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## THE ROLE OF FORENSIC ACCOUNTING IN REDUCING THE EFFECTS OF CREATIVE ACCOUNTING IN THE FINANCIAL STATEMENTS OF IRAQI BANKS

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<sup>1</sup>Hawraa falyiyih, <sup>2</sup>Hussein thamer alkhafagi,  
<sup>3</sup>Mohammed Abdulrasool, <sup>4</sup>Dr.zaid ayed mardan,  
Al-Mustaqbal University College<sup>1,2</sup>  
Al-Imam Al-Sadiq University<sup>4</sup>

<sup>1</sup>[hawraa.falyiyih@uomus.edu.iq](mailto:hawraa.falyiyih@uomus.edu.iq) <sup>2</sup>[Husseinalkhafagi908@gmail.com](mailto:Husseinalkhafagi908@gmail.com)

<sup>3</sup>[mohammed.abdulrasool@uomus.edu.iq](mailto:mohammed.abdulrasool@uomus.edu.iq)

<sup>3</sup>[zaid.aed@sadiq.edu.iq](mailto:zaid.aed@sadiq.edu.iq)

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### Abstract

The research aims to highlight the importance of forensic accounting and to identify the role that forensic accountants play in limiting creative accounting practices when preparing financial statements. Therefore, the researcher relied on the descriptive approach.

This research has reached several results most notably that the activities practiced by forensic accounting in relation to risk management in economic units have a weak impact in limiting creative accounting practices.

The research also presented a set of recommendations, the most important of which was the need to generalize the idea of judicial accounting to economic units, courts, judges and the law in order to contribute to rationalizing their decisions and to provide reasonable assurances about the absence of distortions in the financial statements and accounting reports issued.

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### Introduction

It has emerged in recent years, especially after the events of the collapse of Worldcom and Enron, and the accusation of (Arthur Anderson) company, as being responsible for auditing and auditing the accounts of that company, as part of the responsibility for the collapse of the company and accusing him of manipulating the accounting data of the economic unit, taking advantage of some accounting treatments and policies that show the data. improper accounting, In view of the prevailing conditions in the business world and the resort of many departments of economic units to beautify the financial statements in an effort to improve the financial situation, whether in terms of profitability or in terms of financial position to achieve self-objectives, these departments resort to using creative accounting methods, taking advantage of the diversity of accounting alternatives (Standards International Accounting IAS/IFRS) in preparing the financial statements, which negatively affects the credibility of those statements, The emergence of what was later known as forensic accounting,

"FORENSIC ACCOUNTING", which became a focus of attention and focus by accountants and auditors working in the field of law and the judiciary alike, and even all beneficiaries and dealers with the accounting data contained in the financial statements of the various economic units.

### **chapter one**

The first topic: research methodology

First: the research problem

The problem of the research stems from the existence of economic and financial problems that need a certain type of accountants to provide assistance to reach the financial facts and return the rights to their owners (in what is known as tunneling cases and others), the accounting expertise that is required by the judge when the issues of accounting and financial disputes are considered through the submitted notes, especially when financial manipulation is based on a poor application of international accounting standards, The judge is unable to issue his judgment in a case about the validity of the papers, documents, and financial statements submitted, so that he cannot be certain of their validity, due to his inability to be familiar with them. The facts of the dispute may relate to technical accounting issues that exceed his capabilities and capabilities. The law empowered him to resort to expert accountants to help him establish the facts and decipher the numbers presented, and thus reach a certain conviction that enables him to issue the appropriate judgment. The researcher seeks to answer the following questions:

1. What does creative accounting mean? And do creative accounting methods and procedures affect the reliability of the financial statements contained in the financial statements.
2. What are the procedures, methods and means that judicial accounting can use to reduce the effects of using creative accounting in preparing financial statements.

Second, the research hypothesis:

In his answer to the research problem, the researcher relied on the following hypothesis: - There is no relationship between the procedures and activities practiced by forensic accounting and the practices of creative accounting.

Third: The importance of the research

The importance of the research stems from the importance of the subject of forensic accounting as prevention, diagnosis and treatment as well as to the effects of using creative accounting as it represents an important problem, especially in light of the administrations of economic units using their methods to show the result of the activity and the financial position in order to achieve their short and long-term goals, even if it is at the expense of categories The other, which led to the global financial crisis as a result of the collapse and bankruptcy of a group of the greatest international companies.

Fourth: the search target

The research seeks to achieve the following objectives:

1. Identifying creative accounting in terms of origin and concept .
2. Identify the methods and procedures for using creative accounting for the International Financial Reporting Standards in preparing the financial statements.
3. To highlight the importance of forensic accounting and to identify the role that forensic accountants play in limiting creative accounting practices when preparing financial statements.

Fifth: The method of collecting data and information

The researcher relied on scientific sources from books, research, doctoral theses, master's theses, and Arab and foreign periodicals that serve the research, as well as the relevant international accounting standards and instructions, as well as the International Information Network (Internet) to cover the theoretical aspect of the study.

Sixth: Research limits

It should be noted that this research is limited to a group of professors of the Accounting Department and accountants, and the researcher records that a number of respondents have apologized for filling out the questionnaires for various reasons.

- Questionnaires were designed and sent to all the study sample population, and the information contained therein was emptied and analyzed, and the deficiencies in some of them were completed for use in preparing the study.
- With regard to data analysis, the researcher followed the descriptive analytical approach based on the nature of the subject of the study, using explanatory tables, comparisons, and analysis of laws related to the subject.

Seventh: Research Methodology

1. Theoretical side: The inductive approach will be followed to build a scientific framework for the dimensions and objectives of the research problem, based on research, periodicals, and published articles related to the research topic.
2. The practical aspect: designing a questionnaire to identify the role of forensic accounting in reducing the negative effects of using creative accounting and distributing it to the research sample.

The second topic: previous studies

1. The study of Miqdad Ahmed Al-Jalili in 2012, entitled (Judicial Accountability and the Possibility of Its Application in Iraq), where the researcher conducted a theoretical study on the requirements of judicial accounting and the needs of its application, and the researcher concluded that the features of judicial accounting have not appeared in Iraq until now, and the researcher recommended the necessity of the existence of legislation An Iraqi defines the duties of the forensic accountant both in the courts and in the objection committees in the tax departments, and develops the expert's work in line with the requirements of judicial accounting, but the researcher did not

- conduct a field study or make a questionnaire to find out the problems of the study in an extensive manner.
2. A study by Dr. Khaled bin Nasser Al-Khater in 2014, entitled (A proposal to regulate the work of accountants experts in the courts), where the President of the Qatar Association of Certified Public Accountants presented a paper in which he indicated the importance of discussing the development of the current situation of accountants, where he reviewed in his paper the most important articles of the decision of the President of the Supreme Council The judiciary in the State of Qatar No. (29) of 2008 regulating the admission and classification of experts before the courts, and at the end of the paper the researcher pointed out the necessity of creating an organizational form for accountants who work with the judiciary and courts.
  3. The study of Matar and Al-Halabi in 2019 entitled (The Role of the External Auditor in Reducing the Effects of Creative Accounting on the Reliability of Financial Statements Issued by Jordanian Public Shareholding Companies), where a sample of (150) people was taken and hypotheses were tested where the researcher concluded that creative accounting It is the process of manipulating the accounting numbers by taking advantage of the opportunity to get rid of compliance with the accounting rules, as it affects the reliability of the financial statements.

## **Chapter II**

The first topic: creative accounting

First: the concept of creative accounting

Creative accounting or fraudulent accounting, as some call it, is an event that appeared in the eighties of the last century, and it may have started when economic units faced difficulties in the recession period that occurred in the early eighties, where there was pressure to produce better profits at a time when it was difficult Finding those profits, and when companies discovered that the laws only tell you what you can't do and not what you can do! For this reason, the companies saw that if they cannot earn profits, they can at least invent them.

Many researchers, writers and specialists have tried to put a definition of the concept of creative accounting, and due to the different orientations of these researchers and writers, many definitions of this concept have appeared, and those definitions were built according to the point of view of those who put it.

1. (Mulford) (Amat, 2013;22) gives his definition of creative accounting as being the procedures, steps, or methods that are used to manipulate financial numbers, using the options and practices of accounting principles, or any procedure or step towards managing profits or smoothing income.
2. (Nasser Naser) (Naser, 1992; 4) presents his definition of creative accounting from an academic point of view that it is “transforming the financial accounting numbers from what they really are into what the preparers desire

by exploiting or taking advantage of existing laws or ignoring some or all of them.” .

3. Al-Ani (al Ani.2009 ;12) uses the term creative accounting instead of the term creative accounting, as he describes it as “a process of manipulating accounting numbers by taking the opportunity to get rid of compliance with accounting rules, measurement alternatives and disclosure applications to transfer financial statements from what they should be to what is preferred.” These statements are intended to be reported, which is also a process by which transactions are structured to produce required accounting results rather than those transactions are reported in a coordinated and impartial manner.

#### Second: The methods used in creative accounting

As it turns out, creative accounting has several definitions, including that it is “the methods, means, or procedures that are used to convert the numbers of financial statements from what they are actually to what the preparers desire by exploiting the current rules in international accounting standards or neglecting some or all of them.”. (amat, 2013;11)

In this part, the researcher will review the most important of those misleading accounting methods that are used in creative accounting, and here it must be noted that there are many means, methods and procedures used in creative accounting, but we preferred to review the most important of those methods, which are as follows:

1. Sometimes the accounting rules allow the company to choose between a different number of accounting methods: for example, the company in a number of countries is allowed to choose between the policy of deleting the development expense as it occurs and depreciating it at the expense of the project’s life related to it, and therefore the company can choose the accounting policy that Give her favorite picture.
2. Using some inputs in the accounts that are related to evaluation or forecasting: In some cases, when evaluating the life of an asset in order to calculate depreciation, these evaluations are usually done within the work and the creative accountant has the opportunity to err in terms of caution, caution or optimism in this evaluation, and In some other cases, an external expert can usually be hired to make evaluations. For example, a statistician can evaluate the future financial obligation of the pension. In this case, the creative accountant can manipulate the value either by the means by which the overall evaluation is made or by choosing an appraiser. Or an appraiser known for taking an optimistic or pessimistic trend, as desired by the accountant.
3. Synthetic deals can be entered either to manipulate the budget amounts or to move profits between accounting periods: this is achieved by entering into two or more related deals with a third party inclined to help, for example, suppose

that arrangements have been made to sell an asset to a bank instead of leasing. This asset is for the rest of its useful life so that the sale price of this asset under (sale and leaseback) can be subtracted above or below the current value of the asset because the price difference can be compensated for by under- or over-lease.

4. Manipulating the timing of deals: with the aim of determining a specific year to load it with profits or losses for any goal that the accountant aims at, especially in the event of clear differences between the book value and the market value or the real value.

Third: Creative Accounting, Accounting Profit Management, and Beautifying Income Images The preparers of financial statements who are involved in creative accounting take advantage of some accounting policies and legal loopholes in order to provide a “misleading” impression of profits in order to serve their various purposes and objectives, and there are many methods, practices and procedures that are used in profit management. and beautify income forms, and in the following we will review the most important of these practices and the purpose of doing them, namely: (Healy & et.al ,2014;12-13 )

1. In general, companies prefer to report on the direction of steady growth in profit rather than show unstable profits with a series of dramatic highs and lows, and this is achieved by providing an unnecessary large reserve for financial obligations and against asset values in good years so that the reduction of This reserve and thus the planned profits improve in the bad years, and thus the fluctuations or declines that may affect the income disappear, which may prompt shareholders or investors to ask questions to the board of directors in this regard, and here the role of investors emerges in terms of the seriousness of creative accounting in light of the lack of transparency and the absence of it In the event that the commercial conditions of the business are unstable and fluctuating in reality, the investors have every right to know this.
2. Of the various forms of profit management and beautifying income images is the manipulation of profits in order to link them with forecasts, and Fox (1997) points out how to design accounting policies in some economic units through regular accounting rules and international accounting standards to match reported profits with profit forecasts, for example For example, when that unit sells its products, the recognition of a large part of the profit earned from it is postponed for future years under the pretext of covering potential quality improvement and customer support expenses. Therefore, when the predictions set are achieved, this means that the forecasters are at a high level of skill, efficiency and intuition, which raises their economic position in the company and thus obtain high ratings and thus a great reward.

3. The members of the board of directors of a company change the accounting policies in order to beautify the income picture in some cases, in order to distract investors or observers from bad news.
4. Creative accounting can either help to maintain or advance the share price either by lowering the obvious lending levels making the company appear to be subject to less risk or by creating the appearance of a good profit direction which helps the company to raise capital by issuing shares and to offer its own shares in subscriptions to own the company.

Fourth: The ethical perspective of creative accounting

With regard to the ethical perspective of creative accounting, many ethical considerations have arisen as follows:

1. It is generally agreed that power includes responsibility and that injustice is nothing but an abuse of power as pointed out (Plato, 1992) (1). Many moral philosophers have pursued similar ideas regarding justice according to the rights of each person or group throughout history, and accordingly For this perception of justice and other modern perceptions such as the famous Raoul theory of justice that he developed in 1972, there is no doubt that preparers of financial statements who abuse power in their positions commit a kind of injustice, as it was found (Fischer and Rosen Zweig 1995;444) (2) that accounting students and MBA criticize deals subject to manipulation and misuse of accounting principles, as Naser and Pendlebury (1992) (Naser.1992;111) discovered the disapproval of accountant auditors in Britain for such situations.
2. The accounting system shares with law systems in several aspects, where we can look at the values and ideas emanating from systems of law and justice systems because such systems are social institutions that we can look behind to find basic moral values such as honesty. Lyons (2017) discussed the values that Taken as examples in legal processes, where respect for the law is known as an important ethical component, “For example, well-established procedures can encourage respect for the law and thus obedience to the law that many consider to be good” ( Lyons , 1984;196) Some debate may arise about the systems that Either because it is poorly drafted or because its enforcement mechanisms are inappropriate it does not inspire respect, Lyons discusses the rule of law but this point emerges most forcefully on a non-legislative system such as the accountability system, where if it fails to gain respect by those who are called upon To apply it, it is likely that this will result in a systemic failure, and in the context of the large and small manipulation of financial statements, which we are familiar with and know that it raises problems in the existing accounting system, so the system lacks authority if it is exposed to manipulation by economic or political forces for any of the goals.

Fifth: Reasons for administrations resorting to creative accounting practices:

There are some reasons that drive management to creative accounting practices that lead to manipulation of accounts: (dahash , 2005:11)

1. Income smoothing: the administrations of economic units generally prefer to report a steady trend of profit growth instead of fluctuating profits between high and low, and this can be achieved by making provisions in high and unnecessary amounts of obligations, as well as in asset values in good years, which helps in the possibility of reducing These provisions are made in the not-so-good years, which leads to an improvement in the reported profits in those years.
2. Increasing income to distract: Managers of economic units can change accounting policies to increase income in their hands in order to divert attention from unwanted news on their part.
3. The desire of management to maintain or increase the share price: by reducing the obvious levels of borrowing, and thus the economic unit appears as subject to less risks and a good direction of profit, which helps the economic unit in the issuance of new shares.
4. Delaying the publication of information: for market purposes, members of the board of directors or managers may wish to engage in internal deals or transactions in the shares of their companies, so they use creative accounting to delay the dissemination of information for market purposes, and then improve their opportunity to benefit from internal knowledge and achieve the goals they seek to achieve.
5. Hiding some obligations: The management may resort to making transfer arrangements in a way that is not reflected as an obligation in the financial statements, as the change in any accounting rule puts the economic unit in difficulties with borrowing agreements.

The generally accepted accounting standards and international accounting standards give scope to choose between accounting alternatives for many items and elements that affect the financial statements. Rational economic decisions, however, the administration's choice of accounting methods and policies and the method of disclosing them is, in many cases, affected by the administration's own objectives, which results in negative effects on the quality and transparency of the published and announced information. (dahash.2005;5)

The areas of creative accounting can be known through the following classifications:

1 .Income statement: where the management can practice creative accounting policies in the field of manipulating the income statement numbers, for example : (dahash.2005;6)

- Depreciation expenses upon acquisition
- Early recognition of revenue
- Reducing payable expenses
  - Inflate sales and gross profit



• Valuation of balances in foreign currencies

2 .The statement of financial position: It is the list that is affected by the creative accounting practices by the management, through its implementation of some practices, for example :(dahash.2005;6).

- Inflate restructuring expenses
- Amplification in the accounts of civil assets
- Reducing obligations
- Inflate property and equipment
- Increase precautions
- Manipulation of debt provisions
- Manipulation of valuation methods for financial instruments

3 .Other areas:

- Misuse of the concept of materiality
- Mutual operations between the group companies (holding and subsidiaries)

Sixth: Creative Accounting Methods Using International Accounting Standards:

Based on what was previously presented, the researcher can distinguish between creative accounting practices that result in two types of manipulation, the first: accounting manipulation, and the second: non-accounting manipulation, and the following shows the manipulation methods for each type of them:

1 .Methods of accounting manipulation through (Amt &et.al,2000;6-7)

- Exploiting the opportunity to choose alternative accounting standards, methods, and policies, for example: methods of evaluating commodity inventory, and treating capital expenditures as current.
- Using personal bias when making accounting estimates, for example estimating the useful life of an asset for depreciation purposes.

2 .Methods of non-accounting manipulation through (Opt,2009;9).

- Changing the classification of transactions and the resulting manipulation of the accounts: for example, selling the asset and renting it back, as the sale proceeds can be unrealistically reduced or raised by making settlements with the lease installments.
- Changing the real time of the deals in order to specify a specific year to load them with profits or losses to achieve a specific goal. Example: an investment whose historical cost is 1 million and its market value is 3 million. Then the management can choose the year in which it considers that the investment has been achieved to raise the profit in the year it chose.
- When the International Accounting Standards Issuance Board of the International Federation of Accountants decided to make amendments to the international accounting standards STANDARDS ACCOUNTING (INTERNATIONAL and change them to become INTERNATIONAL FINANCIAL REPORTING) STANDARDS, the change was aimed at several points, the most important of which are: ( yehia,2014;205-215)

1. Convergence with American Accounting Standards (FINANCIAL ACCOUNTING STANDARDS BOARDS).
2. Meet the desire of the Council of Economic Unity of the European Union to issue new accounting standards that will help it unify the accounting application between the countries of the European Union, similar to the unification of the European currency.
3. Taking into account the major developments and changes that have occurred, especially the fact that many countries of the world have issued local accounting standards based primarily on international accounting standards.
4. The occurrence of some abuses and bad exploitation by some accountants of those standards through their exploitation of some weaknesses in the standards, one of the results of which was the emergence of creative accounting.

From this point of view, the International Accounting Standards Issuance Council considered the inclusion of some amendments and changes in order to avoid the bad exploitation of the old standards, as well as to eliminate any practices of creative accounting practices that appeared under the old international accounting standards, and the most important of those amendments are:

1. Work to abolish most of the alternatives (standard treatment) and (alternative treatment) in the new accounting standards, and be satisfied with one accounting treatment with the aim of unifying treatments and not allowing the choice between several alternatives so that these alternatives are used to beautify the income picture or inflate profits or cover the Some notes on the company's activity.
2. Adding annexes to each accounting standard that shows how to apply it in practice. From the researchers' point of view, this matter is considered one of the most important changes or amendments that have occurred in the new international accounting standards. It has become clear that there are multiple difficulties in the practical application of many of the accounting standards paragraphs, as it is difficult for Many specialists clarify how to properly apply the ambiguity of some paragraphs within the standard, which may be exploited by some weak-minded people in carrying out a process of manipulation or distortions of some items of financial reports under the pretext of lack of clarity or proper understanding of the standard.
3. Work to eliminate the contradictions and contradictions that exist between some standards, in addition to removing any ambiguity surrounding these standards, which closes the door to those who want to exploit those contradictions or the ambiguity surrounding some of those standards.
4. Introducing the explanations attached to the standards within the standards themselves instead of separating them in an annex specific to each standard.

The second topic

Judicial Accounting

First: The concept of judicial accounting:

There are many definitions of judicial accounting, including:  
[www.nafanet.com/index\\_files/forensicaccounting.htm](http://www.nafanet.com/index_files/forensicaccounting.htm)

1. The objective of forensic accounting relates specifically to the issues that have been identified, and with the help of the accountant, the client sets a specific goal, such as an estimate of losses, a pension plan ..., etc. The accountant may use specific examination techniques that are similar to those used in the financial audit, but the purpose of These procedures differ from the financial audit in a simple way, that is, the legal accountant, for example, examines a series of paperwork to prove the correctness of the accounts necessary to meet a specific goal. It is the use of the accountant's product to facilitate communication to the settlement or rationalization of the jury's judgment through financial information as an area for follow-up discussion.
2. Forensic accounting is the application of accounting principles, theories, controls and accounting facts or hypotheses in a legal dispute, and it includes all branches of accounting knowledge, that is, forensic accounting consists of two basic elements:
  - a. Legal services: defined as the forensic accountant's role as an expert or advisor.
  - B. b- Investigation services: which depend on making use of the skills of the forensic accountant, which may not lead to testimony in the courtroom.
3. Forensic accounting involves the application of special skills in accounting, auditing, financial affairs, procedures, quantitative methods, parts of the law and research, investigative skills for collecting, analyzing and evaluating evidence, interpreting results and reports, and forensic accounting performed in the form of testimony or consultation (AICPA . 2007)
4. 4.Forensic accounting is the application of specialized knowledge or a specific skill to find evidence from economic transactions . (Jlshi,M.S , 2003;6)
5. Judicial accounting is the integration between accounting and auditing in investigation skills, and simply forensic accounting is the appropriate accounting for the legal point of view that provides the highest level of assurance . (Crumbly , 2006;22)
6. Forensic accounting is a profession that combines financial expertise, investigative skills, and work within a legal framework that provides sufficient evidence to control fraud and ensure the reliability of financial statements. (aljilily , 2012;33).
7. Judicial accounting is defined as one of the modern professional fields that require a combination of knowledge and experience in advanced financial accounting and auditing with investigative expertise to solve legal problems. The forensic accountant's report is a proof of evidence in lawsuits and judicial disputes, and also provides an appropriate accounting analysis for the judiciary that serves as a basis For discussion and controversy, then resolving and resolving legal disputes. (dhirgam , 2012;12)

8. Forensic accounting covers many areas such as business disruption, product liability, intellectual property, breach of warranty or agency, and disputes between shareholders and partners, and because of the expansion of this scope and the desire to work, the number of forensic accountants has increased, many accounting offices are looking to obtain this type accountants, and many of these offices can complete their needs in this field through the use of experts from audit departments, but this solution cannot be relied upon in the long term, especially since the mentality of the audit differs greatly from the mentality of forensic accounting. (James ,2010;22)

In light of the foregoing, the researcher can say that forensic accounting is the accounting that gives an accounting analysis that is appropriate for the courtroom and which depends as a basis for discussion and debate and to reach a final solution to the conflict. The computer and the Internet, as this overlap between these different sciences helps an expert who specializes in research and investigation with the aim of discovering manipulation and financial crimes and to provide sufficient evidence to the specified authorities in accordance with the principles, methodology and conclusive evidence suitable for conviction.

Second: The stages of judicial accounting:

Judicial accounting has gone through different stages of development over time, which can be clarified by the following stages: (Douglas,2010;11)

1. In 1946, an American accountant from New York, Maurice Peloubet, published an article entitled “Forensic Accounting: Its Place in Today’s Economy”.
2. In 1982, a book was issued entitled: Forensic Accounting - Accounting and Experience Certificate, authored by Francis C Dykeman.
3. The American Institute of Certified Public Accountants (AICPA) issued Practice Guide No. 7 in 1986 AD, in which six areas of forensic accounting services were identified, including: determining the amount of damages and preventing monopoly, accounting, evaluation and public consultations, and analyzes.
3. Judicial accounting literature includes auditing, taxes and fraud within the Judicial Accounting Journal, as one of the effects of growth in this profession.
4. The American Council of Certified Public Accountants was established in March 1997.
5. There are currently at least 16 American universities and colleges that offer specialized courses in the field of forensic accounting (Zysman,2010;21).

Third: Accountant Qualifications for Obtaining a Judicial Accountant License:

There are many skills and characteristics that are necessary for accountants in the jurisdiction of forensic accounting, including: (Frank,2003;7)

1. Advanced education and training.
2. Continuing education in the appropriate disciplines.

3. Diverse experiences in the field of accounting and auditing.
4. Oral and written communication skills.
5. Business practical experience.
6. Diverse audit experience in the fields of forensic accounting.
7. Experience in auditing.
8. The ability to interact with his work team, where the forensic accountant works with a team of accountants and investigators
9. Communication skills with people and flexibility.

Fourth: The role of forensic accounting in limiting creative accounting practices:

The services provided by forensic accounting are diverse and in multiple areas of financial investigations to clarify and support lawsuits in different situations, and this requires the use of consultants, internal auditors, specialists in the field of bankruptcy, specialists in banking fields, evaluators, as well as lawyers and professors of law and accounting in universities. And all of these competencies can be provided by the forensic accountant, and among the many services provided by forensic accountants are: supporting cases, contracts, experience certificate, financial settlements for divorce (settling disputes between spouses and addressing financial problems associated with divorce), business evaluation, and loss of contract proceeds.

There are those who identified the main fields of work of the forensic accountant as follows : ( Scott.,2006;76)

1. Providing consultations to resolve disputes: It is a service provided by the forensic accountant, as he provides an opinion based on clear facts, but if the facts are not clear, the forensic accountant investigates the issue of disputes and then forms an opinion on the basis of the investigations he performs.
2. Providing consultations in the field of litigation regarding disputes arising from professional liability, civil cases, and consultations in connection with professional liability disputes, including determining the amount of loss caused by events for disputes related to the performance of professions such as insurance, construction delays, and theft of trade secrets. Commercial, employee embezzlement, assessment of material damage in disputed cases.
3. Certificate of experience in financial affairs: the forensic accountant may serve as one of the experts in litigation cases that include the areas of accounting and financial affairs, or in the field of tax preparation and analysis, or financial performance evaluation, and contribute to the formulation of interrogation questions in this field, or assist in translating Documents, and it is worth noting that the work of the forensic accountant is very important, because we must bear in mind that the judge and the jury may not be familiar with the language of accounting, and therefore the forensic accountant should interpret everything accurately, and avoid presenting the topics in a complex, and the forensic accountant in This field does all the investigation work itself, because it is his responsibility to respond in the courts, and the inability to answer a question

while he is on the witness stand, may damage his professional reputation and career in the future.

Fifth: Forensic accounting methods and procedures in limiting creative accounting practices in financial statements:

Professional organizations in the field of accounting and auditing emphasized that financial fraud is of two types:

1. Fraud resulting from false accounting statements, arising from fraudulent financial reports.

2. Fraud resulting from false information arising from the embezzlement of assets.

Fraud is an intentional deception and is a deliberate mistake, but filing a lawsuit because of fraud does not mean that the external auditor is accused of cheating completely and accusing him of complicity in committing fraud. Expressing a neutral technical opinion on the results of the activity, and presenting the financial position (Sesi, 2016; 48).

Among the methods of forensic accounting in limiting creative accounting practices are the following:

1. Audit after completion of operations: it is represented by legal review and adherence to regulations, standards and rules (especially in government departments).
2. Conducting an examination to determine the risks resulting from fraud.
3. Personal interview with officials.
4. Investigate the truth through the necessary investigations about illegal and suspicious activities.
5. Using the laboratory prescription or the accepted methods of performing the service to detect the reliability of the financial statements.

### **Chapter III**

field study

Study Methodology: - The researcher followed the descriptive analytical approach and the scientific method that the study dealt with in its theoretical framework, and this study also has an applied field dimension related to standing on the judicial accounting relationship in limiting creative accounting practices through the questionnaires that were prepared for this purpose.

Study population: The study community consists of a group of faculty members in the accounting department in some colleges of technology, administration and economics, and a group of accountants in various sectors.

Research tool: - The researcher relied on the field study in collecting data on the use of the questionnaire list method, which is the most appropriate method in this type of research.

Determinants of the research: - It must be noted that this research is limited to a group of professors of the Accounting Department and accountants, and also led to the researcher not being able to reach some of the respondents, especially accountants.

- Questionnaires were designed and sent to all the study sample population, and the information contained therein was emptied and analyzed, and the deficiencies in some of them were completed for use in preparing the study.
- With regard to data analysis, the researcher followed the descriptive analytical approach based on the nature of the subject of the study, using explanatory tables, comparisons, and analysis of laws related to the subject.
- The method used in data analysis and statistical tools: Likert quinquennial scale was used to answer the questions of the questionnaire, in order to achieve the objectives and purposes of the study and in order to test the validity of the hypotheses, where the number (1) symbolizes strongly disagree, and the number (2) does not agree, and the number (3) Neutral, and the number (4) agrees, and the number (5) strongly agrees. The range from (1-2.5) was counted so that it indicates a low degree of support, and the range from (2.51 -3.99) so that it is indicative of a medium degree of support, and the range from ( 4-5) to be indicative of a high degree of support, with regard to the activities and procedures practiced by forensic accounting on the one hand, and the acceptance of hypotheses on the other hand. , as well as a set of other descriptive statistical tools such as the arithmetic mean, and the standard deviation.

Analyzing and discussing the results of the study:

Table No. (1) shows the results obtained from the point of view of the two study samples, which are as follows:

Table No. (1) shows the procedures that can be practiced by forensic accounting and lead to the reduction of creative accounting practices

	questions	from the questionnaire			Mann-Whitney test	
		middle Arithmetic	standard deviation	degree of endorsement	z	p
1	The forensic accountant can work with the board of directors in selecting appropriate accounting policies for preparing financial reports	4.1578	.091611	big	1.372-	0.170
2	The forensic accountant evaluates the applied accounting policies and principles	4.3684	0.85174	big	0.242-	0.809
3	There is an increase in the number of commercial cases	4.3947	0.59455	big	-0.705	0.480

	and disputes with the need for evidence					
4	Forensic accounting works to ensure that the applied accounting policies are consistent with professional publications	4.2368	0.67521	big	-0.291	0.771
5	Forensic accounting works to ensure that the company follows developments in the applied accounting principles and standards issued by professional bodies.	4.2632	0.6444	big	-.396	0.692
6	Forensic accounting understands the responsibilities and duties of management regarding accounting estimates when preparing financial reports	4.4211	0.64228	big	-0.838	0.402
7	Forensic accounting works to ensure the appropriateness of financial reports for its users	4.3947	0.63839	big	-0.7055	0.4804
8	Forensic accounting ensures the adequacy of disclosure and transparency in reports	4.3947	0.67941	big	-0.231	0.817
9	Forensic accounting ensures that the company continues to properly apply international accounting principles and standards	4.2368	0.91339	big	-2.399	0.016
10	Forensic accounting discusses management when changing accounting principles, standards and policies applied and their impact on reports	4.5000	0.76229	big	- 1.07581	0.282
11	Forensic accounting examines and reviews the report of the Board of Directors to ensure that the information contained therein matches the financial reports	3.4473	0.5038	middle	-0.0719	0.5217



12	The forensic accounting department follows up on the implementation of the observations addressed to it by the internal auditor	3.2631	0.5543	middle	-1.1189	0.2631
13	Forensic accountability investigates the truth by making the necessary investigations about illegal and suspicious activities	3.3684	1.0245	middle	-0.60005	0.5484
14	The forensic accountant presents an opinion based on known facts and is an opinion based on investigations into disputes	3.3684	0.9134	middle	-1.73467	0.0827

The researcher noted through the previous table No. (1) that the forensic accounting activities related to the tasks of supporting the internal audit function, supporting the external audit function and supporting corporate governance, the arithmetic averages of the opinions of the study sample were between (2.5 - 3.99), which is considered to have a medium degree of impact in the limit of creative accounting practices, while forensic accounting activities related to risk management had a weak impact in reducing creative accounting practices in companies.

The researcher also noted through the previous table No. (1) that forensic accounting activities related to the task of supervising and controlling financial reports, examining and examining internal control systems and evaluating them had a significant impact in reducing creative accounting practices, as the arithmetic average of the respondents' answers in the two study samples was Auditors, academics, and lawyers with respect to these activities are greater than 4, which is greater than the pre-determined hypothetical mean in the study.

We also note that the general average of the respondents' answers to the total activities and procedures carried out by judicial accounting is (3.6494), and the general average is greater than (3), and this means that there is a relationship between the activities carried out by judicial accounting and the limitation of creative accounting practices.

Based on the foregoing, the researcher rejects the null hypothesis, and will accept the alternative hypothesis which states: "There is a relationship between the procedures and activities practiced by forensic accounting and creative accounting practices.

the fourth chapter

#### Conclusions

After analyzing the results of the study and testing its hypotheses, the researcher can present its results as follows:

1. The fraud scandals of international companies such as Enron, World.com and others, and the consequent lawsuits, have created a great demand for the skills and services provided by forensic accounting because they play a crucial role in the investigation of financial scandals suspected of misappropriation of assets, as well as the high rates of lawsuits and judicial disputes that led to the judges needing experts or consultants from accountants whose experience, skills and depth of ability can be used in conducting investigations, discovering the reliability of the information contained in the financial statements, and expressing an opinion in lawsuits related to financial violations and fraud in the lists.
2. The study sample members unanimously agreed that there is a noticeable increase in the number of cases and judicial disputes related to financial matters, which lack clear evidence and convictions.
3. The members of the two study samples unanimously agreed that the activities practiced by forensic accounting with regard to the supervision and control of the application of international accounting standards correctly, the control of financial reports and the examination and evaluation of internal control systems have a significant impact in limiting creative accounting practices.
4. The members of the two study samples unanimously agreed that the activities practiced by forensic accounting in relation to risk management in economic units have a weak impact in limiting creative accounting practices.

#### **Recommendations**

The researcher recommends the following:

1. Develop the Commercial Arbitration Department to include a branch for forensic accountants after obtaining the necessary qualifications to assist in the appropriate financial investigations.
2. Achieving integration between the external auditor and the forensic accountant to activate their role in obtaining useful evidence in judicial disputes.
3. Disseminate the idea of judicial accounting to economic units, courts, judges and the law in order to contribute to the rationalization of their decisions and to provide reasonable assurances about the absence of distortions in the financial statements and accounting reports issued.
4. Those working in the field of forensic accounting must have the required qualifications, including accounting experience, auditing experience, distinguished legal expertise, and expertise in the fields of computers and the Internet.

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