatory agency of SEC and if there is a well constituted stock market to monitor as vigilant the activities of the listed companies then in many cases the practice of creative accounting can be minimized to a lot extent if not eliminated.

Let us look into the graph above to have a better picture of the respondents.

Accountants and auditors responded 90.20% and 94% respectively as important whereas 9.80% and 6% response were as others categories respectively. No gap in their opinion is clearly identifiable. And the analysis shows the same fact i.e. there is no gap at all in their opinion between two groups in establishing soundly constituted stock market and SEC to block the practices of creative accounting.

H_0 : There is no difference between the opinions of two groups in creating mass awareness among investors about financial malpractice.

And H_A : There is a difference between the opinions of two groups in creating mass awareness among investors about financial malpractice.

Table 6: Observed frequencies (expected frequency) of respondent's opinions in creating mass awareness among investors about financial malpractice.

Group	Very Important	Important	Neutral, Less Important & Unimportant	Total
Accountants	45 (49.11)	44 (40.25)	14 (13.64)	103
Auditors	27 (22.89)	15 (18.76)	8 (7.19)	50
Total	72	59	20	153

Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 2.31$$

The degrees of freedom are $(R-1)(C-1) = (2-1)(3-1) = 2$.

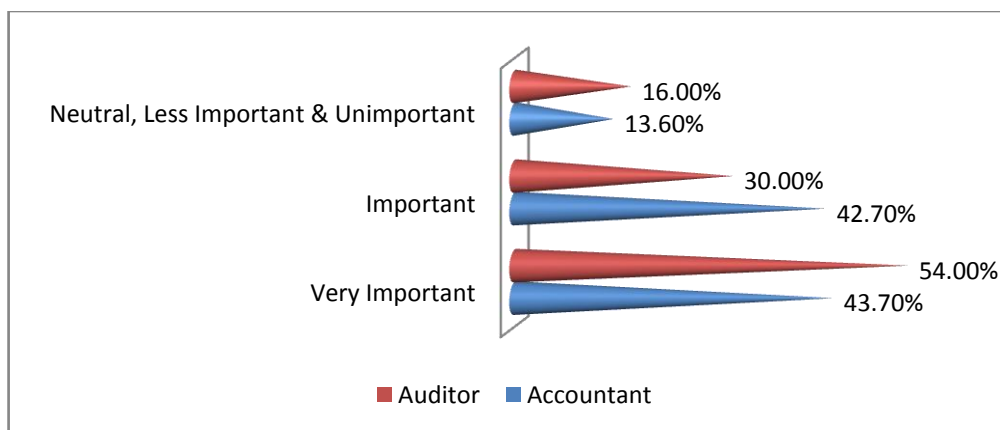
At 5% level of significance, the critical value from G-distribution is 5.99. Since $2.31 < 5.99$, the decision is not to reject null hypothesis. So at 5% level of significance, it can be concluded that there is not enough evidence to support the claim that there is a difference between the opinions of two groups in creating mass awareness among investors about financial malpractice.

Now, there is nothing better than properly training investors and educating them through mass awareness programs at the national level in order to educate them about creative

accounting practices, their methods and techniques and the areas in the financial statements they must carefully look into together with highlighting the importance of safeguarding themselves.

Let us see the graph below to understand it more carefully.

Figure 6: Graphical representation of the analysis of the questionnaire



As creative accounting applicability to boost share price, 86.40% accountants and 84% auditors replied as important. The analysis and diagram indicates both respondents voted almost equally for creating mass awareness among the investors about financial malpractices. So there is no difference between the opinions of two groups. Government should initiate activities regarding creating mass awareness program even at the grass root level. The justification for this is that even at grass root level, there are a lot of investors who play active roles in the stock market of the country. There are approximately 3 million investors, and many of them have inadequate knowledge about the functioning of the market. Many sell all their possessions to invest in the stock market, and such behaviors are considered too risky for someone without any knowledge of the market.

Unfortunately, they have to go through investment brokers who exploit their situation knowing that the investor is novice with zero knowledge of capital market. So, through a mass education and awareness of the methods and techniques of creative accounting at the national level, we educate these investors who have absolutely no financial and capital market knowledge.

H_0 : There is no gap between the opinions of two groups about developing accountant's skills and making Forensic Audit Cell.

And H_A : There is a gap between the opinions of two groups about developing

accountant's skills and making Forensic Audit Cell.

Table 7: Observed frequencies (expected frequency) of respondent's opinions in developing accountant's skill and making Forensic Audit Cell.

Group	Very Important	Important	Neutral	Total
Accountants	55 (57.90)	29 (28.95)	19 (16.16)	103
Auditors	31 (28.11)	14 (14.05)	5 (7.84)	50
Total	86	43	24	153

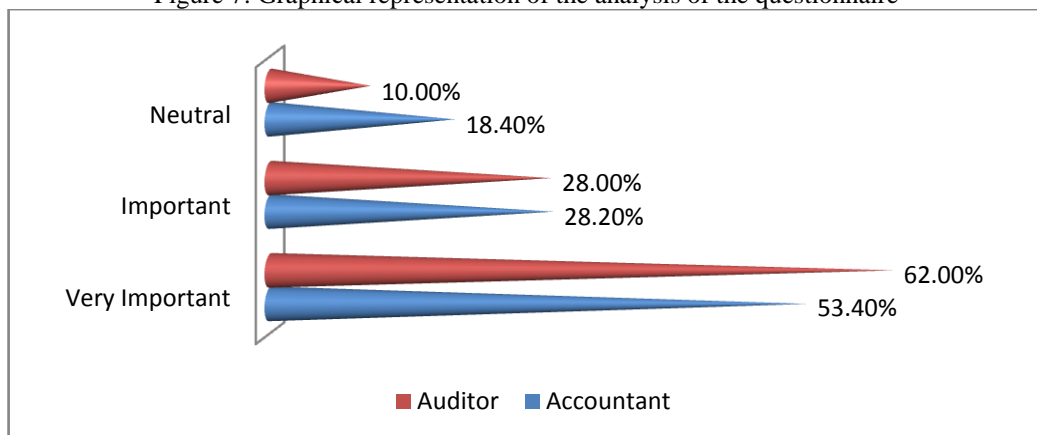
Expected value = (Row sum \times column sum) / Grand total

$$\text{Chi-square value} = \sum \frac{(O - E)^2}{E} = 1.97$$

The degrees of freedom are (R-1) (C-1) = (2-1) (3-1) = 2.

At 5% level of significance, the critical value from G-distribution is 5.99. Since $1.97 < 5.99$, the decision is not to reject null hypothesis. So at 5% level of significance, it can be concluded that there is not enough evidence to support the claim that there is a gap between the opinions of two groups about developing accountant's skill and making Forensic Audit Cell.

Figure 7: Graphical representation of the analysis of the questionnaire



81.60% and 90% Accountants and Auditors respectively responded this as important. No gap in their opinion is clearly identified. And the analysis shows the same fact i.e. there is no gap at all in their opinion between two groups in developing accountant's skill and making Forensic Audit Cell.

7. Conclusion

It is to be noted from our observation that many users of accounting information feel that if auditors perform their duty ethically and with due professionalism, then such practices of creative accounting can be easily disclosed, detected and reported as well. My professional journey during my articleship in chartered accountancy at KPMG discovered that it is a commonly held belief that if auditors practice their profession with professionalism, then there will be no evidence of creative accounting practice.

As per frequency (%) shown in diagram, 88.24% respondents believe that taking punitive measures against accountant by accounting bodies are important as a solution measure of creative accounting practices. But the analysis shows that the professional accountants and auditor's opinion have difference (dependent on their professions) where auditor's response is 98% and that of accountants are 83.50% in identifying this as important.

Out of total 153 respondents, 134 or 87.58% respondents replied that the introduction of Forensic Accounting and Forensic Auditing is important as a solution of creative accounting practices. Both respondents' views are almost similar and analysis reveals that their opinions under different categories don't have any significant difference.

This is not a surprise since the respondents belong to same population i.e., they are members of professional accounting bodies and have strong ethical reasons to accept the role of forensic accountant and auditor by forming a special forensic accounts or audit cell. According to the analysis, 97.10% of accountants and 95.90% of auditors (96.71% of total respondents) had accepted that by giving greater importance and emphasis to professional ethical codes by the national accounting bodies and government, creative accounting practices can be minimized. Here in both the situation the accountants have commented that ethical issues are very vital, by checking the "important" and "very important" box in the questionnaire. And if we see the auditor's point of view, even in the same category, the opinion is more or less uniform which justifies a significant gap in the perception between both and hence the gap analysis is done accordingly.

90.20% of Accountants and 94% of auditors responded as important whereas 9.80% and 6% response were as others categories respectively. No gap in their opinion is clearly identifiable. And the analysis shows the same fact i.e. there is no gap at all in the opinion between two groups in establishing soundly constituted stock market and SEC to block the

practices of creative accounting. As for creative accounting applicability to boost share price, 86.40% accountants and 84% auditors replied that as important. The analysis and diagram indicates both respondents voted almost equally for creating mass awareness among the investors about financial malpractices. So there is no difference between the opinions of two groups. Government should initiate activities regarding how to have mass awareness program even at the grass root level.

Accountants and auditors relied 81.60% and 90% respectively as important whereas 18.40% and 10% respondent's response were as others categories respectively. No gap in their opinion is clearly identified. And the analysis shows the same fact i.e. there is no gap at all in their opinion between two groups in developing accountant's skill and making Forensic Audit Cell.

Analyzing the E part of the questionnaire, it is seen that almost all the respondents agreed to the point that a much stronger regulatory body should be in place to monitor the activities of Accountants and Auditors. There should be the involvement of Forensic Accountant and Forensic Audit Cell. Punitive measures must be in place to avoid such issues. And all the respondents have given great importance on the mass awareness program from the grass root level-up should be implemented in order to make the concept of creative accounting clear to all.

The entire sample of respondents responded equally to the statement that creative accounting practice can be reduced but not completely eliminated. Almost 99% of the respondents in both the categories agreed to the point and emphasized that through better regulatory bodies inspection, this practice can be reduced to a tolerable level but surely cannot be eliminated as the practice of creative accounting is nothing new and goes as back as when the book keeping started.

8. Recommendation

The following recommendations can be listed for a better system of maintaining books of records, Firstly, mass awareness at the grass root level nationally should be implemented to make the potential investor in the stock market aware of the loopholes and educate them on how to read and analyze financial statements. Secondly, better regulatory observation should be established to monitor the reporting entities. Thirdly, introduction of Forensic Audit is crucial as like external audit under the provision of Companies Act, 1994 in Bangladesh. Through

amendment of the Companies Act, 1994, a provision of Forensic Audit can be introduced which will be a monitoring wing and will be under strict surveillance from other regulatory bodies. Fourthly, the accountability of the accountants and auditors must be enhanced for their deeds and if any auditor is found to be involved in committing or assisting in performing financial crime, then strict disciplinary measure must be taken against him/her which may lead to cancellation of the audit license or even cancellation of the Chartered Accountancy degree.

Moreover, extensive course work on ethical issues to be introduced for the Chartered Accountancy study syllabus and including disciplinary measures for violation and breach of trust.

The SEC should be upgraded to keep track of the compliances issues of the listed companies starting from Initial Primary Offer (IPO) issues.

The government should have a ranking policy of the Chartered Accountants firm in Bangladesh that should be published to the users and regularly updated and informed to the users.

Furthermore, a special surveillance audit team should be formed taking into the best possible practicing auditors of the country who on a surprise visit shall visit the audit firm at any time and be powered to check for themselves the audit procedures carried out by any Chartered Accountants firm.

If any irregularities are found, punitive measures should be in place for the wrong doers if found guilty.

However, if management of the client is found guilty of practicing creative accounting or doing such act which may lead to perform of creative accounting techniques and methods then such clients should be brought under surveillance and strict action to be taken against them which may include cancellation of trade license and banning the activities of the organization.

Finally, Institute of Chartered Accountants of Bangladesh (ICAB) awarding the best-presented financial statement every year is greatly appreciable. However, ICAB should also take an initiative to identify and disclose the 10 most poorly presented financial reports of the companies and keep them under scrutiny 3 for years. If these reporting entities do not perform well or keep up with the standards set out by the recipient of the best award then their business activities can come under scrutiny and the auditors performing such level of audit should be brought under supervision to inform potential clients about their misdoings.

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