

INTRODUCTION

„Not everything that is permitted is honest; the laws allow many things, and yet you cannot do them without breaking your conscience.”(Johannes Honterus)

Creativity, as a term associated to the human activity, has a profound positive connotation. Its facets have been imposing the idea of development and improvement through creation.

In accounting, the creativity is associated to the process of using the gaps in the existing regulations, through accounting engineering, with the sole purpose of the manipulation of information provided for the users. In the background, creativity supports the development of regulations, but this sense came into a secondary plan.

Judging by the abundance of literature, creative accounting controversial topic held, and still holds, the headlines of many papers and debates in the field. However, we notice the absence of a common view in professional and academic environments on a clear and unambiguous definition of creative accounting. When we make this claim, we consider various approaches to the concept, including possible approaches to the true and fair view by the professionals, but also the attempts to fraud and to distorted message of the financial reporting. To understand the complexity of the creative accounting concept, in this research we will consider a review of some of the most argued points of view on the size and limits of the concept.

The creative accounting concept is usually used to describe the process through which the accounting professionals apply their knowledge with the purpose of manipulation the figures published in the annual financial statements.

Despite the recognition of the importance of the financial reports in the decision making process, by the importance of users and content of reports, but also by enhancing the activity of the normalization regulators, accounting information is a tool that only partially manages its role to fulfill the objective of give a true and fair view of several possible, on the financial position and performance of an entity . At the beginning of the XXI century, the quality and reliability of financial information presented in the main accounting reports were questioned by the generalized economic crisis, which manifested worldwide and by the financial scandals of large companies (Enron, Parmalat, etc.) . These aspects are based either on the identification of false or taken out of context information, or on the manipulation of the actual situation, phenomena known as creative accounting.

General considerations regarding the research

Pursuing the research and its completion through this thesis imposed establishing the nature, the purpose, and the objectives of the research, its methodology and data that underpin the study. They will be presented below.

The nature, the purpose and the objectives of the research

The creativity in accounting is a much discussed topic today, especially because its valences were recognized with the presentation in the public space of information on financial scandals of our century. Most do not hesitate to put the blame on the professional accountants, they are the “masters” of figures and those to whom it was attributed to the possibility of manipulation of accounting figures and hence the reported accounting information.

These discussions have led to numerous studies of creative accounting, taking into account its two meanings: the negative one, when it is also called bad accounting, and the one found at the limit of legality when considering legislative gaps and options provided by regulations.

The purpose of the research is to define creative accounting in its complexity, given both its positive dimension and negative implications of slipping beyond the limits imposed by law. Also, our approach entails identifying the factors that lead to creative accounting practice and the most popular modeling techniques of the balance sheet and of the income statement. The latter aspect is analyzed both from the theoretical and practical perspective. The theoretical study is completed by a case study that will reflect the valences of the creativity in accounting, both in terms of positive and negative implications.

Objectives envisaged for fulfilling the purpose intend to clarify conceptual issues, but also the practical creativity accounting practices, and include:

- The clarification of the concept of creativity in accounting, of its influencing factors and the motivations that lead to creative accounting practice;
- The identification of the most frequent used modeling techniques of the balance sheet, with their influence on the elements of the financial position (assets, liabilities and equity);
- The creative influence on the financial position also requires the research of the techniques which can affect reporting cash-flows statement, given their role, particularly those from operating activities, in estimating the performance of an organization;
- The classification of the ways in which the income statement can be manipulated, by including expenses or revenues in other groups, thus leading to a modified structure, usually by influencing operational results. Also, one can use altering or smoothing the income;
- The identification of the ways of limiting or controlling the effects of the creative accounting;
- The use of a case study, which includes creative accounting practices and their short-term and long-term effects, found in the accounting journals and reports of three companies from Galați.

The stated objectives allow the development of the research plan, and the most important aspects which are to be detailed in the thesis.

The research methodology

In methodology, the thesis, entitled “*The creative accounting in Romanian economy*”, treats the subject chosen for research using deductive reasoning. Thus, starting from the definitions of creative accounting already established and the techniques for handling components of the annual financial statements from the point of view of management and accounting, we finally reach a case study to demonstrate both positive and negative effects of creative accounting. The case study uses data accompanying theoretical elements from annual reports of three companies for identifying creative accounting techniques.

The study of creative accounting, from both theoretical and practical perspective, has implied, in the first part of the thesis, a *theoretical approach* of the problem. This approach has started with the evolution of the creative accounting concept, it has continued with the presentation of its motivations and forms, and it has ended with the particularization of some instruments and methods which allow the identification of this type of practices.

The theoretical approach of the concepts is based on the *documentary analysis*. This approach has implied attending relevant national and international literature; the analysis of relevant standards and national regulations – International Financial Reporting Standards (IFRS) and OMPF no. 3055/2009 for the approval of the Accounting Regulations in accordance with the European Directives, with subsequent amendments; the analysis of the financial reports of three economic entities, for the comparison of the creative accounting practices.

An important part of research is devoted to the modeling techniques for the annual financial statements (balance sheet, income statement, cash flow statement, notes to the annual financial statements). These manipulation techniques are analyzed both in terms of theoretical and practical perspectives, by providing comparative examples.

The theoretical part of the creative accounting study is finalized with the presentation of some measures and solutions for limiting the practice and/or the effects of creativity in accounting. Between them, one can identify the corporate governance and its instruments, the use of true and fair view, the call for ethics, and, not least, the reaffirmation of the audit as a guarantee for the true and fair view and for quality in financial reporting, with the sole purpose of supporting the users' decision making process.

The second part of the research is dedicated to the *practical approach of the creative accounting concept*, through a case study which compares the financial statements of three private sector companies. The purpose of the study is to prove the complexity of the creative accounting concept, by presenting both its positive and negative characteristics and implications, using *comparative analysis*. This technique has been used especially for the analysis of the effects of using creative accounting, in different periods of time.

In analyzing the proposed theme, we have considered different approaches to the concepts specific to the research area chosen, the provisions of international and national regulations and the economic reports published by private sector entities, in order to identify practical and theoretical valences of the researched field. Thus, the *qualitative data analysis* will be joined along the way by *quantitative analysis techniques*: clustering, tabulating, the use of figures, calculating specific indicators.

Also, the analysis of the data which led to the identification of the creative accounting effects and to the determination of some representative indicators, starting from the data in the annual financial statements, is *quantitative*.

In conclusion, the study is a mixture of theoretical and practical elements, using the instruments of qualitative and quantitative data analysis, in order to realize a complex study of creative accounting in Romanian economy and worldwide.

The source and the quality of the used data

Abordarea teoretică și practică a acestui subiect de interes atât pentru mediul academic, cât și pentru practicienii domeniului contabil, a impus parcurgerea literaturii de specialitate selectate, a Standardelor Internaționale de Raportare Financiară, a reglementărilor contabile românești, precum și a altor surse relevante pentru subiectul analizat.

The used sources in the qualitative analysis are:

- dictionaries, encyclopedias;
- articles indexed in international data bases (Ideas, Directory of Open Access Journals, ScienceDirect, SpringerLink, Ebsco, ProQuest, Emerald, ISI Web of Knowledge etc.);
- articles published in international and national conferences volumes;
- representative books for the analyzed field, for national and international literature;
- national and international regulations (RAS*/IFRS) and European Directives;
- monographs, treaties, etc.

As for the *practical approach of the creative accounting*, this is done from two different perspectives:

* RAS - Romanian Accounting Standards. We are referring to OMPF no. 3055/2009 for the approval of the Accounting Regulations in accordance with the European Directives, published in Official Gazette of Romania no. 766/10.11.2009, with subsequent amendments.

- examples which support the theoretical modeling techniques of the various components of the annual financial statements;
- a comprehensive case study that permits the identification and the presentation of the strengths and the weaknesses of creative accounting by comparing financial statements and accounting policies applied by the three private sector business entities.

Creative accounting is an accounting practice following the letter of the law, but departs from the basic spirit of the rules. She is optimistic or pessimistic representation, where appropriate, of a company's assets, liabilities and results. Purposes for which we use the creativity in accounting can be easily identified, but basically have two directions: to attract investors and to design a certain image of the economic entity. If you were to take the example of the glass with water, instead of saying that the glass is half empty, creative accounting prefer to use the phrase "the full half of the glass". Thus, in most cases, information on the financial situation of a particular company are handled by accountants, auditors accept to validate them and the managers sign for them, in order to build a better picture for the company's stakeholders. More specifically, creative accounting results in the presence of "systematic errors" in reporting an economic entity. In addition, it turned out the root of all financial scandals that rocked the business world globally.

CHAPTER I

BASIC CONCEPTS REGARDING THE CREATIVE ACCOUNTING

Any company, regardless of its size, is keen to be profitable and to stand in a competitive market. These goals are based and are reflected in the financial statements and on the perception that users have of the reporting entity.

First chapter of the thesis, entitled „*Basic concepts regarding the creative accounting*”, proposes a review of the main concepts associated with creativity in accounting and its mechanisms, objective or subjective, underlying its practice. This chapter first proposes the presentation of normalization, as the legal framework for creativity through accounting regulations (national or international - RAS / IFRS). Also, this chapter includes the presentation of agency theory as a framework for creativity in organizations, considering that the information asymmetry and the conflict between investors and managers are both a prerequisite and a manifestation of creative accounting framework.

The information is a vital necessity in the decision making process. Generally speaking, information is defined as new knowledge about the past, depending on which the management takes decisions and determines the measures to be taken in the future, for the company and its activity to be effective. The accounting information, produced by methods, procedures and tools for processing economic data, is the actual, precise, complete and operational information and thus it supports the management process. Therefore, this conceptual approach could not omit the annual financial statement users, as the recipients of information.

The second part of the chapter is designed to detail the concept of creative accounting, treating various meanings of the term found in the national and international literature, ways of expression, motivations of practicing accounting creativity, the delineation creativity-fraud, and last but not least, ways of detecting the techniques of creative accounting..

According to the definitions given in this chapter and to the concepts related to accounting creativity, one can conclude that, in the life of economic entities, *accounting is an intellectual construction, namely a digit representation of reality to which it refers. At the same time, it is subject to the influence of human creativity.* Therefore, validation of the result in accounting is done by reference to a framework of rules governing the production and dissemination of accounting information. How to "make" accounting is different depending on the context in which the reporting entity operates.

CHAPTER II

THE MODELING TECHNIQUES OF THE BALANCE SHEET AND OF THE STATEMENT OF CASH-FLOWS USING CREATIVE ACCOUNTING

It is well known that, from the multitude of information found in the annual financial statements, a large part is distinguished by a sum of characteristics: have the same source, are used to reflect specific phenomena, and are exact. But also there is estimated information, which is influenced by the accounting options, used by the professionals in establishing the best practices. Accounting, as a source for all these data, has known a continuous evolution, being both a result and a factor of progress.

The second chapter, entitled „*The modeling techniques of the balance sheet and of the statement of cash-flows using creative accounting*”, briefly presents the concept of balance sheet and statement of cash-flows, in order to allow the presentation of numerous manipulation techniques of the

financial position (assets, liabilities, equity), and of the cash-flows. Among the techniques for handling financial position reflected in the balance sheet, in this chapter there are presented goodwill and treatment of intangible assets, depreciation and reevaluation, the leasing as a financing activity, and inventories. A distinct paragraph is dedicated to the influence of creativity on the liquidity indicators (note no. 9 of the financial statements) and on the working capital (presented in the balance sheet). The last part of the chapter presents the modeling techniques for the cash-flows, starting from the premise according to which the users base their economic decisions partially on the income (determined according to the accrual concept), and partially on the cash performance, reflected in the statement of cash-flows (especially on the operating cash-flows).

The creative accounting can help the economic entity to overcome the crisis, rather than to push it towards bankruptcy. There are cases in which the reflection of a positive financial position or in consensus with the previous accounting periods allows an organization to overcome a crisis, without panicking the investors, and determining events that cannot be corrected. *There is a true and fair view beyond creativity.* The balance sheet and the statement of cash-flows, prepared according to the regulations and under the influence of ethics, can reflect a true and fair view, even if it is not the correct one. Ultimately, this is the essence of creativity, as it is perceived by the public and the economic world: as long as there is justification for a certain accounting option, it can be applied, if it helps improving the image of the economic entity.

CHAPTER III

THE INCOME STATEMENT AND ITS MODELING TECHNIQUES

It is considered that users of financial statements themselves can contribute to the practice of creative accounting through excessive importance given to the current and operational income. There are many voices who say that the purpose of the existence of an economic entity is to maximize profit. The practice, however, says that (almost) all companies just want a satisfactory profit, which determines a not very high income tax. The multitude of accounting policies allows companies to present results that correspond most often their internal goals, rather than reality.

To lead effectively means the rational use of human resources, material, financial and information in order to obtain profit. Called *“The income statement and its modeling techniques”*, this third chapter surprise, in a bilateral perspective, issues related to the manipulation of the income, either in structure or size. The importance of the income manipulation proves the consecration of terms such as income smoothing, earnings management and earnings quality. In this case, it also takes into account the influence on fiscal policy, through the delimitation between creativity and fraud in reporting income related taxes.

Dividing economic entities into organizations that report qualitative results and organizations that report non-qualitative results means awareness that, as falling within the legislative limits would be, manipulation techniques are far from being accepted as anything other than ways to mislead stakeholders, mainly the investors, about the economic situation of the entity.

Therefore, in the elimination or limitation of creative accounting techniques, the first step should constitute into a greater focus on results reported by economic entities. We must admit that in many cases, creative accounting is based on professional judgment and materiality, which causes a large degree of subjectivity, behind which modeling techniques of the balance sheet and the income statement are hidden. It is important not to forget another aspect: exploring legislative gaps may not always mean *“Everything that is not forbidden is allowed”*.

CHAPTER IV

SOLUTIONS AND MEANS OF LIMITING THE CREATIVE ACCOUNTING

The creativity, as a consequence of the progress, cannot be limited because the economic entities will always need solutions and regulations for the best practices. The permanent evolution of the national and international regulations (RAS and IFRS) is a proof of the fact that the principles, concepts and standards are changing permanently, as a echo to the markets' reactions and to the economic activity of the organizations.

But the negative dimensions of the creativity can be restricted by a collaboration of entity's internal and external factors. Thus, in the first place, both investors and managers should be aware of all the *risks* they take when they decide to influence the accounting results. Also, the understanding of the *mechanisms of the corporate governance* can be considered a real solution, especially in the case in which its instruments are used to support the true and fair view.

The fourth chapter, called „*Solutions and means of limiting the creative accounting*”, aims to propose some solutions to combat the negative consequences of accounting creativity. With this purpose, this chapter encompasses a multi-dimensional approach of the proposed solutions, by alternating the ethical aspects with the ones referring to ways in which the company is being organized and managed. Thus, among the subjective solutions we find ethics, professional deontology and the true and fair view, as a constant and a supreme principle of the national and international regulations. The problem of deontology is implicitly associated to audit, seen as a solution for the negative consequences of the creative accounting, by its role in certifying and validating the financial information of the entities. In the last part of the chapter, there is a paragraph dedicated to corporate governance. Through its instruments and principles (integrity, transparency and responsibility), the corporate governance must be both an objective and a mean to prevent and to combat the negative effects of accounting creativity.

Hopefully the scandals in the last decades, popularizing particulars relating thereto, the publications about the manipulation techniques of the annual financial statements will determine both managers and accountants to realize that being creative is not to be *better quoted or more efficient*. In most cases, it means just being *insincere or lacking in transparency*. Under these conditions, they must appeal to *ethics* in business development and in financial reporting and must understand the depth and complexity of the *concept of true and fair view*, in terms of practicing *good governance*.

CHAPTER V

CASE STUDY REGARDING THE APPLICATION OF THE CREATIVE ACCOUNTING TECHNIQUES

The presentation of creative accounting in the Romanian economy from a theoretical perspective is complemented, in this chapter, through a case study that considers the analysis of three economic entities and of the creative accounting techniques that they have used for various reasons, more or less justified. The use of some concrete examples allows the presentation of the positive and negative valences of the creative accounting.

In the last chapter, entitled „*Case study regarding the application of the creative accounting techniques*”, three economic entities are presented, and each of them are practicing creative accounting

techniques: SC Super A plus K SRL Galați, SC Plase și Unelte de Pescuit SRL Galați și SC Plase Pescărești SA Galați.

The analysis of the three entities envisages, on one hand, the analysis of the balance sheet and of the income statement for the years between 2008 and 2012, including the influence of the creative accounting techniques, and, on the other hand, the analysis of some representative indicators and ratios regarding the financial autonomy, the gearing and the financial stability of the entities, taking into account both reported amounts and the revised ones.

The choice for specific indicators in the case of SC Super A plus K SRL Galați is relevant for the entity, because *it confronts serious debt problems, both on a long term and on a short term, which affect its liquidity and solvability*. Analyzing the elements of creativity identified, we conclude that the reorganization procedure that the entity faces today is more than justified. *The very good situation, which is reflected in the financial statements, do not reflect the reality of the economic entity*.

Overall, SC Plase și Unelte de Pescuit SRL Galați *did not use the accounting creativity for unlawful/bad purposes*, fact that leads to the following conclusion: in accounting, being creative can represent a positive thing. Except for a number of discounts that SC Plase și Unelte de Pescuit SRL Galați has granted in billing, in order to reduce turnover without reflecting this in the profit and loss account (note the absence of the account 709 in the annual financial statements) in order to minimize the income tax, perfectly legal decision, the entity has demonstrated ethics and accountability in financial reporting.

SC Plase Pescărești SA has to exploit its opportunities; it should focus on strengths, on extending them, but especially must reduce weaknesses and take steps to eliminate negative tendencies of the creativity, which lie in the analysis of financial and accounting documents and reports published by the entity. Besides the necessary adjustments to enterprise development and expansion of its operation, it follows that the entity can be characterized as having a sound financial position. But many irregularities found in the financial and accounting activity, erroneously described as creativity, recommend the entity as a *negative example for the study*.

CONCLUSIONS AND FINAL PROPOSALS

„Creativity can solve almost any problem. The creative act, the defiance of habits through originality overcomes any boundaries.” (George Lois)

This thesis has considered both facets of creative accounting: the *positive, constructive*, allowing the economic entity to present a true and fair view of its activity, which corresponds to the beliefs of those who prepare, validate and publish annual financial statements, but also the *downside* of creative accounting. As for the second dimension, we will consider further conclusions on this issue, as are the most frequent and raise the most questions.

Consequently, the analysis of creative behavior with negative valence has primarily aimed at society as a whole and its vices, from the perspective of capitalism. Beyond professional accountants' behavior which is concerned in blaming creative accounting, we believe that the companies should consider, in the first place, a *culture of integrity and business ethics*. In this case, the practice of corporate governance as a system through which a company is managed and controlled, in accordance with best practices, requires a review of the corporate social responsibility and of the behavior of its leaders, which should be *a combination of strategy and character*. If the result of creative accounting practice is important, it is desirable that it does not mean the loss of ethical values. Their absence, combined with pressure on the participation and integration in international markets, lead to an accounting practice that can easily pass the border of fraud.

Restricting the discussion to creativity within the law, we draw attention to the legal culture of *those who practice accounting engineering*. The manipulation of the companies on the principle “What is not forbidden is allowed” best fits the definition of creative accounting. But this can be seen from two perspectives: the setters, the **legislature**, issuing laws and ordinances insufficiently studied and adapted to practice, enabling, through their weaknesses, such an accounting practice. A second perspective belongs to **management and accounting professionals** alike who believe that the law can be interpreted to fit the company's goals, as long as it is not actually broken. In the latter case, the consequences on society and the environment are ignored, along with the risks to which they are subject, depending on the field of activity concerned..

We believe that a solution to the problem of creative accounting can be constituted by a rethinking of *values and corporate behavior*. A multinational enterprise is characterized by great cultural, linguistic, traditional diversity, resulting from the specific of the countries where it operates. This is obviously a wealth that can be exploited, but also a challenge for the organization, meaning that cohesion of actions becomes necessary. A group of companies is not a physically located complex, but a shared assembly. The distance and size greatly increases the complexity of the problems developed. Collective consciousness and sense of belonging to an organization not naturally occur in such cases, but they can be grown.

The accounting regulations resulting from national laws, ordinances and directives aim at ensuring comparability of the financial information of different companies and govern how entities prepare annual financial statements and reports.

In the context, one of the most important functions of accounting manifests, the one which states that *accounting offers information about the economic and financial situation of the reporting entity*. In these conditions, the shareholders and the potential investors are able to make analyses and comparisons between entities, which further encourage the adoption of rational investment choices. Any entity is interested in providing required information to the markets, in both qualitative and

quantitative terms. Some information can present an essential interest in relation to users' objectives and needs.

The disparity in the regulations does not assume that the enterprises should limit their activities to a closed economic space. This conjecture was, at one point, one of the reasons behind which many companies have hidden misreported and distorted financial reports. The increasing internationalization of the economy has proved that the accounting harmonization has difficulties yet, but that there are solutions for uniform rules, for an international convergence to eliminate some existing ambiguities.

Because of the interests and information needs of users, the managers want to make public the information that led them to put the company in the best possible position, using, for this purpose, the law and the knowledge of the professional accountants. With this purpose, They seek all means for improving or profoundly modifying financial position and performance, presented in the financial statements.

Generally, the accounting regulations are subject for interpretation and the management tends to take advantage of this particular situation. The gaps in legislation, the accounting options, and the ambiguity of the regulations create fund for the manifestation of accountants' creativity. However, *the purpose should not excuse the means*, and the financial statements, prepared for the investors according to national regulations, should reflect the *true and fair view of the financial position and performance of an entity*. However, the various accounting options and the diversity of the disclosures lead frequently to different values for different elements, reason for which creative accounting have found, nowadays, a fertile ground for development.

The creativity in accounting is natural in the evolutionary process of all economic and social areas. But how far can go creative accounting is difficult to determine. Depends on the effects it has on those users which are interested in accounting information. Also, the ethics plays an important role in maintaining reasonable limits of creative accounting. Creativity is a virtue as long as it is in the service of finding better ways to solve problems, and providing the truth, even if it is only relative.

In our opinion, to discuss about creativity in accounting is always a subject open for debates. The arguments in favor of creativity can come from both the producers of financial and accounting information, and its users, as it is the case of the disadvantages of this practice. Thus, *the conclusions regarding the subject must consider both valences of the concept (positive and negative), but also the persons who are influences by its applications (producers and users)*. The study conducted to the following **conclusions and proposals**:

1. *The accounting creativity is a form of manipulation.*

When we make this claim, we consider all the research that led to the present thesis and the main directions of research, found in the literature. We also intend to use the word *manipulation* in its meaning found in Explanatory Dictionary of Romanian language, namely "to handle skillfully". In this context, returning to the first conclusion of this thesis, we consider that, regardless of the approach, creativity means manipulation. Thus, at the *macroeconomic level*, creativity leads to influencing accounting regulatory bodies into changing regulations based on common practices in companies, either as a result of lobbying practiced by them, or as a result of the generalization of practice. In such cases, the most common consequence is a distraction from the needs of the users of accounting information. At the *microeconomic level*, the manipulation is only intended to change a company's image in the desired direction by vested interests (either managers or accountants).

2. *A better oversight of the Romanian accounting profession bodies, especially through the quality control programs undertaken by the Department for Tracking the Application of Professional Norms and of Quality Auditing from the Body of Expert Accountants and Licensed Accountants in*

Romania (CECCAR) and by the Department of Monitoring and Professional Competence from the Chamber of Financial Auditors of Romania (CAFR).

The quality control activity is a dynamic process, continuously conducted both at the institutional level (by means of special departments set up by the professional bodies in Romania) and by individual professional accountants, in terms of quality of work done with ethics and responsibility. An activity in terms of quality, which meets the regulations imposed by CECCAR and CAFR, can be a partial guarantee for the use of accounting creativity from a positive and accurate perspective.

3. Putting an emphasis on the application of the Ethics Code.

Just the call to ethics in the activity of both managers and professional accountants does not result in such an unequivocal code. The ethical requirements impose, in our view, the development of policies and procedures at the level of economic entity, which provide a reasonable assurance that both organization and its employees comply with ethical requirements. Ethics is a rational theory of good and evil, a reflection of the idea of morality that can be easily extended to the economic entity level. The condition for the entity is to establish a code of conduct that applies daily, and puts the problem of fairness or unfairness of certain actions which are the result of individual decisions.

4. A review of accounting regulations in force, in order to limit accounting options for specific cases.

This conclusion, which is also a proposal, must be correlated with our first assertion: the creative accounting practices should be regulated, if they meet the interests of both the users and the producers of the financial statements, or they must be declared illicit, if they breach those interests. This scientific elaborate contains a multitude of examples that explain various techniques for modeling the financial statements. If possible, they should be considered and enacted (or not) by those responsible in this regard.

5. The need to promote the principles of transparency and voluntary reporting of economic entities.

The financial transparency is a key to promoting effective corporate governance. In recent years, the information quality and the emphasis on the notes to the annual financial statements have increased the importance of the additional information provided by accounting. This development can be seen, from a technical perspective, as a response to traditional reporting system boundaries, which no longer give users enough information to base their business decisions. Therefore, the regulation of the additional accounting information publicly offered by the companies can be considered an answer to the problem of creativity, especially those that lead to wrong decisions or even bankruptcy. Also, an *expansion of corporate governance practices in all economic entities, and the inclusion of the work of the professional accountants in these practices* could be considered a response to the issue of transparency.

6. The materiality is an impediment and an answer to the problem of creative accounting. The materiality concept is essential in presenting *understandable* financial statements, in a *timely* manner, in the conditions of an optimal *costs-benefits* ratio. Although it is a concept related to the professional reasoning, the auditors have always tended to quantify it. E.g., the auditors can decide that some information, which distort the income/loss with more than 8% from the total of the revenues, are material and can be subject for qualitative analysis. If the distortion is less than 3% from the total of the revenues, the auditors can consider it as insignificant. Establishing a materiality threshold in auditing the financial statements has become a very well known fact and is not disputed, however, this threshold should not be front and justification for illegal activities or for activities found at the limit of law. Therefore, *creativity which aims misinformation can not be practiced, even if the information is within a certain threshold of significance.*

Theoretical and practical contributions

Following the development of this thesis, the theoretical and practical contributions can be summarized as follows:

- synthesis of the literature, namely the most representative definitions of the concept of creative accounting;
- identifying, conceptualizing and illustrating, through creative accounting, the various manipulation techniques of the financial position expressed by the balance sheet;
- the delimitation and the examples of techniques for modeling the cash-flow statement, with respect to the inclusion of various cash flows as operating, financing and investment ones;
- the particularization of the income statement and of the creative accounting techniques which can lead either to a change of the structure of the income/loss or to changes in their values;
- the identification of some ways to limit the effects or the practice of creative accounting (reconsidering the true and fair view as the supreme principle, applying the ethics principles, reaffirming audit as an assurance activity for the quality of financial information, and promoting corporate governance);
- the identification of the creative accounting techniques for three entities from the private sector of economy (SC Super A plus K SRL, SC Plase și Unelte de Pescuit SRL, SC Plase Pescărești SA);
- the impact analysis of the changes determined by the practice of creative accounting on the balance sheets and the income statements of the three entities, by using specific indicators and ratios (financial stability, financing, financial autonomy, gearing, income, return ratios);
- The issuance of pertinent conclusions about creative accounting techniques applied to the three units, in terms of identifying their positive or negative impact.

The limits and future directions of the research

Like any human product, this thesis can be improved and it is not exhaustive in terms of presenting the concept of creative accounting. One of the limitations identified was the lack of diversity of approaches, particularly in Romanian literature. The repeated presentation of well-known techniques, without reference to the exponential development of accounting regulations, and the presentation, with few exceptions, of only the creativity in its negative form, we believe are a limitation of the qualitative research undertaken in this scientific elaborate. Regarding the quantitative approach, it was not possible to develop a questionnaire on issues of creativity, because of the lack of availability of professional accountants in addressing this taboo issue for the accounting profession.

About the future directions of the research, they will consider the analysis of the literature with the purpose of identifying the attitudes of Romanian companies and accounting professionals in Romania on practicing creative accounting, as well as promoting its positive valence.

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