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The Impact of Creative Accounting Techniques on the Reliability of Financial Reporting with Particular Reference to Saudi Auditors and Academics

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ABSTRACT

Creative accounting plays a significant role in financial reporting but it has been negatively correlated that means more managers involved in it may decrease the value of financial information, this study aims to shed light on the impact of creative accounting ethics techniques on the reliability of financial reporting from auditors and academics point of view. The data has been collected through a well-structured questionnaire is designed and will be distributed to a randomly chosen sample of certified auditors and accounting instructors in some universities. Descriptive and inferential statistics were used to generalize the results and conclude the findings. The result deduces that creative accounting techniques used by management negatively affect the reliability of financial reporting. The statutory auditor plays an important role in promoting creative accounting practice in such way that positively affect the reliability of financial reporting.

Keywords: Creative Accounting, Reliability, Financial Reporting
JEL Classifications: G2, M4

1. INTRODUCTION

In recent years there are many criticisms to accounting profession that it relies on some accounting methods which can provide unreliable and misleading information to the users of this information, which may cause collapse for some companies. The practices and techniques of creative accounting contribute to the breakdown of bigger companies such as Arther Anderson, Enron, World Com, Parmalat, etc., (Norri, 2013; Ajibolade, 2008). Financial accounting reports are produced to show the true and fair state of financial statements of an entity in order to help stakeholders in making appropriate decisions, however, current accounting practices allow different policies and professional judgments in determining the methods of measurement (Beshiru and Prince, 2014). Accounting arose from the need to have a clear situation of everything happening economically and financially in a company, which offered at the beginning prestige and trust of users of accounting information, however over time, more and more scandals that erupted because of infringement of regulations (Voinea, 2013). The phenomenon of creative accounting can be understood as the alteration of the economic reality of an entity through techniques, options, lack of restraints allowed by the legal norms (Radu, 2013). The creative accounting is a tool to support the manager to promote and support the company's image; however, the manager used that information to support his self-interest (Victoria, 2014).

The techniques of creative accounting can be used in an unacceptable way in the preparation of the financial statements in order to meet management needs with regard to the performance of the company, and this leads to the misleading of financial statements (Balacia, 2008). The widespread corruption in the society and the failure of organizations in every part of the world have once more increased the need for accounting professionals to adhere strictly to the codes of professional practice (Ogbonna and Appah, 2012). This corruption has brought to greater scrutiny the work of the accountant from both within the profession and from outside (Aguolu, 2006). However, (Revsine, 1991); offers some defense for the practice of creative accounting based on positive accounting theory and agency relationship between managers and shareholders and argues that each can draw benefits for 'loose' accounting standards that tool up managers with latitude in timing the reporting of income. The positive side of the creative accounting refers to the application of the best options and the ultimate goal being that the information in the financial statements reflects the true and fair view of the financial position (Victoria, 2014). Every profession has a built in the code of ethics to compel ethical behavior on its members (Mathews and Perera, 1996). Any organization that lacks ethical considerations may not survive for a protracted time to achieve its desired goals and objectives and that of its stakeholders (Ogbonna, 2010). Therefore accountants as professionals responsible for the preparation of financial reports need to adhere to the codes of ethical accounting standards to produce reliable, relevant, timely, accurate, understandable and comprehensive financial reports (Ogbonna and Appah, 2012). There are various shareholders need financial reports for decision making on the investment and financial aspect of the organization. So the financial reports generated by accountants should be based on reliable information in order to be understood by the users (Nzotta, 2008). Also, this idea confirmed by (Alexander and Britton, 2000); who noted that the fundamental objective of financial reports is to communicate economic datum about resources and performance of the reporting entity useful to those having reasonable rights to such information.

2. THEORETICAL AND EMIRICAL LITERATURE

From management authority, accountants exercise a set of accounting techniques to influence financial reports which known as the creative accounting. According to (Naser, 1993); creative accounting is the transformation of financial accounting figures from what they actually are, to what preparer's desire by taking advantage of the existing rules. According to (Oriol, 1999); the creative accounting is a process whereby accountants use their knowledge of accounting rules to manipulate the figures reported in the accounts of a business. Creative accounting refers to the use of accounting knowledge to influence the reported figures, while remaining within the jurisdiction of accounting rules and laws, so that instead of showing the actual performance of the company, they reflect what the management deficiency (Ashok, 2015; Algodah et al., 2015).

Management may use different types of creative accounting techniques to manipulate the result represented in the financial statements which complying with all applied accounting standards and other regulations. There are various methods used for creative accounting which can fall into four categories: Different accounting policies, abuse of judgment, artificial transactions (substance over form), and the timing of genuine transactions (Oriol, 1999; Kevin, 2003; Ashok, 2015). According to (Gabar, 2015; Adel and Adarhaman, 2015; Algray and Aseeri, 2013; Norri, 2013; Gaara et al., 2015; Vlora and Albulena, 2014); the techniques that management used for creative accounting are: Window dressing, off balance sheet finance, changes in accounting policies, profit smoothing, capitalizing expenses, contingent liabilities, changes in depreciation policy, etc.

(Nwagboso, 2008); a spell that accounting is a profession that rests heavily on the need to exhibit a high sense of accountability and skepticism, therefore all its members should be adherent by a professional code of conduct. The basic principles of ethical standards that accountants should adherent include integrity, objectivity, competence and due care, confidentiality and professional behavior (Aguolu, 2006; Okezie, 2008; Nwagboso, 2008; Nwanyanwu, 2010); (Diana et al., 2014); show that more than half of the managers questioned answered that they had used accounting manipulation techniques to beautify the image of their companies even though they show a real life. (Kassem, 2012); conclude that the ethical practices of creative accounting are there basically to support the external auditors to enhance their efficiency and accuracy in finding any fraud. (Afolabi and Oluseye, 2013); conducted research on manufacturing firms of Nigeria and they concluded that financial reporting does have an effect on managerial and investment decision making. (Yadav et al., 2014); find out ways that assist in reducing the effect of creative accounting on the statement of financial position, by display quite positive picture of creative accounting practices. (Radu, 2013); explain that although there is a clear difference between creative accounting and deliberate breaking of the law, bought phenomena appear in times of economic distress and are based on the intent to deceive, consequently, even if the use of creative accounting is not always illegal it shows that managers which are under financial pressure look for solutions without obeying certain ethical standards. (Dumitrescu, 2014); derive that companies proceed to smoothing results, which consists of the presentation the trend of profit growth, than to show volatile profits that successively increase or decrease, dramatically. As (Gherai and Balaciu, 2011); predict in their literature, they find that enterprise stake is at risk when it indulges in practices of creative accounting, because these practices give firm only short term benefits, at the end, the enterprise would be surrounded with scandals. (Beshiru and Prince, 2014); clarify that creative accounting practices have a significant effect on commercial banks distress in Nigeria and by implication adversely affect users of accounting information. (Gaara et al., 2015) light that the misuse of creative accounting techniques leads the users of accounting information care continuously concern about creative accounting. (Gherai and Balaciu, 2011); found that most techniques of creative accounting designed for misleading financial statements and condense on self-interest. (Effiok and Eton, 2012); show that the application of creative accounting techniques through the manipulation of financial statements affects the share price and assets value. (Gabar, 2015); conclude that creative accounting techniques effect on the reliability of financial statements. (Alomery and Alameen, 2014); a spell that there is a negative effect of creative accounting techniques on the quality of financial reporting, especially with regard profit manipulation. (Khamangy and Sadeeg, 2015); conclude that the aim of financial information manipulation is to mislead the users of financial reporting through providing information that affects their decisions. According to (Effiok and Eton, 2012); manipulation of accounts may affect the share price and market share of company, so macro manipulation does increase the risk of investor which may cause loss. (Osaze and Henry, 2012); noted that the statistical evidence revealed that creative accounting positively affects firm's value, this being the case, it implies that most investors are not able to see through the financial illusion of creative accounting. (Algray and Aseeri, 2013); find out that most of the creative accounting techniques do not comply with generally accepted accounting principles.

The auditor responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and international standards on auditing, whereas the directors'(accountants) responsibility to prepare the annual report and the financial statements in accordance with applicable accounting standards. (Kevin, 2003); stated that the auditor responsibility is to report on the accounts, to identify whether they have been properly prepared and to provide an opinion on whether they show a true and fair view. (Al Momani and Obeidat, 2013); investigate that to what extent auditor is ethically capable of detecting creative accounting practices, and to what extent auditor's ethics can affect the practices of creative accounting. (Al Momanil and Obeidat, 2013; Gaara, 2012); show that the independence and integrity of external auditor has a bigger effect for discovering the creative accounting techniques. Indeed (Mitchell and Sikka, 1993); claim that audits are now used as loss leaders in order to attract other more lucrative business and there is growing concern that the pursuit of commercial objectives has had a detrimental impact on the quality of audit services. (Ali, 2008); illustrate that the primary responsibility of auditor is to explain in his report to shareholders whether the financial statements give a true and fair view and not contained any creative accounting. However, (Keith, 2010); argue that there is a strategic interaction between auditors and management and that allows management to pick out the economically irrational outcome of behaving ethically even when doing so defies their own financial self-interest. Therefore, (Ihsan, 2008); explain that the substantial reason for Enron collapse that Arthur Anderson as an auditor does not take the absolute responsibility to prevent the company from creative accounting.

Corporate governance can control the practices of creative accounting because it works as an eye If companies can compound its number of outside directors, the social responsibility of company increases because it will be answerable to numerous of people (Fizza and Qaisar, 2015). (Kevin, 2003) argue that the true safeguard for good corporate governance lies in the application of informed and independent judgment by the qualified executive and non-executive directors. (Dumitrescu, 2014); draw that the connection between creative accounting and corporate governance has been much debated within the specialized literature as creative accounting emerged amid the deficiency of corporate governance. (Yadav and Cuzdriorean, 2013); finds that involvement of outsiders director may reduce the practices of creative accounting, and the involvement of professionals in financials decision that can build a trust of stakeholders on enterprise, so, qualified accountants can help companies about the use of creative accounting techniques. (Yadav et al., 2014); also, find out the ways that help to minify the effect of creative accounting on the statement of financial position, they present quite a positive picture of creative accounting practices. According to (Sorin et al., 2012); operation of corporate governance is depends on the structure of the corporation, directors, and their management participation. So, the well-designed structure of audit denies the practices of creative accounting.

The primary objective of financial reporting is to communicate the economic events about the financial performance of the entity. According to (Nzotta, 2008); financial reporting is a critical issue which affects the decision-making process of various individuals, corporate bodies, investors and policy makers. On that direction (Nzotta, 2008); clarify that financial reporting assists the user in rectifying the past and present performance of the organization and its ability to maximize the wealth of the shareholders. (Glautier and Underdown, 2001); infer that the primary objective of financial reporting is to communicate economic information about resources held by an entity and its performances to those having the right to such information. In order to be meaningful and meet its objective, financial reporting should have higher quality. (Abbas et al., 2006); stated that the qualitative characteristics of accounting information that affect the reliability reporting contain: Relevance, reliability, understandability, and comparability (Belkaoui, 2002; Willekens, 2008; Courtis, 2005; Schipper and Vincent, 2004; Beuselinck, 2007; Greg and Mohamed, 2006; Dak, 2005).

Based on literature review, the following hypotheses were generated:

H_1: There is a negative relationship between creative accounting techniques and the reliability of financial reports.

H_2: There is a positive relationship between the roles of statutory auditors in creative accounting practices and the reliability financial reports.

H_3: There is a positive relationship between the commitment to ethical standards and the reliability financial reports.

H_4: There is a positive relationship between the qualitative characteristic of accounting information and the reliability financial reports.

3. METHDOLOGY

This study based on quantitative research design. Primary and secondary data has been used. The primary data were generated through a well-structured 100 questionnaires were distributed randomly to some practitioners of accounting and auditing profession in KSA environment; only 63 respondents have been returned, with response rate of 63% to evaluate the impact of creative accounting ethics techniques on the reliability of financial reporting from auditors and academics point of view. The questionnaire has been arbitrated by a qualified expert to give higher quality and to ensure the specificity and reliability of the questionnaire be realized. The result of the reliability test shows that the designed questionnaire is highly reliable.

In order to obtain a reliable data, the chosen scale items were translated from English into the Arabic language to reduce translation errors and reflect the real meaning and local acknowledge. The first part of the questionnaire contains questions on respondents' characteristics and personal information. The second part of the questionnaire examined the creative accounting techniques, roles of statuary auditors the creative accounting practice, the commitment of ethical standards, and the qualitative characteristic of accounting information. A five-point Likert scale indicators were used, between 1 indicating strongly disagree and 5 indicating strongly agree.

4. ANALYSIS AND RESULT

4.1. Goodness of Measures

The study used several statistical procedures. The descriptive statistics, correlations, Chi-square Test and Cronbach's alpha test were conducted to examine the relationships among variables by using the SPSS 24.0 version. The results of the statistics analyses are described as follows.

4.2. Respondents Demographic Characteristics

Table 1 presents the respondents demographic characteristics. The table shows that: The respondents' ages between (40 and <55 years) is the highest which represent (47.69%) followed by respondents' those between (25 and <40 years) which represent (35.39%) then the respondents' ages (55 years and more) which represent (10.77%) and lastly, the respondents ages (<25 years) which represent (6.15%). Regarding the respondents job title, the majority of them were academics (61.54%), followed by practitioner (38.46%). Concerning for the respondent's educational level, the majority of them were post-graduate education level which represents (81.54%), followed by the level of graduate education (16.93%), and others (1.53%) as a lower ratio. As for the length of respondents' working experiences. The table shows that respondents' whom they have worked (<10 years) were the highest ratio which represents (44.62%) followed by those work (more than 20 years) which represent (29.23%), and those respondents from (10 <20 years) is a lower ratio which represents (26.15%).

4.3. Tests for Response Bias

A test of response bias has been conducted to confirm that there is no systematic response bias (Armstrong and Overton, 1977). To determine whether non-response bias was presented in the study, academics respondents were compared with practitioners respondents along all the descriptive response items in the survey. Accordingly, 40 were considered as academics respondents and 25 respondents were considered as practitioners' responses and to be proxies for non-respondents. To represent academics versus practitioners' responses, a multivariate chi-square test was performed using the respondents' characteristics in order to decide whether significant differences exist between the two groups. Table 2 presents the result of the test. It is clear from the table that no significant differences exist between the academics and practitioners responses. For all the four characteristics of respondents (age, educational level, experiences) the chi-square tests show no significant difference exist between the practitioners and academics responses. It can be concluded that non-response bias is not a serious problem in this study. So, it is safety to join the responses as one sample.

4.4. Reliability Analysis

To test reliability this study used Cronbach's alpha. According to Hair et al. (2010), the lower limit for Cronbach's alpha is 0.70. The results of the reliability analysis summarized in Table 3 confirmed that all the items display a satisfactory level of reliability (Cronbach's alpha exceed the minimum value of 0.70). Therefore, it can be concluded that the measures have an acceptable level of reliability. It is worth mentioning that some items are deleted to increase the reliability to accepted level. The full items statements are displayed in Appendix A.

Table 4 shows the means and standard deviations of the four components of creative accounting: Techniques of creative accounting, the role of statutory auditors in creative accounting practice, the commitment of ethical standards, and the qualitative characteristic of accounting information. The table shows that the Saudi Arabia accounting and auditing profession emphasized more on the qualitative characteristic of accounting information (mean = 4.4308, standard deviation = 0.49115), followed by the commitment of ethical standards (mean = 4.2462, standard deviation = 0.52532), then the role of statutory auditors in creative accounting practice (mean = 4.4154, standard deviation = 0.50054), and the lowest components is the techniques of creative accounting (mean = 4.0744, standard deviation = 0.84678). Therefore, those four dimensions were achieved average mean (mean = 4.2917, standard deviation = 0.40214).

On the other hand also, Table 4 presents the bivariate correlation matrix for the constructs operationalized in this study. The table shows that no correlations near 1.0 (or approaching 0.8 or 0.9) were detected, which indicate that multicollinearity is not a significant problem in this particular data set. Also, the table shows that the average mean in the last column is positively and significantly correlated with the techniques of creative accounting ($r = 0.625$, $P < 0.01$), the role of statutory auditors in creative accounting practice ($r = 0.680$, $P < 0.01$), the commitment of ethical standards ($r = 0.687$, $P < 0.01$), the qualitative characteristic of accounting information ($r = 0.770$, $P < 0.01$) respectively.

4.5. Hypotheses Test

The results in Tables 5 and 6 for weighted mean and standard deviation show that items statement A1.2 and A1.3 which related to the techniques of creative accounting have weighted mean between (3.40 and 4.19) that means agree and item statement A1.1 has weighted mean between (4.20 and 5.00) that means strongly agree of the responses in the variable. Therefore, it can be concluded

Table 1: Respondents demographic characteristics

Variable	Particular	Frequency (%)
Age	<25 years	4 (6.15)
	25 and<40 years	22 (35.39)
	40 and<55 years	30 (47.69)
	55 years and more	7 (10.77)
	Total	63 (100)
Job title	Academic	40 (61.54)
	Professional/practitioner	23 (38.46)
	Total	63 (100)
Educational level	Graduate	11 (16.93)
	Post-graduate	53 (81.54)
	other	1 (1.53)
	Total	65 (100)
Experience	<10 years	29 (44.62)
	10 and<20	17 (26.15)
	20 years and more	19 (29.23)
	Total	65 (100)

Table 2: Chi-square Test for academic and practitioners responses

Chi-square test for differences between practitioners, academics, and both responses	Categories	Academics	Practitioners	Total	Chi-square value	Significant
Age of the respondents	<25 years	2	2	4	13.985	0.030
	25 and<40 years	16	6	22		
	40 and<55 years	19	11	30		
	55 years and more	3	4	7		
	Total	40	23	63		
Educational level	Graduate	3	8	11	19.625	0.033
	Post-graduate	37	13	50		
	Other	0	1	1		
	Total	40	22	62		
Experiences	<10 years	17	9	26	22.082	0.005
	10 and<20	11	6	17		
	20 years and more	10	8	18		
	Non-response	2	0	2		
	Total	40	23	63		

Table 3: Item-total statistics and reliability statistics

Items	Scale mean if item deleted	Scale variance if item deleted	Corrected item-total correlation	Squared multiple correlation	Cronbach's alpha if item deleted	Cronbach's alpha based on standardized items	Cronbach's alpha
A1.1	7.9531	3.410	0.684	0.496	0.690	0.803	0.797
A1.2	8.2344	3.008	0.681	0.500	0.679		
A1.3	8.3125	3.139	0.573	0.329	0.803		
B2.1	13.2462	2.251	0.506	0.262	0.683	0.733	0.729
B2.3	13.1846	2.778	0.488	0.252	0.690		
B2.4	13.2154	2.609	0.517	0.268	0.672		
B2.5	13.3385	2.196	0.590	0.351	0.624		
C3.2	16.6825	5.446	0.547	0.327	0.710	0.770	0.750
C3.3	17.0000	4.516	0.555	0.324	0.691		
C3.4	16.9048	5.088	0.594	0.375	0.688		
C3.5	17.2540	4.225	0.524	0.301	0.711		
C3.6	17.2381	4.765	0.454	0.233	0.732		
D4.2	13.3385	2.665	0.496	0.368	0.653	0.720	0.709
D4.3	13.1846	2.715	0.448	0.343	0.676		
D4.5	13.1692	2.268	0.544	0.378	0.615		
D4.7	13.4769	1.878	0.543	0.399	0.632		

Table 4: Descriptive statistics and Pearson's correlation

Items	Mean±SD	1	2	3	4	5
1. Techniques of creative accounting (As)	4.0744±0.84678	1	0.024	0.051	0.244*	0.625**
2. Role of statutry auditors (Bs)	4.4154±0.50054		1	0.577**	0.548**	0.680**
3. Commitment of ethical standards (Cs)	4.2462±0.52532			1	0.506**	0.687**
4. Qualitative characteristic of accounting information (Ds)	4.4308±0.49115				1	0.770**
4. Average	4.2917±0.40214					1

**Correlation is significant at the 0.01 level (two-tailed), *correlation is significant at the 0.05 level (two-tailed), All variables used a 5-point Likert scale (1=strongly disagree, 5=strongly agree)

that the H_1 (There is a negative relationship between creative accounting techniques and the reliability of financial reports) full supported. Also, the tables for weighted mean and standard deviation show that all items statement B2.1, B2.3, B2.4 and B2.5 which related to the role of statuary auditors in creative accounting practice have weighted mean (between 4.20 and 5.00) that affirms strongly agree of the responses in the variable. Therefore, it can be concluded that the H_2 (there is a positive relationship between the roles of statutory auditors in creative accounting practice and the reliability financial reports) full supported. The results in Tables 5 and 6 for weighted mean and standard deviation show that items statement C3.5 and C3.6 which related to the commitment of ethical standards have weighted mean between (3.40 and 4.19) that means agree and item statement C3.2, C3.3, and C3.4 have weighted mean between (4.20 and 5.00) that assert strongly agree of the responses in the variable. Therefore, it can be concluded that the H_3 (There is a positive relationship between the commitment to ethical standards and the reliability financial reports) full supported. Further, the tables for weighted mean and standard deviation show that all items statement D4.2, D4.3, D4.5 and D4.7 which related to the qualitative characteristic of accounting information have weighted mean (between 4.20 and 5.00) that confirm strongly agree of the responses in the variable. Therefore, it can be concluded that the H_4 (There is a positive relationship between the qualitative characteristic of accounting information and the reliability financial reports) full supported.

5. DISCUSSION

This part of study examines the discussion of relevant findings of the research.

The creative accounting techniques used by management have a negative effect on the reliability of financial reporting. For the relationship between creative accounting techniques and reliability of financial reporting, inferential statistics shows that there is a significant negative interaction between predictor and the dependent variable, especially artificial treatment, off balance finance, and multiplicity of accounting policies (Table 6). This result is emphasized by (Fizza and Qaisar, 2015; Alomery and Alameen, 2014); who conclude that there is a negative effect of creative accounting techniques on quality of financial reporting. However, (Diana et al., 2014); show that more than half of the managers questioned answered that they had used accounting manipulation techniques to beautify the image of their companies even though they show a real life. Also, (Yadav et al., 2014) finds out the ways that helped to reduce the effect of creative accounting on the statement of financial position, by a presenting a quite positive picture of creative accounting practices. For the connection between the role of the statutory auditor and reliability of financial reporting, inferential statistics shows that there is a significant positive relationship between the role of the external auditor in promoting creative accounting practice (Proper planning, qualification, independence, and competence) and reliability of financial reporting. This result is in line with a number of studies: (Al Momani and Obeidat, 2013; Osama, 2012; Mohammed and Mohammed, 2013); who are found that the independence and integrity of statutory auditor has a greater effect on the reliability of financial reporting. However, Keith (2010) argue that there is a strategic interaction between auditors and management and that allows management to choose the economically irrational outcome of behaving ethically even when doing so defies their own financial self-interest. Also, (Fizza and Qaisar, 2015) believe that corporate governance can control the practices of creative accounting because it acts as an eye, If companies can increase its number of outside directors, the social responsibility of company boosts because it will be answerable to many of people. For the relationship between the ethical standards and reliability of financial reporting, inferential statistics shows that there is a significant positive connection between the commitment to ethical standards in accounting profession (integrity, professional conduct, confidentiality, and objectivity) and reliability of financial reporting. This result is supported by. (Kassem, 2012); who conclude that the ethical practices of creative accounting are there basically to help the external auditors and accountant in providing reliable financial accounts. For the connexion between the qualitative characteristics of accounting information and reliability of financial reporting, inferential statistics shows that there is a significant positive correlation between the quality of accounting information (fair presentation, accuracy, timing and consistency of accounting policies) and reliability of financial reporting. This result is confirmed by. (Willekens, 2008; Courtis, 2005); who conclude that the qualitative characteristics of accounting information effect reliability of financial reporting.

5.1. Implications, Limitations and Suggestions for the Study

The results of this study have theoretical and practical implications that could be of interest for directors, auditors, accounting profession, regulators, and who in charge in governance. The first theoretical contribution to good corporate governance focuses on the positive relationship between the role of statuary auditor and the reliability of financial reporting. The second theoretical contribution is the study provide a framework for

Table 5: The weights of respondent's answers

Opinion	Weight	Weighted mean	Level
Strongly disagree	1	From 1.00 to 1.79	Strongly disagree
Disagree	2	From 1.80 to 2.59	Disagree
Neutral	3	From 2.60 to 3.39	Neutral
Agree	4	From 3.40 to 4.19	Agree
Strongly agree	5	From 4.20 to 5.00	Strongly agree

Table 6: The weighted means and directions

Item	Strongly disagree (%)	Disagree (%)	Neutral (%)	Agree (%)	Strongly agree (%)	Weighted mean	Standard deviation	Direction
A1.1	1 (1.54)	3 (4.62)	5 (7.69)	24 (36.92)	32 (49.23)	4.28	0.91	Strongly agree
A1.2	2 (3.08)	5 (7.69)	6 (9.23)	29 (44.62)	23 (35.38)	4.02	1.02	Agree
A1.3	3 (4.69)	5 (7.81)	6 (9.38)	29 (45.31)	21 (32.81)	3.94	1.08	Agree
B2.1	1 (1.54)	0 (0.0)	5 (7.69)	24 (36.92)	35 (53.85)	4.41	0.78	Strongly agree
B2.3	0 (0.0)	0 (0.0)	2 (3.08)	30 (46.15)	33 (50.77)	4.48	0.56	Strongly agree
B2.4	0 (0.0)	1 (1.54)	1 (1.54)	31 (47.69)	32 (49.23)	4.45	0.61	Strongly agree
B2.5	0 (0.0)	2 (3.0)	4 (6.2)	30 (46.2)	29 (44.6)	4.32	0.73	Strongly agree
C3.2	0 (0.0)	0 (0.0)	1 (1.6)	24 (37.5)	39 (60.9)	4.59	0.53	Strongly agree
C3.3	0 (0.0)	3 (4.7)	5 (7.8)	27 (42.2)	29 (45.3)	4.28	0.81	Strongly agree
C3.4	0 (0.0)	0 (0.0)	4 (6.15	33 (50.77)	28 (43.08)	4.37	0.60	Strongly agree
C3.5	0 (0.0)	5 (7.7)	15 (23.1)	22 (33.8)	23 (35.4)	3.97	0.95	Agree
C3.6	0 (0.0)	2 (3.12)	14 (21.88)	28 (43.75)	20 (31.25)	4.03	0.82	Agree
D4.2	0 (0.0)	0 (0.0)	2 (3.1)	36 (55.4)	27 (41.5)	4.38	0.55	Strongly agree
D4.3	0 (0.0)	0 (0.0)	2 (3.1)	26 (40.0)	37 (56.9)	4.54	0.56	Strongly agree
D4.5	1 (1.54)	0 (0.0)	1 (1.54)	23 (35.38)	40 (61.54)	4.55	0.69	Strongly agree
D4.7	1 (1.54)	1 (1.54)	8 (12.31)	26 (40.0)	29 (44.61)	4.25	0.85	Strongly agree

creative accounting techniques that negatively affect the reliability of financial reporting. This study practically contributes to the accounting profession ethics literature by examining the importance and effect of exercising ethical standards on the reliability of financial reporting.

In spite of it's theoretical and practical implications and contributions to the management accounting and reporting literature, this study is subject to some limitations that need be considered. This study is based on participants' responses to given scenarios and there is a risk that the respondents may not have answered the questionnaire honestly. The findings and discussion are limited to the propositions put forward in the questionnaire and such a survey instrument provides limited opportunity to solicit further meanings to participant's responses. The major limitation of this study is that the scope of the research is bounded and sampling method used, thus limiting the generalizability of the results. The study only applied in KSA environment, this could result in an important limitation of the study. The study only considers the view of male gender. The more consideration of the study concentrates on academics view.

The results of the current study open several avenues for additional research. One important area is an evaluation of the effectiveness of the code of professional conduct in constraining creative accounting. The findings of this report suggest that the most experienced members of the profession should be involved in this project. Future research could map out the association of corporate governance features and creative accounting in the KSA environment since no study was been conducted so far in this respect.

6. CONCLUSION

This study explores the impact of creative accounting techniques on the reliability of financial reporting from auditors and academics point of view. Creative accounting techniques have a positive and negative effects. This study only considers the negative effects of creative accounting techniques on the reliability of financial reporting. The negative effects of creative accounting techniques cannot be eliminated completely but it can be reduced to the lower level. Therefore the study found that active corporate governance principles can be used to control the practices of creative accounting by using independent non-executive directors.

Also, the study concludes that the statutory auditor can play an effective role in reducing the effect of creative accounting techniques on the reliability of financial reporting. Additionally also, the study investigates the relationship between regulations and ethical standards, and creative accounting practice.

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Appendix A

N	The phrase	Strongly agree	agree	Neutral	disagre	Strongly disagree
	a. Techniques of creative accounting					
1	The artificial treatment of financial events have a negative impact on the credibility of financial reports					
2	The off balance finance have a negative impact on the credibility of financial reports					
3	The multiplicity of accounting policies and treatments have a negative impact on the credibility of financial reports					
	b. The role of statutry auditor in creative accounting practices					
1	Proper planning for auditing helps in detecting the creative accounting practices					
3	The professional qualification of auditor helps in detecting the creative accounting practices					
4	When the auditor be up todate with accounting work helps in detecting the creative accounting practices					
5	The independence of auditor helps in detecting the creative accounting practices					
	c. Ethical standards					
2	The integrity contribute to the credibility of financial reports					
3	The commitment of professional conduct contribute to the credibility of financial reports					
4	The objectivity of accounting measurement contribute to the credibility of financial reports					
5	Maintaining the confidentiality of company information contributes to the credibility of financial reports					
6	Teaching ethics of creative accounting in educational institutions may increase the credibility of financial reports					
	d. Qualitative characteristics of accounting information					
2	The fair presentation of accounting information have a positive impact on the credibility of financial reports					
3	The aquaracy of accounting information have a positive impact on the credibility of financial reports					
5	The timing of accounting information have a positive impact on the credibility of financial reports					
7	The consistancy of accounting policies have a positive impact on the credibility of financial reports					