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CREATIVE ACCOUNTING PRACTICES: AN EMPIRICAL STUDY OF INDIA

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Abstract

Shockingly, few loopholes in the accounting standards provide enough room for use of Creative Accounting (CA) practices. Thus, CA practices do not provide a "true and fair" view of the FS, since lot of crunching of financial numbers is done, within the purview of applicable laws and prevailing accounting standards. As part of this study, a questionnaire-based survey methodology was used, 14 specific research questions were asked, and 120 questionnaires were distributed to the preparers' and users' of the company FS. Finally, 85 responses from the participants were collected and analyzed using the percentage and frequencies of respondents. The study revealed that the practice of CA is always a deliberate attempt to gain undue advantage for accountants, managers and companies. We recommend that "CA practices should be considered as a serious crime, and as such, accounting bodies, law courts and other regulatory authorities need to adopt very strict punitive measures to stop unethical CA practices."

Keyword: Creative Accounting, Corporate Sector, India, Financial Statements, GAAP, IFRS, Corporate Governance, Forensic Accounting

JEL Classification: M40

I. Introduction

The financial statements (henceforth, FS) are the mediums by which both the internal and external stakeholders' gain an understanding about the financial condition and operating performance of the corporations. The accuracy and reliability of them are

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very crucial for all the stakeholders' of a corporation in order to make appropriate decisions. Market participants also have to make a decision about investing in a company on the basis of information contained in the financial reports. However, capital markets mostly use the published information to establish the market price for the listed securities, and the investors rely on them in order to substantiate their decisions to buy, sell, or keep these securities. Indeed, the market 'efficiency' depends on the information flow provided to capital markets, and if the information is 'biased', the markets cannot determine the 'exact' price of securities. Moreover, it appeared that sometimes managers intentionally manipulate the FS to influence certain competitors' on the capital market. For instance, 40 US companies went public in 2014 that reported losses under traditional accounting rules, but claimed profits under their own tailored CA. The bigger they are, the more likely they are to use CA (Browne, 2015). Thus, the fact that managers frequently use CA techniques affects the investors' ability "to properly assess the 'true' value of the company, which in the long-term affects the company's performance on securities market." In fact, transparency in the financial reporting system is of utmost importance because individuals, potential investors, creditors and regulators have to make investment decisions based on corporate financial reports (Wokukwu, 2015). Thus, to produce transparent, timely and reliable FS, accounting process should follow 'objective' and 'consistent' set of rules. Recent, collapses of large number of high-profile companies, due to widespread and frequent abuse of Creative Accounting (henceforth, CA) practices, across the world, have left a dirty smear on the effectiveness of the Corporate Governance (henceforth, CG) system, the quality and transparency of the financial reports, and credibility of the audit functions. As a result, the CG structures evolve that help in mitigating these agency conflicts.

Indeed, "the CA practice involves the manipulation of company financial records towards a 'predetermined' target. This target can be motivated by a preference for more stable earnings" (Micah and Chinwe, 2014). Even if there exists strong accounting standards to guide financial accounting activities, sometimes it becomes impossible to prevent the manipulative behavior of FS preparers', who wants to affect the decisions of the FS users' in favor of their companies (Susmus and Demirhan, 2013). These manipulative behaviors are often called "Creative Accounting" and/or "Earnings Management" (EM). The 'CA' is the more preferred term in Europe, whereas it is more common to use 'EM' in the USA. There exists strong evidence that the emergence of "Forensic Accounting" has restored confidence in the credibility of corporate firms and their financial reports (Blessing, 2015). Therefore, we recommend that CA practices should be "considered as a serious crime and as such accounting bodies, law courts and other regulatory authorities need to adopt strict measures to stop this unethical practice" (Sanusi and Izedonmi, 2014).

While on one hand, "the CA practices helps in reducing the risk of a company by increasing the share price and, on the other hand, it helps to boost a profit trend for the company." Various benefits, like ease of raising capital by issue of shares, defy takeover bids by other companies, and offering its own shares in takeover bids, etc. all go in favor of the CA practices. Moreover, the CA practice also helps to reduce the fluctuations of income/profit of the company, which helps it to gain a good image in the market (Nag, 2015). Therefore, International Financial Reporting Standards (IFRS) are considered more rigorous than the US GAAP regarding the issues of methods selection for the preparation of financial reports (Jawad and Xia, 2015). Moreover, the complexity and unpredictability of constantly changing environment makes it very difficult to consider all the possible situations in advance when setting standards. Even if the accounting standards cannot prevent manipulative behavior in advance, they can curb it afterwards (Wang, 2008). At present, there are 32 Accounting Standards in India, which have been issued by the Accounting Standard Board of the ICAI.

II. What is Creative Accounting?

CA refers to the accounting practice that may (or may not) follow the accounting principles or standards, but deviate from what these principles or standards intend to achieve, in order to show a desired image of the company to the stakeholders. Alternatively, CA is the transformation of financial accounting figures from "what they actually are to what the preparer of financial reports desires by taking advantage of the existing rules and/or ignoring some or all of them" (Bhasin, 2013). Thus, CA uses the various loopholes in accounting principles or standards to show the desired results to the stakeholders.

Jawad and Xia (2015) have emphasized the 'innovative' aspects of CA in maneuvering accounting numbers and argued that "innovation is an essential part of CA practices in accounting practices." Naturally, a question that arises very often is, "whether CA is good or bad?" The final answer to this question lies in the 'purpose' for which it is used and the 'manner' in which it is done. To give a corollary, "CA is like a double-edged weapon, which can be used or abused by the management. If it is abused, then the sole fault is of the management and not of CA itself" (Bhasin, 2013, 2015). For instance, the Satyam accounting fraud, a glaring example of India's Enron, is "clearly a case of abuse of CA in which the company accounts were manipulated by creating fake invoices, recognizing revenue on these fake receipts, and falsifying the bank balances and interest on these fixed deposits" (Goel and Ansari, 2015). The basic motto was to inflate the share prices of the company and subsequently, sell the promoters holding at the inflated prices. The 'abuse' of the CA, in the case of Satyam Computers Limited, was made possible due to audit failure and total failure of the company CG system. These CA practices in financial reporting have been termed by Tassadaq and Malik (2015) as "the art of faking or calculating or presenting the balance sheet, and the art of saving money."

Arthur Levitt, (Chairman, SEC) in 1998, called attention to CA practices and announced an all-out war on them. He noted that "accounting principles were not meant to be a strait-jacket and some degree of flexibility was necessary to permit financial reporting to keep pace with business innovations. The problem arises when companies are using that flexibility to create illusions in their financial reports, illusions that are anything but "true and fair" reporting" (Mulford and Comiskey, 2002). After reviewing the narrow and wide definitions of CA, Jones (2011) ended up with the definition of CA as follows: "Using the flexibility in accounting within the regulatory framework to manage the measurement and presentation of the accounts so that they give privacy to the interest of the preparers, not the users". By utilizing lacunae in prevailing regulations, CA is resorted to manipulate the accounts and this cannot be held as fraud, as it is within the guidelines, accounting standards, IFRS and GAAP. To get benefits from top management, managers are frequently tempted to show higher profits, which lead to adopting CA tactics (Vyas et al., 2015). Thus, CA is a starting point of a number of accounting scandals, which collapsed during the last decade, applied CA techniques and manipulated financial record. No doubt, these accounting scandals have diminished the confidence of stakeholders in financial reporting all over the world.

III. Review of Empirical Studies

Shah (1998) tried to explore the environment of CA in the UK, focusing on the motivations and constraints on such practices, by examining the accounting practices of two UK companies which issued creative financing instruments. He found that CA is influenced by two key motivators: stakeholder contracts and performance indicators.

Amat et al. (1999, 2003) have reported on surveys of auditors' perceptions of CA in the UK, Spain and New Zealand to investigate the ethical issues raised by CA. It was revealed in their studies that the aggregate impact of CA practices on earnings amounted 20% of total reported earnings. They found that New Zealand offered an example of a country where a well-designed framework of accounting regulation has curbed CA. Similarly, Baralexis (2004) investigated "why, how, to what extent, and in what direction, CA was practiced in Greece. Knezevic et al., (2012) used a questionnaire to conduct a study of companies in Serbia. Two studies by Laura and Ileana (2013), and Balaciu et al., (2014) are based on the administration of a questionnaire to Romanian companies and managers using projective technique. A study by Momani and Obeidat (2013) investigated the effect of audit ethics on auditors' ability to detect the practices of CA in Jordan.

Osazevbaru (2012) investigated the effect of CA on firm value in Nigeria, and the findings of the study revealed that it can positively affect firm's value. Another study, which also focused on Nigeria, is by Idris et al. (2012). Using survey method, they investigated the practice of CA, its nature, techniques, and prevention. They concluded that "one of the best ways to prevent the practice of CA is to enforce both preventive as well as strong enough punitive measures on those that engage in the practice." Similarly, Sansusi and Izedonmi (2014) made an empirical investigation on the opinions of experienced staff of commercial banks on CA practices in Nigerian commercial banks. They recommended that "CA should be considered as a serious crime and as such accounting bodies, law courts and other regulatory authorities need to adopt strict measures to stop the practice." Moreover, Micah and Chinwe (2014) have used survey data and financial reports on 14 manufacturing firms over 5 year period to "examine whether CA and organizational effectiveness has any significant relationship." Recently, the study by Blessing (2015) evaluated the use of forensic accounting techniques in curbing CA.

Bhasin (2013, 2015) examined the India's Enron, Satyam Computers Creative Accounting scandal and underlying reasons for the prevalence of frauds in the banking industry. He suggested "the increasing rate of white-collar crimes demands stiff penalties, exemplary punishments, and effective enforcement of law with the right spirit." Moreover, Soral and Kamra (2013) explored the ethical and unethical aspects of CA with the help of cases from India and abroad. Similarly, Rajput (2014) found that CA exists due to lack of awareness and information level of investors. He highlighted the role of government and various agencies like SFIO and India Forensic for proper handling of the problem of CA.

Renu and Aggarwal (2014) highlighted the CA in negative sense with the help of CA methods adopted by Enron Company and Satyam Computers, which led to the collapse of both of them. Yadav (2014) discussed the various aspects related to CA. He found that "the CA practices increase when managers want to boost the profit in case of unsuitable situation and suggested that such practices can be minimized by good corporate governance practices." Patnaik et al., (2014) made an empirical analysis by undertaking a survey in some selected private sector undertakings in Kolkota, Bhubaneswar and Cuttack. They used questionnaire and Likert scale method and concluded that "window dressing practices are prevalent in majority of corporations and external auditors encourage such practices for their own interest." Recently, Tassadaq and Malik (2015) in their empirical study collected the data through structured questionnaire from industrial sector of Pakistan. They concluded that "a company is involved in frauds or scandals because of several factors like unethical behaviors, agency problem and non-professional attitude."

The above highlighted reviewed studies are focusing on different dimensions of the CA. So far, unfortunately, no detailed research study has been undertaken to find out the opinions of the preparers and users of financial statements about different dimensions of CA practices, specifically in the Indian corporate-sector context. Hence, the present study seeks to fill this gap and contributes to literature.

IV. Research Methodology

The population of this study comprised of both the preparers' and users' of corporate FS(s). Accordingly, a random sample of 120 people was selected, to whom the questionnaires were administered in 2013-14, out of which 85 were returned. Majority of them were found to be substantially complete and usable, and hence, analyzed giving an effective response rate of 70%. In fact, the current study posed 14 research questions to the participants, which were grouped under 7 sub-heads. They sought to find out the view-point and opinion of the preparers' and users' of the FS(s). However, the 5-point "Likert rating-scale was adopted for coding the response and mapping them into numeric values."

The questionnaire covered total of 14 questions, which covered different dimensions of the CA practices prevalent in the Indian corporate-sectors financial reporting system. Finally, descriptive statistics for 14 questions posed to participants is used to find out the percentage and frequency of responses given by them.

V. Findings and Analysis of data

Indeed, the CA practices are at the root of a number of accounting scandals in the world leading to total loss of corporate image and executive integrity (Bhasin, 2015). Some practitioners and academicians see the CA practice as an illegal act, while others consider it as a legal act. Thus, the first set of questions asked to all the participant is: "(a) To what extent, do you think, the CA practices affect the financial reporting system; (b) In your opinion, what is the legal standing of the CA practices in financial reporting system?" Answer given by the participant is presented in Table 1. The answer given by the participants to the first sub-set of question very clearly highlights that 45(or 52.95%) participants "Strongly Agree", 20(23.52%) simply "Agree", 15(17.65%) were "Undecided", 4(4.70%) "Disagree", and 1(1.18%) "Strongly Disagree". Thus, it is very much clear that a large majority 65(76.47%) participants "Strongly Agree and Agree" that CA practices adversely affects the financial reporting system in the Indian corporate-sector.

In the first sub-question, we asked very categorically asked the participants, "In your opinion, what is the legal standing of the CA practices used by the company's in their financial reporting system?" Considerably large number of participants 32(37.60%), consider CA practices to be "Legal" and "Totally Legal", and 14(16.50%) were neutral by saying "Don't Know". In sharp contrast, the highest number of 39(45.90%) participants, consider CA practices to be "Totally Illegal" and "Illegal", respectively. Thus, in order to overcome the unethical and illegal standing of CA practice, recently several reform measures for the companies' CG systems were imposed in India (Bhasin, 2016).

Table 1. Extent of Effect and Legal Standing of CA Practices on the Financial Reporting System

Answer	Frequency	Percentage (%)
Is CAP Affecting FS?		
Strongly Agree	**45**	**52.95**
Agree	**20**	**23.52**
Undecided	**15**	**17.65**
Disagree	**04**	**4.70**
Strongly Disagree	**01**	**1.18**

Is CAP Legal? Legal Totally Legal Don't know Totally Illegal Illegal	 **12** **20** **14** **24** **15**	 **14.10** **23.50** **16.50** **28.23** **17.67**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

Sometimes managers manipulate FS(s) to influence their competitors on the capital market or to get benefits from top management, which very often lead to adopting CA tactics. The second group of question asked to the participant is: "(a) In your opinion, who is the main manipulator of CA techniques under the corporate financial reporting system?; (b) Under the prevailing environment of galloping number and magnitude of scams and frauds, do you trust the FS(s) in view of the CA practices?" The response given by the participants is summarized in Table 2.

When the participants were asked about who is the main manipulator of the CA techniques 24(28.23%) participants declared "Accountants", 36(42.35%) feel it to be "Managers", 14(16.45%) thought it to be "Auditors", whereas 11(12.94%) said that "CEOs" are primarily the main manipulators of CA techniques. As was expected, under the present corporate environment, very large number of participants, 60(70.58%), feel both the "Accountant and Managers" are the main hero's to perpetuate the CA practices in the corporate sector FS(s).

On the other hand, when the participants were asked that do you trust the FS(s) in view of the widespread use of the CA practices, 33(38.81%) were of the opinion that FS(s) are "Completely Trustworthy" and" Trustworthy", 42(49.43%) regards it as "Completely Untrustworthy" and "Untrustworthy". Unfortunately, a very small segment 10(11.76%) appears to be confused, not sure/neutral, simply by saying "Don't Know".

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Table 2. Key Manipulators and Trust of Financial Reporting System under CA Practices

Answer	Frequency	Percentage (%)
Who Manipulates FS?		
Accountant	**24**	**28.23**
Manager	**36**	**42.35**
Auditor	**14**	**16.48**
CEOs	**11**	**12.94**
Do You Trust FS?		
Completely Trustworthy	**10**	**11.76**
Trustworthy	**23**	**27.05**
Don't know	**10**	**11.76**
Untrustworthy	**14**	**16.49**
Completely Untrustworthy	**28**	**32.94**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

A company is supposed to employ procedures that are "objective and conservative" but in practice, management may have many "competing motivations" that drives their choice of accounting policies, which influence their periodic estimates. Thus, CA is the purposeful intervention in the external financial reporting process, with the intent of obtaining some "private gain" (Bhasin, 2015). In our third set of our research question, we especially asked the participants: "(a) What, do you think, is the most important reason for using the CA practices in the financial reporting system?; (b) Do you think, it is easy to detect the CA practices in the financial reporting system?" The answer given by the participants to this question is summarized in Table 3.

When the participants were asked about the most important purpose for use of CA practice in the FS(s), 20(2.52%) participants identified it to "Strong Competition"; 29 (34.10%) to "Benefit to the Manipulator", 26(30.60%) to "Need to Chase Investment", and 10(11.78%) to the view that "Statement Making incorporating CA is an Art". To sum up, 75(88.22%) participants, being the largest segment, were very much sure about the special "lead-role" played by the corporate management: benefit to manipulator, encounter competition, and attract capital investments, respectively.

Moreover, when the participants were asked about ease of detection of CA techniques in the FS(s), a very large section of the participants 50(58.80%) were of the opinion that it is “Hard” and “Very Hard to Detect” the CA practices in the corporate FS(s). As against this, 25(29.40%) participants were of the opinion that it is “Easy” and “Very Easy to Detect”, and 10(11.80%) were not clear and appeared to be confused; they gave the reason “Don’t Know”

Table 3. Purpose and Ease of Detection of the CA Practices in Financial Statements

Answer	Frequency	Percentage (%)
Why CAP is Used?		
Strong Competition	**20**	**23.52**
Benefits to Manipulator	**29**	**34.10**
Chase Investment	**26**	**30.60**
Art of Making FS	**10**	**11.78**
Is CAP Easy to Detect in FS?		
Very easy	**09**	**10.58**
Easy	**16**	**18.82**
Don’t know	**10**	**11.80**
Hard	**25**	**29.40**
Very Hard	**25**	**29.40**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

Let us move to the fourth set of questions, “(a) To what extent, do you feel, the CA practices influence accounting policy choice and manipulation of transactions in the corporate financial reporting system?; and (b) Can you tell us, based on your experience, the most commonly used CA method for doing manipulation in the FSs?” The answer given by the participants for both questions shown is shown in Table 4.

An overwhelming “majority” of 75 participants (representing 88.24% of the sample-size), “Strongly Agree” and “Agree” with the statement contained in the second question. However, a small section of 7(8.24%) participants were “Undecided”, 3(3.52%) “Disagree”, while there was no participant who “Strongly Disagree” with the question posed to them. In short, there were 10(11.78%) participants, who “Disagree” and “Undecided” (or in total “Disagreement”).

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Moreover, when the participants were very categorically asked about the most commonly used method under for doing manipulation in the FS(s), "highest" number of participants, 32(37.65%), were of the opinion that mostly manipulation is done in the "off balance-sheet financing", 20(23.52%) were of the opinion by "Making Changes in the Depreciation Policies and methods", 10(11.78%) feel the manipulation is done in the "Extraordinary Items", and 21(24.70%) by making changes in the "Valuation of Money". However, 2(2.35%) participants gave "Other Reasons" for manipulation in financial reporting system. Thus, from the above, there appears to be lack of consensus on the part of participants regarding the manipulation methodology used in CA practices in the Indian corporate sector. This may also be equally valid in other countries.

Table 4. Extent of CA Practices Affecting Accounting Policy Choice and Manipulation under Financial Reporting System

Answer	Frequency	Percentage (%)
CAP & Accounting Policy Selection:		
Strongly Agree	**50**	**58.83**
Agree	**25**	**29.41**
Undecided	**7**	**8.24**
Disagree	**3**	**3.52**
Strongly Disagree	**--**	**--**
What is Popular CA Manipulation Method?		
Off Balance Sheet Financing	**32**	**37.65**
Changes in Depreciation Policy	**20**	**23.52**
Extraordinary and Exceptional Items	**10**	**11.78**
Money Valuation	**21**	**24.70**
Others	**02**	**2.35**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

As part of this study, we posed the fifth set of question to our participants, as: "(a) To what extent, do you think, a well-designed framework of accounting regulation by the regulatory agencies in India, will help to curb the spread of CA practices in the corporate financial reporting system?; (b) What, do you think, is the role of ethical values in reducing the CA practices?." The answer given by the participants, for both question, is summarized in Table 5.

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It shows that a "large majority" of 59(69.41%) participants "Strongly Agree", while 19(22.36%), "Agree" that a well-designed framework of accounting regulation by the regulatory agencies in India will help to curb the spread of CA practices in the corporate financial reporting system. However, just 7(8.23%) participants, a "very small" segment of the sample-size, are "Undecided". Keeping in view the fraudulent reporting scenario prevalent in the Indian, as well as, global corporate sector, and as per our expectations, there is "no" respondent who "Disagree", and also "none" who "Strongly Disagree" with the above stated question posed to them.

Similarly, when we asked the participants about the role of ethical values in controlling the use of CA techniques in FS(s), an overwhelming majority of 61(71.77%) participants "Strongly Agree" and "Agree" that ethical values can help, to a large extent, to reduce and control the negative CA practices prevalent in the Indian Corporate sector. However, a minor section of 10(11.76%) participants "Disagree", and there was no participants, who "Strongly Disagree". Unfortunately, 14(16.47%) were "Undecided" and hence, not able to make up their mind regarding the role played by the ethics/ethical values to reduce the CA practices prevalent in the Indian corporate sector.

Table 5. Extent of Accounting Regulation and Role of Ethical Values to Curb CA Practices

Answer	Frequency	Percentage (%)
Do We Need More Accounting Regulation?		
Strongly Agree	**59**	**69.41**
Agree	**19**	**22.36**
Undecided	**7**	**8.23**
Disagree	**--**	**--**
Strongly Disagree	**--**	**--**
What is Role of Ethical Values to Curb CA?		
Strongly Agree	**35**	**41.17**
Agree	**26**	**30.60**
Undecided	**14**	**16.47**
Disagree	**10**	**11.76**
Strongly Disagree	**--**	**--**

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Total	**85**	**100**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

It is widely accepted that rampant prevalent of the CA practices in the corporate world is "like an 'incurable' cancer, which is spreading very fast," and it is therefore, not possible to totally eliminate such unethical and illegal practices (Bhasin, 2014, 2016). However, efforts should be made by all groups to minimize, at least, the negative effects of them by adopting the accounting standards, giving more importance to ethical considerations, and decreasing the flexibility of the managers in deciding among different accounting methods. In view of this, accordingly, we asked sixth group of question to our participants: (a) Do you think, the auditor comments given in his audit reports are important and trustworthy?; (b) What do you feel about the role played by the government regulations to prevent and control the CA practices? The answer provided by the participant is briefly summarized in Table 6.

In response to our question to the participants regarding the importance and trust worthiness of the auditors' comments, as given in their audit report, a large majority of 54(63.52%) think it is "Completely Trustworthy" and "Trustworthy", and 24(28.26%) expressed their strong mistrust by saying it is totally "Untrustworthy" and "Completely Untrustworthy", respectively. As it is the normal practice, 7(8.23%) participants were "Undecided" about the trust worthiness of the auditors' comments given in his Audit Report.

Similarly, when the participants were especially asked about the importance of the role played by the various government regulatory agencies in India so as to prevent the abuse of CA practices, large majority of 55(64.70%) participants felt that various governmental agencies as regulators are "Very essential" and they play "Very Important" role, 15(17.66%) were of the opinion that such agencies are "Less Important" and "Not Important" (viz., governmental regulators do not play any important role and hence, irrelevant/not relevant), and 15(17.64%) felt that government regulations play a "Medium Importance" (or Moderate Important) role in preventing the CA practices in the corporate sector.

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Table 6. Role of Auditors' Comments and Government Regulations to Control CA Practices

Answer	Frequency	Percentage (%)
Should We Trust Auditor Comments?		
Completely Trustworthy	**21**	**24.70**
Trustworthy	**33**	**38.82**
Undecided	**07**	**8.23**
Untrustworthy	**18**	**21.19**
Completely Untrustworthy	**06**	**7.06**
Do We Need More Govt. Regulations?		
Very Essential	**34**	**40.00**
Very Important	**21**	**24.70**
Medium Importance	**15**	**17.64**
Less Important	**10**	**11.77**
Not Important	**05**	**5.89**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

The business failures of the past four decades have been closely associated with "Corporate Governance (CG)" failure, which very often involve a number of parties: senior-level managers, board of directors, auditors, and some institutional investors (Bhasin, 2013). Keeping in mind this fragile scenario, finally, we asked the participants of this study our last set of questions, as: (a) In your opinion, what is the role and usefulness of various international/local accounting, audit and CG standards in preventing the CA practices in the corporate sector?; (b) Keeping in view your professional qualification, specialization, and rich work-experience, what would you like to recommend or suggest to us, as a broad guide, in order to reduce the frequent use of negative CA practices in the corporate world? The answer provided by the participants for both question is presented in Table 7.

In response to our last sub-question about the usefulness of international accounting, audit and CG standards in controlling and reducing the CA practices, an overwhelming "majority", 60(70.60%) were of the opinion that they are pretty "Useful"

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and “Very Much Useful”, respectively. As against this, there were in all 13(15.29%) participants, who were of the totally opposite opinion that various International Standards are all “Useless” and “Totally Useless”, respectively. However, a small segment of 12(14.11%) participants, once again, appears to be totally confused, and accordingly, they were not sure about their usefulness by saying “Don’t Know”.

In response to our last sub-question posed to participants regarding would you like to recommend or suggest to us in order to reduce the frequent use of negative CA practices in the corporate world. An overwhelming “majority” of 55(64.70%) participants were of the opinion that “Effective Enforcement of Laws” and “Induct Independent External Directors” in the corporate sector are two possible solutions to control the misuse of CA practice in corporate financial reporting system. However, 20(23.52%) participants were of the opinion that the corporations must strengthen their “Internal Audit” system under the overall guidance and supervision of the Corporate Audit Committee, as part of CG Mechanism. As against this, 10(11.78%) participants were of the opinion that “Overhaul of External Audit” system should be undertaken by the Big Audit consultancy firms, by reviewing their audit standards, procedure followed and inducting ethical considerations on their professionals. This kind of division of opinion among the participants is quite natural, and is in line with the several research studies on similar topic reported in the past.

Table 7. Usefulness of International Standards and Suggestions for Controlling CA Practices

Answer	Frequency	Percentage (%)
What is Usefulness of International Standards?		
Useful	**26**	**30.60**
Very much Useful	**34**	**40.00**
Don’t know	**12**	**14.11**
Totally Useless	**10**	**11.77**
Useless	**03**	**3.52**

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How to Reduce CAP?		
Improve Internal Audit	**20**	**23.52**
Overhaul External Audit	**10**	**11.78**
Effective enforcement of laws	**32**	**37.65**
Induct Independent Directors	**23**	**27.05**
Total	**85**	**100.00**

Source: Compiled by the author and based on the findings of the questionnaire-based Survey

If the CA starts with the loopholes in the accounting standards may be one of the biggest roles belong to the standard setters in decreasing the possible negative effects of CA. Moving away from the top-echelon of management team and Board of Directors' structure to audit, we believe that "an independent and powerful Audit Committee has to play very crucial role in discouraging the CA practices in the corporate world" (Bhasin, 2012). As we know, the great financial scandals were based on accounting manipulation practices, but also on collaborations with the audit firms, which instead of acting as the 'guardians' of the financial markets have come to overlook, to hide, and even to participate to some of the greatest frauds in the history. Thus, reform measures for the companies' CG systems were also imposed. It was equally revealed that one of the best ways to prevent the practice of CA is "to enforce both preventive, as well as, strong enough punitive measures on those that engage in CA practice."

VI. Conclusions and Recommendations

CA is a term used to refer to the 'aggressive' use of choices available under accounting rules, to present the 'most-fattening' view of a company in its FS. They seek loopholes in financial reporting standard, which they can exploit to adjust the numbers, as much as is practicable, to achieve their desired aim, satisfy their financial projections, or obtain some private gain. By and large, the effect of accounting manipulation can be disastrous leading to a total loss of corporate image and executive integrity. The accuracy and reliability of the FS are crucial for the stakeholders of the firms in order to make appropriate decisions. Sometimes, the CA practices has been compared with the incurable cancer, behind this new face of crime in the land involving the cooking or roasting of FS, and conventional audit has been totally inadequate in handling it. The accounting profession seems not to have realized the stigma CA practices have caused to their profession (Ijeoma and Aronu, 2015). If there are carefully articulated and professionally executed control schemes of an accounting, auditing and investigative, nature would it not have put a stop to these irregular financial practices, which has fostered unexpected strains and hiccups in the economy globally? Should not the accounting profession accept more responsibilities and get the possibilities of arresting this cancerous situation in the economy? Everyone is affected, one way or the other, by this dilemma; is it not high time the accountants should look for a financial messiah?

As very strongly emphasized by Bhasin (2015a), "In the 21^{st} century, the forensic accountants are in great demand and forensic accounting is listed among the top-20 careers of the future." Recent accounting scandals and the resultant outcry for transparency and honesty in reporting, therefore, have given rise to two disparate yet logical outcomes. First, forensic accounting skills have become very crucial in untangling the complicated accounting maneuvers' that have obfuscated financial statements. Second, public demand for change and subsequent regulatory action has transformed corporate governance (CG) scenario (Bhasin, 2016). Therefore, many senior-level company officers and directors are under the ethical and legal scrutiny. In fact, both these trends have the common goal of addressing the investors' concerns about the transparent financial reporting system. The failure of the corporate communication structure has also made the financial community realize that there is a great need for skilled professionals that can identify, expose, and prevent structural weaknesses in three key areas: poor CG, flawed internal controls, and fraudulent financial statements. Therefore, forensic accounting skills are becoming increasingly relied upon within a corporate reporting system that emphasizes its accountability and responsibility to stakeholders.

This study revealed that the practice of CA is an attempt to gain advantage of a form to the managers and companies. Also, it shows that the current GAAP create a gap that can permit and encourage the practice of CA. However, we are of the opinion that the International Financial Reporting Standard (IFRS) will go a long-way to reduce the CA practice, since it covers more areas than the former practice. It was equally revealed that one of the best ways to prevent the practice of CA is to enforce both preventive, as well

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as, strong enough punitive measures on those that engage in CA practice. We make the following recommendations for the consideration of the Indian regulatory authorities:

- Effective rules and regulation of accounting practice should be put in places within the organization to forestall the incidence of CA practices.
- The GAAP and IFRS usage should be subjected to basic SAS and IAS standards.
- The scope for choice of accounting methods should be reduced by reducing the number of permitted accounting methods, thus specifying circumstances in which each method should be used.
- The abuse of judgment can be reduced by drafting rules that minimize the use of judgment and prescribe consistency so that if a company chooses an accounting policy that suits it in one year, it will be forced to use the same method in future circumstances where the result may be less favorable.
- Both internal and external auditors should have a serious role to play in identifying and reporting dishonest estimates, and they should be given the responsibility of detecting and reporting all instances of CA practices.
- Accounting rules and regulations should be strictly adopted by companies so that no one can get any advantage of the existing loopholes of accounting framework, otherwise strict legal action must be taken.
- Auditors of the company should be periodically rotated and they should not work under any pressure of the management. The audit committee of the board should consist of independent and non-executive directors, which should be selected by shareholders.
- Companies should have an efficient whistle blower policy in which the employees are encouraged to report to the top management any financial irregularity. Ensure that whistle-blowers are not victimized by the people who are involved in that financial irregularity.

To sum up, it would be unrealistic to think that it is possible to totally eliminate CA practices. However, best possible efforts should be made to minimize at least the negative effects of CA practices by adopting the accounting standards, giving more importance to ethical considerations, decreasing the flexibility of the managers in deciding among different accounting methods, and introducing forensic accounting for detection and prevention of white-collar frauds. Moreover, strong punitive measure should be taken against all those executives/companies, who are found culpable in the act of CA practices. We are hopeful that even if some of these recommendations are sincerely implemented, it may motivate the corporate-sector to provide "true and fair view" of the financial statements.

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