

**Impact of creative accounting practices on financial performance**  
**Application study at Mansour Commercial Bank and United Investment Bank**  
**for duration**  
**(2013-2019)**

*Dheyaa Zamil khudhair Assistant Professor Dr.*

*Al-Qadisiyah University: College of Administration and Economics/ Department of Finance and Banking*  
*Abbas Jalil Mohaisen*

**Abstract:**

The main objective of the research is to find out whether there is a practice of creative accounting in Iraqi commercial banks listed on the Iraqi Stock Exchange through the use of one of the modern measurement measures, the Miller model, as well as to know the impact of these practices on the financial performance of these banks, and to achieve this goal the research was applied to Mansour Commercial Bank and United Investment Bank for the period (2013-2019) and has used a range of financial and statistical methods such as regression, correlation coefficient and testing F, T to test the hypotheses of research the research has reached a set of conclusions, the most important of which is: Iraqi commercial banks listed on the Iraqi Stock Exchange practice the sample of research creative accounting through profit management when preparing and presenting financial statements and these practices have a significant negative impact The research concluded with a set of recommendations, the most important of which is: accounting standards makers should reduce management's ability in creative accounting practices by reducing the number of alternatives available in the field of measurement and financial reporting with controls for each alternative, as well as improving the transparency of financial statements through adequate and fair disclosure, and working to introduce accounting ethics as an independent subject within the curriculum of the Accounting Department in Iraqi universities and institutes.

**Keywords:** Creative Accounting, Financial Performance

**Introduction:**

Financial reports aim to provide useful information that helps its users in Performance calendar Financial for the company and predict future cash flows. The reports are prepared Finance is one of the most important sources on which users depend in economic decision-making. These reports are prepared in accordance with accounting principles and standards that allow management to freely Choosing between accounting alternatives appreciation with regard to future events which requires some kind of personal appreciation and management can Take Some accounting procedures that resort to her in pursuit of Behind a formal improvement or real either in its profit or financial position by exploiting the gaps in auditing methods or taking advantage of Flexibility inside Accounting policies and methods that provide accounting standards For the company. Follow in measurement and disclosure methods followed in the preparation of financial statements which affects Negatively In the quality of the information disclosed in to reports Financial, both for profits and for the center. Financial If give this flexibility Administration option in influencing the desired financial results to be reported and consistent with achieving Its objectives It's a kind of opportunity. Improving the financial situation for the company. And hide performance. Financial Actual through the so-called Creative accounting.

**First: Research methodology and previous studies:**

**1: Research methodology:**

**1.1: Search problem**

Creative accounting practices are one of the most serious challenges facing the process of demonstrating the company's real and actual financial performance because of the misinformation it involves to the users of the company's financial statements, and here is the problem of research in the conduct of creative accounting practices by commercial banks listed on the Iraqi Stock Exchange to reach the desired financial results reported and consistent with achieving their objectives. The problem of research can be summarized by the next questions:

1. Are Iraqi commercial banks listed on the Iraqi Stock Exchange practicing creative accounting on their financial lists?
2. Has there been an impact on the financial performance of Iraqi commercial banks listed on the Iraqi Stock Exchange?

### **2.1: Search goals**

The main objective of the research is to identify the role of Iraqi commercial banks listed on the Iraqi Stock Exchange in the practice of creative accounting and to show the impact of creative accounting on the financial performance of these banks, and this main objective includes a set of sub-objectives, the most important of which can be followed by the following:

- 1- To see the extent to which the banking management of Iraqi commercial banks listed on the Iraqi Stock Exchange is exercising creative accounting on their financial lists.
- 2- Determining the impact of creative accounting practices on the financial performance of Iraqi commercial banks listed on the Iraqi Stock Exchange.

Introducing creative accounting in terms of its concept, motives, methods of practice, means of measurement and implications, as well as highlighting the concept of financial performance and its measurement methods.

### **3.1: The importance of research**

1- To indicate the extent of the practice of creative accounting in Iraqi commercial banks listed on the Iraqi Stock Exchange and its impact on financial performance, which benefits the users of the financial statements of those banks, especially investors, in rationalizing their economic decisions, as well as the Iraqi Stock Exchange Authority in rationalizing the decisions and procedures of registering banks and trading their shares, also benefits the audit bodies in increasing their ability to detect misleading practices in the statements of financial statements, as well as the management of the bank in reversing this behavior and issuing financial lists that honestly and fairly reflect the financial position of the bank.

2- Studying a new relationship in accounting thought and literature represented by creative accounting and its impact on financial performance, as these relationships have not been addressed in previous studies.

### **4.1: Search hypotheses**

**First hypothesis:** Commercial banks listed on the Iraq Stock Exchange (IESE) practice creative accounting on their financial lists.

**The second hypothesis:** The relationship of the impact of creative accounting practices on the financial performance of commercial banks has been found in the research sample.

### **5.1: Search limits**

**Spatial boundaries:** This research was applied to a group of private equity firms registered on the Iraqi Stock Exchange banking sector and this sector was selected for its economic and financial importance.

**Time limits:** This research was applied to financial statements for seven years from 2013 to 2019

### **6.1: Community and sample research**

The research community consists of Iraqi private commercial banks listed on the Iraqi Stock Exchange, but a sample was limited to Mansour Commercial Bank and United Investment Bank and was selected for the presence of integrated and audited financial reports from the auditing agencies, as well as it is one of the most active banks in trading their shares during the years and the least interruption of trading from other banks.

### **7.1: Methods of collecting data and information.**

For the purpose of framing the theoretical part of the research, a number of Arab and foreign sources related to the subject of research have been used from specialized scientific books, periodicals and articles as well as the Internet, while the practical part of the research has been used the necessary data for private banks available in the Iraq Stock Exchange Manual for the period (2013-2019) as well as the annual reports of the banks sample research.

### **8.1 Financial and statistical analysis**

**1.8.1: Financial Analysis:** Miller's model as a measure and indicator of creative accounting practices, and return on equity as a measure of financial performance in the banks research sample.

**2.8.1: Statistical analysis methods:** With a view to analyzing the relationships and correlation between research variables, a number of statistical tools were relied upon to reach the results and test the hypotheses of research, including these statistical methods:

1-The use of the arithmetic medium and the standard deviation of both creative accounting measures and financial performance.

2-Use regression analysis to determine the effect of the independent variable on the child variable and determine the relationship between them.

3-Test t, value p and f test to test search hypotheses.

4-Calculating the R link coefficient and the R<sup>2</sup> selection factor.

## **2: Previous studies and the contribution made by the current research**

### **1-2: Study (Ali, 2012) creative accounting practices and their effects on the quality of financial reporting- an applied and exploratory study in a sample of private equity companies listed on the Iraqi Stock Exchange.**

In its theoretical context, this study aims to clarify the genesis and development of creative accounting and its concept, what are the reasons for corporate governance to practice it, and how well these practices affect the quality of financial reporting? And to introduce the most important ways to reduce what contributes to enhancing the quality of financial reporting, but its practical objective is to measure and diagnose creative accounting practices from the actual reality of the study sample and the extent to which it affects the quality of financial reporting, the research has reached a set of conclusions, the most important of which is that there are types of Creative accounting practices have been followed for more than one company and over multiple periods of time, and have shown that the relationship of influence between the variables of the study of creative accounting practices in the quality of financial reporting is negative, confirming that the company's practice of one of the types of creative accounting practices is influential in the specific characteristics of the quality of financial reporting.

### **2-2: (Mulford Study & Comiskey, 2014) The Financial Numbers Game : Detecting Creative Accounting Practices**

The study aims to reach methods that will discover creative accounting methods, and found that the accounting model did not collapse and that financial reporting only needs some adjustments, and at the same time investors must learn how to discover creative accounting and professionals must learn from accountants and managers how to prevent it from happening in their companies through discovery, protection, prevention, and in order to prevent creative accounting.

### **3-2: Study (Boskin, 2015) Does the Global transition imply creativity in the accounting?**

The study sought to briefly show the reasons for the use of creative accounting methods, and the study showed some of these practices and confirmed that there are other areas that are vulnerable to creative accounting techniques in recording financial processes, to represent the performance of the company's work, as well as to stress that flexibility in accounting rules and changes in the environment, whether social, economic or political, including the phenomenon of globalization, are the most important drivers of the use of creative accounting methods.

### **4.2: Study (Zamili,2018) Implications of creative accounting practices on financial statements - theoretical analytical study.**

The research aims to study the knowledge foundations of creative accounting in terms of its concept, areas, methods of application and ethical perspective, as well as to study the most important creative accounting practices related to expenses and revenues and to show the impact of these practices on the financial statements represented by the income list, cash flow list, financial position list and the impact on the decisions of users of accounting information. The research has reached a range of conclusions, the most important of which is that creative accounting is innovative practices through which accountants use their knowledge of accounting rules and laws to process or manipulate the figures recorded in the accounts of economic units in order to achieve specific objectives.

## **5-2: Study (Salemi, Allaq,2018) The role of external auditors in reducing the manifestations of creative accounting in financial statements -study of a sample of auditors for the state of the valley**

The aim of the research is to provide a model of the role of the external auditor in the performance of his tasks to detect and reduce the manifestations of creative accounting in the financial statements, and then we link this role to scientific qualification and academic speciality and they will be at work, through a random sample of auditors coming out of the valley state in 2017, and the study found a strong link with the relationship of expulsion bin Uncle to the external auditor in the performance of his duties and disclosure and reduce the manifestations of creative accounting, and then the existence of a relationship affected by a moral level.

## **6-2:Study (Nomush,2019),modern methods of detecting and reducing creative accounting practices in Algeria, field study.**

This study tries to identify modern methods to detect and reduce creative accounting practices, where the study aimed at beginning and how to arise and identify the concept of creative accounting in addition to analyzing its methods in financial statements as well as finding modern means to detect and reduce them

The biggest challenge of creative accounting is not limited to the technical aspect of accounting, but goes beyond it to the ethical dimension of accountants and is more dangerous to the accounting and auditing profession.

Through the analysis of the most important previous studies and the contribution provided by the current research, we show that some studies touched on the study of the cognitive foundations of creative accounting in terms of its concept, areas, methods of application and ethical perspective, as well as some studies addressed the extent to which creative accounting practices affect the quality of financial reporting? To detect and reduce the manifestations of creative accounting in financial statements, as some of them addressed the beginning and how they arise and learn about the concept of creative accounting in addition to analyzing their methods in financial statements as well as finding modern methods to detect and reduce creative accounting practices, as well as some of them addressed the identification of methods and reasons that led to the use of creative accounting that can often be used in the preparation of financial statements, and that this research shares some atmosphere Previous studies have shown that it seeks to demonstrate the impact of creative accounting practices on the financial performance of Iraqi commercial banks listed on the Iraqi Stock Exchange for the period (2013-2019) as the first studies that combined creative accounting with banking financial performance.

### **Second: the conceptual framework for creative accounting and financial performance.**

#### **1- Definition of creative accounting**

The accounting literature has listed many definitions of creative accounting and the reason for this difference is due to the different views of researchers and writers, each of whom is viewed from a different perspective, and the concept of creative accounting will be identified through the chronology of definitions as follows:

- Transforming accounting procedures from actual reality to in line with management's wishes by taking advantage of current accounting standards or ignoring some or all of them (Qatawneh andALqtisH,2017:104)
- The process of changing accounting figures from the real form to the form required to achieve advantages for the company and its management by disclosing this information by choosing between alternatives to accounting policies or some of it ( Alnatsheh and Al.okde ,2020:832).
- Practices by the management of the company by making accounting decisions that change the profit that will be disclosed, when it has the opportunity to exploit it ( Roman, 2009: 3).
- An activity aimed at shading investors or creating new impressions of companies by using the practices of this method by presenting aspects that they wish to present to investors or changing their impressions of a specific image to another image they wish, such as displaying an escalating or stable profit model (Aga, 2011: 79).

From all of the above, creative accounting revolves around the technical aspect of accounting in different and multiple dimensions: the selection of accounting policies, accounting estimates, disclosure and receivables to achieve personal benefits or to maximize the value of the company, depending on its association with the specific objective desired to be achieved from these accounting practices, whether within the limits of accepted principles or outside them, to influence the accounting figures disclosed in the financial statements, which is an undesirable accounting practice in several respects:

1. Choose managers for accounting policies that deliver their personal benefits that meet or meet the expectations of financial analysts and other stakeholders.
2. Exploiting GAAP gaps and using their own provisions and estimates of certain accounting standards arbitrarily.
3. Mislead stakeholders about the unit's fundamental economic performance, particularly when managers have information that is not available to other stakeholders (asymmetry of information), thereby moving away from disclosure and transparency in the delivery of information and monopolizing it.
4. Even if creative accounting does not clearly violate accounting standards, it is a morally unacceptable practice.

**The researchers consider that creative accounting is the set of methods and procedures carried out by the company with the aim of misrepresenting the accounting figures disclosed in the financial statements in the short term to serve its administrative interests based on flexibility in accounting policies and methods, estimates, disclosure in laws, principles and accounting principles.**

## **2-The motives of creative accounting practices:**

Conflicts of interest between the various parties related to the institution are the main reason for the emergence of creative accounting, the interest of managers is to reduce taxes and distributed profits, the interest of shareholders to maximize the return on their investments, the interest of employees in increasing their various administrative compensations, and officials in collecting more taxes, This multiplicity of interests, although numerous, inevitably led to the spread of creative accounting practices, and the following is a summary of the most important motives and reasons for the emergence of creative accounting: (Hamada,31:2010), (Blond,41:2010) (Bogto, Steh, 2019:6)

- ✓ The company's financial performance is sensitive in order to achieve personal interests that reflect positively on corporate departments to show it beautifully before the Board of Directors.
- ✓ The positive impact on the company's reputation in the markets in order to improve the financial value of its performance.
- ✓ Affecting the company's share price in the financial markets where the aim is to maximize the financial value and thereby improve the share prices of those companies in the financial markets.
- ✓ These are more borrowing from banks.
- ✓ Tax manipulation by reducing profits and revenues and increasing expenses in order to reduce the tax margin.
- ✓ Professional classification in order to obtain an advanced rating of the company over its competitors in the field of work based on financial indicators and standards.

## **3-Creative accounting forms**

Creative accounting has several forms that can be displayed as follows: (3 2014: Mulford & Comiskey,)

**A. Income introduction:** Is a deliberate adjustment of declared income to eliminate the rise and contraction of the normal profit chain with a view to reaching the desired level or trend and reflects the administration's desire to reduce abnormal income deviations to the extent possible or permitted under GAAP.

**B-Earning management:** a term that expresses the process of management's intervention in the field of measurement and accounting disclosure in order to increase or reduce the declared profit number in order to achieve special objectives for the management of the company, i.e. practices that

reflect the desire of management to achieve its predetermined objectives in showing the desired profit number within the flexibility available to it to choose and as permitted by GAAP or other times.

#### **4-Creative accounting results:**

There are results or implications for the use of creative accounting at the short or long level, including:

(Issa, 2008: 19)

##### **A-Devaluation of the company**

There are a lot of decisions taken by the company, especially in the operational aspect with the aim of affecting profits in the short term and may have negative effects on the economic efficiency of the company and also delay optional expenses lead in the long term to negative effects on the performance of the company, for example delayed maintenance, research and development or the process of training workers this leads to the consumption of equipment and a decrease in the level of production and thus the loss of market share of the company.

##### **B-Fading ethical standards**

Even if creative accounting practices are not considered to exceed accounting standards, but in fact they are considered ethically shaded practices by giving the users of the company's financial statements a picture that these practices are acceptable through the atmosphere created by managers that allow the existence of such shady activities such as the request of managers from sales officers to accelerate sales on a given day makes him lose the ethical function that allows him to criticize the methods of sale on another day and this creates a cumulative process of circumvention that leads in the result to significant distortions in future financial statements.

##### **C- Hiding operational management problems**

Creative accounting practices occur not only in senior management but also in operational departments because managers in this department work to process financial statements for the purpose of obtaining rewards or promotions or for the purpose of avoiding criticism of poor performance rather than their circuits, and one of the most important problems in lower management is to hide the problems that occur operationally from senior management and this makes problems accumulate for a long time without treatment.

##### **D-Economic sanctions and financial return**

One such penalty was imposed by the U.S. Stock Exchange on companies that used creative accounting practices, for example, fines imposed on W.R. Grace & Co. which has a capacity of \$1 million, has been asked to recalculate its profits and declare them correctly.

#### **5-Creative accounting methods in financial statements: -**

Creative accounting methods are numerous in financial statements and the most important methods are mentioned below: (Rain, 103:2003)

##### **A-Creative accounting methods in the general budget: The most important methods can be summarized as follows:**

**First: Intangible assets:** Intangible assets are overvalued, as well as accounting recognition of intangible assets contrary to international accounting standards such as non-purchase recognition of fame, as well as unjustified changes in fire methods used to reduce such assets.

**Second: Fixed assets:** Where the principle of historical cost is not adhered to in determining the value included in the budget, the customary extinction ratios of assets are also manipulated by reducing them from those used.

**Third: Current assets:** market prices used to evaluate the portfolio are manipulated, as well as unjustified reductions in lower price allocations.

**Fourth: Cash:** In this item, restricted cash items are not disclosed and exchange rates used to exchange rates are manipulated in the exchange rate of cash items available from foreign currencies.

**Fifth: Debtors:** These are manipulated here by not disclosing non-disclosure of non-performing debts, with the aim of reducing the value of the doubtful debt allocation, and making approved

errors in classifying the accounts of the debtors, from classifying long-term liabilities as current assets in order to improve the liquidity of the institution.

**Sixthly: Long-term investments:** Accounting methods for accounting for long-term investments change from cost to equity.

**Seventh: Potential assets:** where potential assets are proved before they are confirmed, such as proof of the income expected to be collected from a customer's lawsuit before sentencing.

**Eighth: Current liabilities:** such as not including premiums due during the current year from long-term loans in current liabilities, with the aim of improving liquidity ratios.

**ninth. Long-term liabilities:** such as obtaining long-term loans before the budget is announced, with the aim of using them to repay short-term loans, to improve liquidity ratios.

**Tenth: Inventory:** In this item, manipulations and the practice of creative accounting methods are concentrated in including stagnant and outdated items of goods in inventory statements, as well as manipulations of their valuation prices, and an unjustified change in the way inventory is priced.

**Eleven: Shareholders' equity:** such as adding gains from previous years to the current year's net profit, rather than treating it as a previous year's item.

### **B-Creative accounting methods in the income list**

**First: Methods of revenue manipulation: The most important methods can be summarized as follows:**

- (1)- Recognition of revenues prior to the provision of the service or commodity: in this way, the income generated by the sale is recognized accounting and booked before the same process is completed on the ground and before the exchange of benefit is completed.
- (2)- Failure to take into account revenues and transfer them to a financial period that is not really needed is more urgent when the company's conditions in the current year are good and it moves these profits to future periods that the company's management believes can be difficult (Baroudi, 2001: 135)
- (3)-Record fictitious revenues when the company completely fails to collect any revenues and registers fictitious sales in its books to inflate revenues and those recorded sales are usually related to funds received but cannot be considered as revenue resulting from the company's operating activity such as investment sales revenues or fixed asset sales revenues.
- (4)- Manipulation of the IRA DAT rating ,by declaring that the facility has an extraordinary financial capacity under so-called other revenues, which shows the parties involved that there are apparently higher levels of company profits (Crowns, 2012: 8)

**Second: Methods of manipulating expenses: there are many forms of manipulation of expenses, including:**

Capitalization of certain operating expenses and their postponement for subsequent periods that may be related to them or an increase in the number of years in which asset costs or burdens are distributed in the form of extinction(Abu Ajila, 2009: 9)

- (1)- The wrong amount of one-time or unusual (capital) expenses where these expenses are included in the normal expenses items, which in turn distorts income accounts from ongoing operations, or ordinary expenses such as maintenance expenses may be treated as unusual expenses for the purpose of inflating profits, (Abu al-Khair, 2010: 7)
- (2)- Inappropriate conservative policies, resulting in immediate recognition of losses, even if they are not realized, and deferring part of the current profits to the future, and in his genes, any other management team may benefit from these profits.
- (3)- Manipulation of fixed asset extinction expenses, where companies sometimes manipulate the composition and use of allocations in order to control the level of profits achieved in each accounting period in proportion to the expectations they may announce in this regard, by overvaluing the amount of allocations in high-profit accounting periods and thereby reducing the profits of the current period (Zidan, 2006: 11)

**C- Methods of manipulating the list of cash flows**

The cash flow list is subject to management manipulation because of its great importance in expressing the company's real performance, and among the manipulations of this height we find : (Santhing, 2009: 17)

**First:** Manipulating the list of cash flows by paying for research and development and registering them as outflows of investment cash flows and keeping them away from operating cash outflows and thereby increasing net operating flows

**Second:** address inflation in the retained profit figure resulting from the inability to create cash to distribute part of it for long periods by distributing grants in the form of shares rather than dividends in cash in order to ease the accumulation of profits, hide the inability to distribute cash and convince shareholders that there are no major problems in cash management.

**Third:** prolonging the repayment period and tightening collection and other policies, thereby reducing the elements of liabilities

artificially in order to show free cash flows better than they actually are

**Fourth:** The Foundation pays interest on loans that are not related to investment operations on the basis that they are investment expenses for the purpose of excluding them from the operating expenses or main activities of the enterprise in order to create a good and unreal picture of the financial capacity of the institution from its main operations.

**Fifth:** Recording cash flows related to profits and losses resulting from the sale of fixed assets within its operating operations, contrary to the reference of IAS VII, which considered that cash resulting from such operations was considered to be related to investment operations

#### **D-Methods of manipulating the list of changes in property rights:**

The list of property rights changes, the link between the income list and the budget, is determined by monitoring and following up on changes in property rights items from the beginning to the end of the financial period and is based on merit, all elements of the items of this list are vulnerable to the use of creative accounting practices. By making fictitious changes in the increase or reduction of the money paid, as well as the acquired capital and calculated capital, which are exercised to re-estimate the size of previous errors or losses of previous options and foreign exchange balances (Jabbar 2015: 247).

#### **6- Earning management measurement entries:**

##### **A-Income Statement Items Classification Approach Entry**

number of researchers took care of the method of classifying ordinary and unusual paragraphs as a means of measuring management's attempts to manipulate and manage the profits of its companies by changing the classification of some of the usual paragraphs and making them unusual paragraphs

On the contrary, in order to change the declared profit number, there are several models used under this portal. (Vanpraag, 2001 : 20)

##### **B- Variation approach contrast input**

This input is based on measuring the change in corporate profits and comparing it with the change in sales revenues without

The need to estimate non-optional receivables or predict profits and examine expenses, where the pattern is analyzed

Profit and sales behavior during a given period and variability calculation of measurement variables (Eckel, 1981:30)

##### **C-Accounting changes approach**

Corporate management uses the accounting changes portal to change the profit number achieved or to reduce non-deviations

Expected profit levels, taking advantage of the flexibility available in the application of ACCEPTED ACCOUNTING PRINCIPLES

And the possibility of switching from one way to another to influence the profit number and according to this entry is a general estimate (GAAP)

Expected level of profits before and after accounting changes to determine the impact of these changes in reducing deviations



unexpected in profits. (Herman & Inoue, 1996:160)

#### **D- Accruals Approach Dues Entry**

According to this entry, statistical models and indicators are divided into:

##### **First: Models focused on calculating the total benefit and dividing it into compulsory and optional.**

Gross receivables are defined as that non-cash portion of income, measured by the difference between income on a cash basis and income on a maturity basis and the total receivables consist of : (Non-optional receivables: This represents the part of receivables that management does not have the capacity to influence). (Optional dues: this is the part of the receivables that management can influence by increase or decrease, calculated by subtracting non-optional receivables from total dues) and one of the most famous models that used this method (Healy, 1985), (Jones 1995), (Jones, 1991) Rate.

##### **Second: models focused on short-term benefit and long-term entitlement.**

Recently, other profit management forecasting models have emerged that have focused on short-term maturity (working capital maturity), the most famous of which are the Visvanathan, 2006 and Miller models. (2007) The extent to which management uses short-term profit manipulation can be determined by the change in the elements of assets and liabilities in circulation, on the other hand, cash flow from operating activities is less manipulatable than net income prepared according to the basis of maturity, and since the elements of assets and liabilities in circulation are the components of working capital, Miller has developed a relationship ratio. Between the change in working capital as an element prone to manipulation and cash flow from operating activities as a non-manipulative element, if the company is not involved in profit management practices, that relationship will be stable, and this ratio can be used to detect manipulation of profits, as it is zero in the absence of manipulation, but if its value differs from zero, it is indicative of manipulation in a number Profits are calculated according to the following equation: -

$$(\Delta WC / CFO)_{t-0} - (\Delta WC / CFO)_{t-1} = EM$$

$\Delta WC$ : Change in net working capital. CFO: Net cash flow from operating activities.

T-0: This year. T-1: The previous year.

#### **7-The concept of financial performance of banks:**

There is no access to agreement on a specific concept because of differing views on determining the criteria and indicators for which to use, as well as other performance-related variables.

Financial performance is a broadly inclusive concept, involving success, failure, capacity and effectiveness, and since businesses are in a state of constant change, management faces a fundamental issue, namely, modifying its strategic options, and the only way for management to make such an adjustment is to continue to evaluate and control financial performance, so financial performance is a tool to identify the financial situation that exists for banks at a given moment as a whole, Or for a certain part of the performance of these banks above, or for the performance of their shares in the market on a specific day, and for a certain period (Khatib,2010: 44-45) (miller & Bromiley, 1990:757) defined performance as a reflection of the way the organization uses its material and human resources to be able to achieve its objectives, And also the( Zarfi knew him. 78:2013) That the financial performance is to employ the organization's capabilities in clearly setting financial goals and before starting activities, by drawing up a plan to efficiently allocate the optimal allocation of available resources, and structuring fiscal policy to ensure the effectiveness of the financial position expressing the reality of the financial conditions of companies.

After learning about a range of financial performance concepts, we believe that financial performance is an important strategic tool that managers can use to determine the overall performance level of the company, its internal strengths, banks with strong financial performance are more able to respond in dealing with new environmental opportunities and threats, and are under less pressure from stakeholders and rights than other banks with poor financial performance.

#### **8-Indicators of financial performance measurement:**

Financial indicators are important tools for any business builder, through which they can compare their financial performance with their previous performance and evaluate their financial decisions over time, as well as rely on them in the development of future strategies and trade-offs between them, and define them (Zubeidi, 2008, 121) as results or perceptions that give the answer to many questions related to financial or monetary status, as well as the performance of the company and the process of evaluating investment and financing decisions, and

(Samurai, 2014, 98) He defined financial indicators as an important and effective means of identifying the financial performance of any economic company, because these indicators reflect a correlation between each of the paragraphs in the financial statements, and identified them (Vanhorne, 2002, 350) as the tools used to assess the financial situation and performance of the company, and that the analysis of these indicators or ratios and their interpretation give analysts the skill and experience to understand the financial situation and the level of performance of the company, more than they may get from the analysis of financial statements alone, as well as known to them, as well as

(Brigham and Houston, 2007, 102) as those financial indicators that reflect the company's position at a given time and its operations over the past period and therefore its real value lies in the fact that it can be used to predict future revenues and profits, this from the investor's point of view, but from the point of view of management, the analysis of financial statements is useful for predicting future conditions, as it is a starting point for planning actions that would be outrageous to improve future performance.

Indicators or financial ratios are used for most of our daily lives, so when we think about buying a car, we calculate the number of gallons per mile you travel. So is the case when we evaluate a baseball player on the basis of the average strikes he achieves as well as for the basketball player on the basis of the goals he achieves, and these examples that we reviewed reflect the use of ratios in judging a particular person's performance through comparison, as well as financial indicators serve similar purposes but we must understand what is measured and then understand the resulting number for the purpose of using it to estimate and evaluate the operational performance of the company (Block et al, 2011, 56). One of the most important indicators of financial performance is profitability indicators, which are important financial indicators in evaluating banking performance, because the bank's primary objective is to create wealth for owners, as profitability ratios reflect the profits actually achieved in financial statements and focus on estimating actual or potential returns in contrast to the liquidity ratios interested in assessing risks and the following is a set of ratios used in the analysis of the bank profitability index:

**A-Return to total assets:** This ratio shows the amount of profit of the bank from its activities and operations per dinar invested in total assets (Ameri, 2015: 108), as net profits achieved are expressed as percentage of total assets. 2015, 191)

= Net income after tax / total assets \*100%

**B-The ratio of return on total deposits:** In this ratio, the rate of return on each dinar of depositors' funds is measured, as it is possible to know the extent to which the bank is able to make profits from those deposits available to the bank of all kinds and employ them in various investment activities, and this percentage can be obtained from the division of net income after tax on deposits through the following equation: (Madura, 2015: 242) = Net income after tax / total deposits \*100%

**C- Return on equity:** This ratio refers to the link between net profit with private capital, and the higher the return on equity, the more efficient the performance, as this criterion measures the bank's efficiency in the composition of profits per unit of the right to own, it also measures the bank's performance to compare it with other banks and can be calculated according to the following equation: (Melville, 2017: 365)

= net income after tax / property right \*100%

### **9-The relationship of the practice of creativity to thee valuation of the financial performance of banks:**

Creative accounting may be carried out outside or within the limits of GAAP through permitted choices of methods and accounting estimates where the establishment borrows profits from future

accounting periods by accelerating revenues or deferring certain expenses in order to improve current profitability or vice versa the company may transfer profits to future accounting periods by deferring revenues or accelerating expenses through what is known as the "Big Bath" method where the impact of profit management operations is reflected On profitability indicators that these indicators relate to revenues and investments where profits are generated from these two elements, any manipulation of profits or any income and investments affects the results of financial analysis and before that on business results and financial reports management affects financial statements by changing accounting policies and accounting estimates, and by configuring different allocations for expenses and commitments expected to occur in the future in accordance with the consideration of caution and caution, as well as prevailing L To classify items and tab them in financial statements, and then influence financial indicators and user decisions, as well as affect financial statements by choosing the right timing for the application of the new standard (Al-Qathami, Fantasy, 2010:18). Management affects revenue and expense values for the purpose of maximizing the company's profits to express its earnings, and management inflates revenues in many ways, including by reducing expenses through its fees, increasing the number of years of distribution of asset costs or burdens capitalized on them in the form of depreciation;(Abu Nassar,2008: 56). If it is discovered or not revealed, it negatively affects the results of the business, as it is discovered there is a negative reaction by investors to this behavior, which leads to lower stock prices, and if not discovered, the money market shows unreal prices for shares that do not reflect the real performance of the company, and this has a negative impact on the share prices expected not, as the practice of managing profits negatively affects the movement of the capital market now and in the future (Samurai,2013: 48).

### **Third: The practical aspect of the search**

#### **1- Measuring and analyzing creative accounting practices and the financial performance of the banks research sample:**

In order to test the theories of research, the researcher relied to measure creative accounting practices on the application of profit management as one of the latest models used to measure creative accounting practices, as well as objective to adopt it on a statistical basis that provides a clear measure of profit management, as it does not include the development of estimates of expected income or some other variables necessary for measurement, but rather on actual data to avoid the possibilities of error and personal judgment that may accompany the development of estimates, as this model measures profit management by measuring profit management by measuring The relationship between change in working capital (current assets – current liabilities) as an element prone to manipulation of operating cash flow as a non-manipulative element, and the existence of creative accounting practices is reached by comparing the ratio of profit management for the current year with the same ratio as the previous year as it infers the practice of managing profits in a situation where the difference is greater or lower than zero (positive or negative), but if the output is equal to zero in the class The bank is not practicing profit management (creative accounting), as the researcher relied on to measure financial performance on profitability indicators, as a criterion or return index on equity (ROE) was used to measure financial performance, and the quality of profits considered as an indicator of financial performance will be assessed by comparing the actual results with the banking sector standard (Norm Aggregate Industry)(8%) To make performance low, medium, and high, as it measures profitability indicators as a result of the company's business and the efficiency of the policies and operational and investment decisions taken by senior management and its ability to make a profit, the higher the return on equity, the more efficient financial performance and the ability to generate profits as described in the tables below:

#### **1- Mansour Investment Bank (BMNS):**

Tables(1)(2)show the results of measuring creative accounting practices, annual net profit ratio and financial performance of the bank during the research years as shown below: -

Table (1)  
Results of the application of the Miller model of Mansour Bank for duration (2013-2019)

| The year | This year                                 |                               |                                  | Last year.                                |                             |                                  | Accounting Creative EM 7(6-3) |
|----------|---|-------------------------------|----------------------------------|---|-----------------------------|----------------------------------|-------------------------------|
|          | Change in working capital $\Delta WC$ (1) | Cash flow Operational CFO (2) | ( $\Delta WC / CFO$ ) t-0 3(1/2) | Change in working capital $\Delta WC$ (4) | Operating cash flow CFO (5) | ( $\Delta WC / CFO$ ) t-1 6(4/5) |                               |
| 2013     | 28451248410                               | 85297116918                   | 0.3335                           | 139088385836                              | 1256842865000               | -1.1066                          | 1.4402                        |
| 2014     | 242927358                                 | 55443920779                   | 0.0043                           | 28451248410                               | 85297116918                 | 0.3335                           | -0.3291                       |
| 2015     | 2913824686                                | -54586846590                  | -0.0533                          | 242927358                                 | 55443920779                 | 0.00438                          | -0.0577                       |
| 2016     | -7807257454                               | 40250076603                   | -0.1939                          | 2913824686                                | -54586846590                | 0.0153                           | -0.2092                       |
| 2017     | -1775537237                               | 218923520698                  | -0.0081                          | -7807257454                               | 40250076603                 | -0.1939                          | 0.1858                        |
| 2018     | 4024328959                                | 261593695459                  | 0.0153                           | -1775537237                               | 218923520698                | -0.0081                          | 0.0234                        |
| 2019     | -16928133390                              | -43045709395                  | 0.3932                           | 4024328959                                | 261593695459                | 0.0153                           | 0.3778                        |
| Mean     | 1303057333                                | 80553682067                   | 0.0700                           | 23591131508                               | 266252049838                | -0.13                            | <b>0.2044</b>                 |
| S.D      | 1.39821311                                | 1.209261839                   | 0.2236                           | 5.219851949                               | 4.499502005                 | 0.4582                           | 0.5936                        |

Table (2)  
Net profit, EM index and ROE index for Mansour Commercial Bank

| The year | Net profit  | Annual net profit ratio | property right return ROE | CREATIVE ACCOUNTING EM | Practiced/not practiced | Type of practice |
|----------|-------------|-------------------------|---------------------------|------------------------|-------------------------|------------------|
| 2013     | 8278258676  | 6.86                    | 2.9554                    | 1.4402                 | Exercise                | Positive         |
| 2014     | 16908831578 | 14.01                   | 6.0005                    | -0.3291                | Exercise                | Negative         |
| 2015     | 19760368633 | 16.38                   | 8.3062                    | -0.0577                | Exercise                | Negative         |
| 2016     | 14390836687 | 11.93                   | 5.6962                    | -0.2092                | Exercise                | Negative         |
| 2017     | 14833791486 | 12.29                   | 5.5740                    | 0.1858                 | Exercise                | Positive         |
| 2018     | 21164144077 | 17.54                   | 7.8850                    | 0.0234                 | Exercise                | Positive         |
| 2019     | 25278350272 | 20.95                   | 9.0389                    | 0.3778                 | Exercise                | Positive         |
| Mean     | 17230654487 | 14.28                   | 6.4900                    | 0.2044                 | Exercise                | Positive         |
| S.D      | 5487799796  | 4.5485                  | 2.0784                    | 0.5936                 |                         |                  |

**Source: Preparing the researcher based on the calculator outputs of the bank's financial reports for the period (2013-2019)**

Table(2,1)above shows the following:

1-The Bank's practice of creative accounting during the research years when preparing and presenting financial statements through the intended intervention in accounting measurements, disclosure and financial reporting to influence accounting figures by reducing the profits declared by financial lists, reaching the median under the Miller model (0.2044) and a standard deviation (0.5936).

2-There is a difference in the extent to which the Bank practices creative accounting during the research years, as the value of the creative accounting index under the Miller model ranged from the highest positive practice in 2013 to (1.4402), while the lowest practice in the negative direction was recorded in 2014 reaching (-0.3291).

3- Net profit after taxes increased steadily during the research years, as the bank achieved the lowest net profit as a result of its activity in 2013 by (8278258676) dinars and a decrease of (6.86) from the previous year, as a result of a decrease in revenues of(17767025128), while recorded The bank increased its net profit as a result of its activity in 2019 by a sum of (25278350272) dinars and an increase of (19.43) over the previous year, as a result of an increase in revenues of (34788115769) and a decrease in expenses by (984988879) from the previous year.

4-The Bank recorded a decrease in the quality of profits by (ROE) index during all years of research except the years 2018,2015,2019 reaching the highest rate recorded in 2019 (9.03), while the bank recorded its lowest rate in 2013 as It reached (2.9) and the average calculation of the ROE ratio during the research years (6.49), thus obtaining banks a poor assessment of financial performance compared to the standard rate of (8%) due to the fact that the bank is pushing towards increasing profits using creative accounting practices and in accordance with the desire of management. **This means that the bank exercises creative accounting and therefore accepts the first hypothesis for Mansour Investment Bank.**

## 2-United Investment Bank (BUND):

Tables(3)(4)show the results of measuring creative accounting practices, annual net profit ratio and financial performance of the bank during the research years as shown below:-

Table (3)  
Value of The Creative Accounting Index (EM) of the United Investment Bank

| The year | This year                        |                             |                        | Last year.                       |                             |                        | Accounting Creative EM 7(3-6) |
|----------|----------------------------------|-----------------------------|------------------------|----------------------------------|-----------------------------|------------------------|-------------------------------|
|          | Change in capital boomer ΔWC (1) | Operating cash flow CFO (2) | (ΔWC / CFO) t-0 3(1/2) | Change in capital boomer ΔWC (4) | Operating cash flow CFO 5)) | (ΔWC / CFO) t-1 6(4/5) |                               |
| 2013     | 24184258000                      | -102461153000               | -0.2360                | 29334191000                      | 94606560000                 | 0.3100                 | -0.5460                       |
| 2014     | -24990642141                     | -71834413792                | 0.3478                 | 24184258000                      | -102461153000               | -0.2360                | 0.5839                        |
| 2015     | 1180125753                       | 75172459863                 | 0.0156                 | -24990642141                     | -71834413792                | 0.3478                 | -0.3321                       |
| 2016     | -19411862307                     | -61836031902                | 0.3139                 | 1180125753                       | 75172459863                 | 0.0156                 | 0.2982                        |
| 2017     | -2915947694                      | 9639433178                  | -0.3025                | -19411862307                     | -61836031902                | 0.3139                 | -0.6164                       |
| 2018     | 7730143289                       | -49700818870                | -0.1555                | -2915947694                      | 9639433178                  | -0.3025                | 0.1469                        |
| 2019     | 1051834400                       | -1246498760                 | -0.8438                | 7730143289                       | -49700818870                | -0.1555                | -0.6882                       |
| Mean     | <b>-1881727242</b>               | <b>-28895289040</b>         | <b>-0.12</b>           | <b>2158609414</b>                | <b>-15201994931</b>         | <b>0.0419</b>          | <b>-0.16481</b>               |
| S.D      | <b>1.649344094</b>               | <b>6.035056499</b>          | <b>0.4123</b>          | <b>6433971156</b>                | <b>7.6407734290</b>         | <b>0.2813</b>          | <b>0.5038</b>                 |

Source: Preparing the researcher based on calculator outputs for the bank's financial reports for the period (2013-2019).

Table(4)  
net profit, (EM) index and (ROE) index of The United Investment Bank

| The year | Net profit   | Annual net profit ratio | property right return ROE | CREATIVE ACCOUNTING EM | Practice/ Don't practice. | Type of practice |
|----------|--------------|-------------------------|---------------------------|------------------------|---------------------------|------------------|
| 2013     | 30139437000  | 59.47                   | 9.5103                    | -0.5460                | Exercise                  | Negative         |
| 2014     | 21636184749  | 42.69                   | 6.7252                    | 0.5839                 | Exercise                  | Positive         |
| 2015     | 19831113680  | 39.13                   | 6.8746                    | -0.3321                | Exercise                  | Negative         |
| 2016     | 1058973403   | 2.08                    | 0.3683                    | 0.2982                 | Exercise                  | Positive         |
| 2017     | -3130871887  | -6.17                   | -1.0793                   | -0.6164                | Exercise                  | Negative         |
| 2018     | -16798612899 | -33.14                  | -5.6506                   | 0.1469                 | Exercise                  | Positive         |
| 2019     | -2057722269  | -4.06                   | -0.6781                   | -0.6882                | Exercise                  | Negative         |
| Mean     | 7239785968   | 14.285                  | 2.3000                    | -0.1648                | <b>Exercise</b>           | <b>Negative</b>  |
| S.D      | 1.683366229  | 33.21                   | 5.4726                    | 0.5038                 |                           |                  |

Source: Preparing the researcher based on the bank's financial reports for the period(2013-2019).

The tables (4,3) show the highest of the following: -

1.The Bank's practice of creative accounting during the research years when preparing and presenting financial statements through the intended intervention in accounting measurements,

disclosure and financial reporting to influence accounting figures by reducing the profits declared on the financial lists, reaching the median under the Miller model (-0.1648) and a standard deviation (0.5038).

2-There is a difference in the extent to which the Bank practices creative accounting during the research years, with the value of the Creative Accounting Index under the Miller model ranging from the highest positive practice in 2014 to (0.5839) due to its distance from zero, while the lowest practice in the negative direction was recorded in 2019, reaching (-0.6882) due to its proximity to zero.

3-Net profit after tax decreased steadily during the research years, as the bank achieved the lowest net profit in the result of its activity in 2016 by (1058973403) JD and a decrease of (-94.66) from The previous year, while the bank achieved a loss in the result of its activity for the years(2017,2018,2019) reaching (3130871887, 16798612899 ,2057722269)JD, respectively, as a result of lower revenues than in 2016, while the bank recorded the highest net profit as a result of its activity in 2013 by a sum of (30139437000)JD and by An increase of(59.47)over the previous year, as a result of an increase in revenue of(72196365000)and a decrease in expenses by 27535751000 from the previous year.

4-The Bank recorded a decrease in the quality of profits by (ROE) index during all years of research except 2013, reaching the highest rate recorded in 2013 of (9.51), while the bank recorded its lowest rate in 2018 at (-5.6) The average (ROE) ratio during the research years (2.30) was also achieved, thus resulting in banks having a poor assessment of financial performance compared to the standard rate of (8%), due to the fact that the bank is pushing for a reduction in profits using creative accounting practices in accordance with the desire of management.

**This means that the bank exercises creative accounting and thus accepts the first hypothesis for the United Investment Bank. On the basis of all of the above, it can be said that the research sample banks practice creative accounting through profit management, and the first hypothesis is accepted that states (commercial banks listed on the Iraqi Stock Exchange sample research practice creative accounting in their financial lists).**

## **2- Study the relationship of the impact of creative accounting on the financial performance of the banks research sample: -**

This axis aims to test the second hypothesis by relying on simple linear regression analysis as well as the use of the selection coefficient (R<sup>2</sup>) to explain the extent to which the independent variable affects changes in the approved variable as well as beta standard regression coefficient that measures the response of the adopted variable when the independent variable changes to a single standard degree.

The linear equation for simple linear regression, which was adopted within the SPSS21 program, is:  
 $Y = a + b1X1 + e$

In order to give an accurate decision regarding the validity of the hypothesis of the study or not, the significance of the simple linear regression model was tested, using the (F) test, to determine the significance of the model for the purpose of determining the extent of the impact of creative accounting (X) on the financial performance (Y) of the selected banks and each of the banks The research sample is as follows:

### **1- Al-Mansour Commercial Bank BMNS:**

Table (4-3), refers to the estimate of the simple linear regression model, for the purpose of measuring the impact of creative accounting (X) on financial performance (Y) of Mansour Bank, which shows the regression model parameters used according to the approved model and therefore the interpretation of the relationship will be as follows:

Table (6)

The Impact relationship of creative accounting (X) in financial performance(Y) of Mansour Commercial Bank

| VARIABLE INDEPENDENT X / VARIABLE CERTIFIED Y | CONSTANT | CREATIVE ACCOUNTING(X) | VALUE(F)   |                | INTERPRETATION COEFFICIENT R <sup>2</sup> | STANDARD DOWNHILL COEFFICIENT BETA |
|---|----------|------------------------|------------|----------------|---|------------------------------------|
|   | A        | B                      | CALCULATED | SCHEDULING(5%) |   |                                    |
| FINANCIAL PERFORMANCE Y                       | 2.27     | 2.14                   | 11.58      | 3.29           | 0.864                                     | 0.964                              |

**SOURCE/ Researcher preparation based on spss v21 results**

Through the results presented in table (6) we find the following:

1-The value of the interpretation factor (R<sup>2</sup>) amounted to (0.864) i.e. the percentage of changes in financial performance explained by the creative accounting variable (X) is (86.4%) percent, while the remaining percent (13.6%) other variables return.

2-The beta value of (0.964) means that any change in the creative accounting variable (X) by the amount of deviation of a single standard unit will result in a change in financial performance by (96.4%).

3-The calculated value (F) measures the morale of the simple regression model at (11.58) which is greater than its scheduling value (3.29) at a moral level of 5% and freely (12) **which means a morally significant impact relationship between the independent variable (creative accounting) and the dependent variable (financial performance), thus accepting the second hypothesis for Mansour Commercial Bank**

#### 2-United Investment Bank BUND:

Table (3-3) refers to the estimate of the simple linear regression model, for the purpose of measuring the impact of creative accounting (X) on the financial performance of the United Investment Bank (Y), which shows the regression model parameters used according to the approved model and therefore the interpretation of the impairment will be as follows:

Table (5)

Creative Accounting Impact Relationship (X) in Financial Performance(Y) of United Investment Bank

| VARIABLE INDEPENDENT X / VARIABLE CERTIFIED Y | CONSTANT | CREATIVE ACCOUNTING(X) | VALUE(F)   |                | INTERPRETATION COEFFICIENT R <sup>2</sup> | STANDARD DOWNHILL COEFFICIENT BETA |
|---|----------|------------------------|------------|----------------|---|------------------------------------|
|   | A        | B                      | CALCULATED | SCHEDULING(5%) |   |                                    |
| FINANCIAL PERFORMANCE Y                       | 2.13     | 2.9                    | 21.128     | 3.29           | 0.722                                     | 0.921                              |

**SOURCE/ Researcher preparation based on spss v21 results**

Through the results presented in table (5) we find the following:

1-The value of the interpretation factor (R<sup>2</sup>) amounted to (0.722) i.e. the percentage of changes in financial performance explained by the creative accounting variable (X) is (72.02) The remaining percent (27.8%) other variables return.

2-The beta value of (0.921) means that any change in the creative accounting variable (X) by the amount of deviation of a single standard unit will result in a change in financial performance by (92.1%).

3-The calculated value (F) measures the morale of the simple regression model at (21.128) which is greater than its scheduling value of (3.29) at a moral level of 5% and with a degree of freedom. (12)

**This means that there is a morally significant impact relationship between the independent variable (creative accounting) and the dependent variable (financial performance), and therefore the acceptance of the second hypothesis for the United Investment Bank.**

#### **Fourth: Conclusions and recommendations**

##### **Conclusions:**

In the light of the theoretical presentation of the research, and the analytical results of the application aspect, the research reached the asygn.

- 1-Iraqi commercial banks listed on the Iraqi Stock Exchange practice creative accounting through profit management when preparing and presenting financial statements through deliberate interference in accounting measurements and disclosures within the limits of generally accepted accounting principles or outside to influence declared profits.
- 2-There is a statistically significant linear relationship between the practice of creative accounting in Iraqi commercial banks listed on the Iraqi Stock Exchange in general and the research sample in particular and financial performance, thereby accepting a down warde sectional relationship between both the practice of creative accounting and the financial performance of the banks in the research sample.
- 3-There is a statistically significant impact of creative accounting practices on the financial performance of Iraqi commercial banks listed on the Iraqi Stock Exchange in general and the research sample in particular.
- 4-There is a difference in the type and extent of the practice of creative accounting during the research years, as some of these practices lead to increased profits and others reduce profits to a certain level, in the sense that there is a conflict between these practices, which makes corporate management balance and align these practices and to the greatest benefit to them.
- 5-Although management's practice of creative accounting brings special benefits to management in the short term, it has a negative impact on long-term financial performance as a result of negative results on the reputation of companies for investors, lenders and other parties related to the company, as a result of the lack of reliability in the information contained in their financial lists, which has a negative impact on their market value and hence their financial performance and profitability.
- 6-The greatest challenge to creative accounting is not limited to the technical dimension of accounting, but goes beyond it to the ethical dimension of accountants and is more dangerous to the future of the accounting profession.
- 7- Although profitability is influenced by creative accounting practices, it remains the most important indicator in assessing the financial performance of commercial banks, assessing their competitive position in the market, determining the outcome of the bank's business, the efficiency of investment and operational policies and decisions taken by senior management and their ability to make a profit and the most obvious indicator of the progress or decline of management.

##### **Recommendations:**

Based on the conclusions reached, a number of recommendations are made:

- 1-Banks should stop the practices of creative accounting ,because these practices have negative effects on the value and future of the bank.
- 2-The need to educate the users of financial reports about the implications and effects of creative accounting on their decisions, by intensifying efforts between the audit bodies and the Iraqi stock market, universities and institutes through seminars and workshops on these practices.
- 3-Professional bodies and competent authorities should develop and activate legislation and instructions that limit companies' creative accounting practice and impose penalties on them.
- 4-The need to use and adopt statistical methods to reduce the number of accounting figures announced in the financial statements, and to work continuously to develop them with the aim of developing indicators that are based on the quality of accounting figures announced in the financial lists The ability to guide the users of the financial lists in making their decisions, and the recommendation of external auditors to show the ratio of measurement of creative accounting in



financial reports because of its significant impact on the value of the bank and its stock prices and achieve the best quality of accounting information.

5-The need to add a method of accounting ethics in the accounting departments of Iraqi universities and institutes to qualify cadres with the ability to deal with creative accounting practices and to adhere to professional ethics.

Accounting standards setters should limit management's ability in creative accounting practices by reducing the number of alternatives available in the area of measurement and financial reporting with controls for each alternative, as well as improving the transparency of financial statements through adequate and equitable disclosure.

## References:

1. Abu Ajila, Emad Mohamed and Hamdan (2009), Ali, "The Impact of Corporate Governance on Profit Management", International Scientific Forum on the Financial Crisis, Faculty of Economics, Commerce and Management Sciences, Farhat Abbas University, Setif, Algeria.
2. Abu al-Khair, Mudhar Taha, (2010), "The Contemporary Perspective of Accounting Reservation by Applying to Companies Traded on the Egyptian Stock Market", Unpublished Research, Faculty of Commerce, Tanta University, Egypt.
3. Abu Nassar, Mohammed, Hamidat, (2008), "International Accounting standards and reporting theoretical and scientific aspects" Wael Publishing House, Amman.
4. Al Ameri, Mohammed Ali, (2015), "Financial Management", Al-Muhaqr al-Muhaqrat Publishing and Distribution House, Amman, Jordan.
5. Alaga, Emad Salim, (2011), the role of corporate governance in reducing the negative impact of creative accounting on the reliability of financial statements - applied study to Palestinian banks, master's thesis, Al-Azhar University, Gaza.
6. Al-Ashkar, Hani Mohammed, (2010), "Profit management and its relationship to the unexpected returns of the stock and the impact of the relationship on the size of the company", the letter of the Master of the Islamic University, Gaza, Faculty of Commerce, Accounting and Finance.
7. Ali, Ahmed Maher Mohammed, (2012), "Creative Accounting Practices and Their Effects on The Quality of Financial Reporting - Applied and Exploratory Study in a Sample of Private Joint Stock Companies Listed on the Iraqi Stock Exchange" M.A. Letter inKufa- Faculty of Management and Economics, Accounting Department.
8. Al-Khatib, Mahmoud, Financial Performance and Impact on Corporate Equity Returns, First Edition, Dar al-Hamid, Amman, 2010.
9. Al-Natshah, N., & Al-Okdeh, S. (2020). The impact of creative accounting methods on earnings per share. *Management Science Letters*, 10(4), 831-840.
10. Al-Qathami, Fawaz Safir and Al-Khayyya, Tawfiq bin Abdul Mohsen, (2010) "Profit Management in Saudi Joint Stock Companies, Applied Study" *Journal of the Faculty of Commerce for Scientific Research, Alexandria University*, Issue 1 Volume 47
11. Al-Samarrai, Adnan Hashem, (2013), *Financial Management - Quantitative Entrance*, First Edition, Zahran Publishing and Distribution House, Amman, Jordan.
12. Al-Samarrai, Adnan Hashem, (2013), *Financial Management, Quantitative Entrance*, First Edition, Zahran Publishing and Distribution House, Amman, Jordan.
13. Al-Zamili, Ali Abdul Hussein Hani (2018), "Implications of Creative Accounting Practices on Financial Statements: Theoretical Analytical Study, Theoretical Analytical Study" *Journal of Financial and Accounting Studies, Faculty of Commerce, Shahid Hama University for Khader-Wadi*, Volume 8, Issue 9.
14. Al-Zarfi, Mohammed Abdul Amir Attia Hassouni (2013), "The Implications of Banking Liberalization in Strategic Financial Performance, An Application Study of a Sample of Iraqi Private Sector Banks for 1998-2011, Unpublished Master's Letter in Financial and Banking Sciences, University of Karbala.
15. Ashi, Adel, (2002), "Financial Performance of Economic Institutions, Measurement and Evaluation, Case Study of The Cable Industries Foundation in Baskra, Master's Thesis, Faculty of Law and Economics, Mohamed Khedir University, Biskra, Algeria.
16. Atallah Ahmed Sweilem (2009), *Internal Audit and Control in the Accounting Information Systems Environment*, Al Raya Publishing - Distribution, Jordan, i1. P , 17
17. Baroudi, Sherif Mohammed, (2001), "A test study of the quality of financial statements under innovative accounting methods", *Journal of Commercial Thought*, Issue 3, Faculty of Commerce, Ain Al Shams University, Egypt.

18. Block , Stanley , B.,Hirt , Geoffrey , A. and Daninielsen , Bartley , R., (2011) , " Foundation of Financial Management " , 14th ed , McGraw – Hill / Irwin , New York , USA .
19. Bogto, Shatih, Akram (2019),"International Accounting Standards as a Mechanism for Reducing the Effects of Creative Accounting under IT" Journal of Accounting, Audit and Finance, Faculty of Commerce University Dr. Yahya Fares-A-Medea, Volume 1,Issue 1
20. Boskin, Tamara simunaci, (2015), Does the global transition imply creativity in the accounting? congress center bernardinia, 24-26 November.
21. Brigham, Eugene, F.,Ad Houston, Joel, F.,(2007), "Fundamentals of Financial Management" , 11th ed , Jhomson/ South – western , USA .
22. Crowns, Sophistication, (2012), Creative Accounting: Innovative Concepts and Methods to Beautify the Image of Income, Journal of Economics, Issue 12, Faculty of Economics, Commerce and Management Sciences, University of Setif, Algeria.
23. Damodaran , Aswath, (2015) , " Applied Corporate Finance " , 4th ed, wiley and sons , Inc ., USA.
24. Eckel, N, " The Income Smoothing; Hypothesis Revised" Abacus , Vol.17 No.1., 1981.
25. Hamada, Rasha, (2010),"The Role of Review Committees in Reducing Creative Accounting Practices" Damascus University Journal of Economic and Legal Sciences, Volume 26, Issue 2.
26. Healy, P.M. , "The Effect of Bonus Schemes on Accounting Decision", Journal of Accounting and Economics, vol. 7, Issues. 1 – 3, 1985.
27. Herman, D, and Inoue , T " Income Smoothing and Incentives by Operating Condition; An Emprical Test Using Depreciation Changes in Japan ", Journal of International Accounting , Auditing and Taxation, Vol.5, No. 2, 1996.
28. Issa, Samir Kamel Mohammed, (2008),"The Impact of TheQuality of External References on Profit Management Processes", Journal of the Faculty of Commerce for Scientific Research, Alexandria University ,Volume 54, Issue 2, July.
29. Jabbar, Nazim Shaalan, Creative Accounting Methods and Their Impact on The Reliability of Financial Statements, Al Ghari Journal of Economics ,Volume 09, Issue 32, Faculty of Management and Economics, Qadisiyah University, Kuwait, 2015.
30. Jabbar, much more and Mustafa Awadi (2014), creative accounting methods in manipulating financial lists from the perspective of international accounting standards, Journal of Financial and Accounting Studies, Faculty of Economic and Commercial Sciences and Management Sciences, Um Al-Bouaki University, Algeria Volume 3,Issue 1.
31. Jones, J., " Earnings Management during Import Relief Investigations", Journal of Accounting Research", vol. 29, 1991.
32. Martani, D., & Khairurizka, R. (2015). The effect of financial ratios, firm size, and cash flow from operating activities in the interim report to the stock return. Chinese Business Review, 8(6), 44.
33. Matar, Mohammed,(2003), "RecentTrends in Financial Analysis and TheNi Trusts", Wael Publishing and Distribution House, Amman.
34. Miller , G. A. , “ Cash From Operation and Earnings Management In Korea” , The International Journal of Accounting , Vol. 37 , 2007.
35. Miller, K. D., & Bromiley, P. (1990). Strategic risk and corporate performance: An analysis of alternative risk measures. Academy of Management Journal, 33(4), 756-779.
36. Mulford, Comiskey, (2014) The Financial Numbers Game : Detecting Creative Accounting Practices, paper to be presented at the 27th , Annual congress of the European Accounting Association, 1-3 April in pruge, the Czech republic, Mars.
37. Noqmoush, Adel,(2019),"Modern Methods of Detecting and Reducing Creative Accounting Practices in Algeria, Field Study" Journal of Economics and Management, Faculty of Economics, University of Masila, Volume21, No.2.

38. Qatawneh, A., & Alqutish, A. (2017). Critical Examination of the Impact Accounting Ethics and Creative Accounting on the Financial Statements. *International Business Research*, 10(6), 104.
39. Roman , L. Weil , “Quality of Earnings and Earnings Management , The American Institute of Certified Public Accountant , 2009.Available At : [Http: // www. ICPA . Org / Audit Committee Quality of Earnings](http://www.ICPA.Org/AuditCommitteeQualityofEarnings) .
40. Salemi, MohammedDinori, Allaq, Fatima, (2017), "The Role of External Auditors in Reducing Creative Accounting in Financial Statements -Study of a Sample of Auditors for wadiState" *Journal of Financial and Accounting Studies*, Faculty of Commerce, Shahid Hama University for Khader-Wadi, Volume 7, Issue 8.
41. Van Horne , James, C. and wachowicz, Jr., John .M., ( 2008) "Fundamentals of Financial Management" ,13thed, Prentice Hall, Inc.
42. Van Praag , B. ,2001, “Earnings Management : Empirical Evidence On Value Relevance and Income Smoothing” Doctoral Dissertation , Tenbergen Instituted Research Serves , Nether Land
43. Van Praag B. , “ Earnings Management : Empirical evidence on value relevance and income smoothing ” Doctoral dissertation , Ten Bergen institutes Research series, Nether lands, 2001.
44. Visvanathan, G"An Empirical Investigation of 'Closeness to Cash' as a Determinant of Earnings Response Coefficients", *Accounting and Business Research*, 36(2) 2006
45. Zidan, Ibrahim Mohammed, (2006) "Ethical Behavior of Management when Measuring Accounting Income for Business Organizations", Test Study, Faculty of Commerce, University of Menoufia, Egypt.
46. Zubeidi, Hamza Mahmoud (2008), *Advanced Financial Management*, Al-Warraq Publishing and Distribution Corporation, Amman, Jordan.

**Supplement (1)**  
**Balances of a number of budget paragraphs and the calculation of profits and losses of Al Mansour Commercial Bank**  
**For duration (2013-2019)**

| <i>Fora year.</i> | Current assets | Current liabilities | Working capital | Change in working capital | Net cash flow | Net profit before tax | Expense     | Revenue     | Title        |
|-------------------|----------------|---------------------|-----------------|---------------------------|---------------|-----------------------|-------------|-------------|--------------|
| 2011              | 264827996561   | 162416964529        | 102411032032    | -                         | -             | -                     | -           | -           | -            |
| 2012              | 398622886285   | 157123468417        | 241499417868    | 139088385836              | 1256842865000 | -                     | -           | -           | -            |
| 2013              | 778932508703   | 508981842425        | 269950666278    | 28451248410               | 85297116918   | 9742935440            | 8024089688  | 17767025128 | 280106118283 |
| 2014              | 871406578233   | 601212984597        | 270193593636    | 242927358                 | 55443920779   | 20595609357           | 12669942063 | 33299957259 | 281792059172 |
| 2015              | 1060227926103  | 787120507781        | 273107418322    | 2913824686                | -54586846590  | 24203352594           | 13677150632 | 37497886589 | 237898918000 |
| 2016              | 1081829510000  | 816529349022        | 265300160868    | -7807257454               | 40250076603   | 16967428302           | 7863733359  | 24831161661 | 252640494000 |
| 2017              | 1289879370000  | 1026354746006       | 263524623631    | -1775537237               | 218923520698  | 17508753325           | 828636444   | 25795117768 | 266126256000 |
| 2018              | 1536630356000  | 1269081403330       | 267548952590    | 4024328959                | 261593695459  | 24264635758           | 9118228745  | 3338264503  | 268408554000 |
| 2019              | 1432438474000  | 1181817654830       | 250620819200    | -16928133390              | -43045709395  | 30000525687           | 8133239866  | 38126380272 | 279661254738 |

**Supplement (2)**  
**Balances of a number of budget paragraphs and the calculation of profits and losses of the United Investment Bank**  
**For duration (2013-2019)**

| <i>The year</i> | Current assets | Current liabilities | Working capital | Change in working capital | Net cash flow | Net profit before tax | Expense     | Revenue     | Title        |
|-----------------|----------------|---------------------|-----------------|---------------------------|---------------|-----------------------|-------------|-------------|--------------|
| 2011            | 642070629000   | 408379529000        | 233691100000    | -                         | -             | -                     | -           | -           | -            |
| 2012            | 659168799000   | 396143508000        | 263025291000    | 29334191000               | 94606560000   | -                     | -           | -           | -            |
| 2013            | 703241183000   | 416031634000        | 287209549000    | 24184258000               | -102461153000 | 37059264000           | 27535751000 | 72196365000 | 316915074137 |
| 2014            | 542037537706   | 279818630847        | 262218906859    | -24990642141              | -71834413792  | 2633903006            | 19919518917 | 47300615124 | 321716551105 |
| 2015            | 522926078716   | 259527046104        | 263399032612    | 1180125753                | 75172459863   | 22831113680           | 19870650141 | 44820720573 | 288468729258 |
| 2016            | 468685696200   | 224698525874        | 243987170305    | -19411862307              | -61836031902  | 1245851061            | 19550362772 | 23621827332 | 287534465299 |
| 2017            | 463029610100   | 221958387515        | 241071222611    | -2915947694               | 9639433178    | -3130871887           | 30391778775 | 18536978138 | 290096763451 |
| 2018            | 460606659500   | 211805293576        | 248801365900    | 7730143289                | -49700818870  | -16798612899          | 21667850025 | 13593165876 | 297286553972 |
| 2019            | 550695495000   | 300842294735        | 249853200300    | 1051834400                | -1246498760   | -2057722269           | 11383420938 | 9325698669  | 303471677263 |