EUROPEAN JOURNAL OF ACCOUNTING, FINANCE & BUSINESS
Volume **10** / 2022 ISSN 2344-102X
Issue 3 / **October** 2022 ISSN-L 2344-102X

STIMULATING CREATIVE ACCOUNTING PRACTICES THROUGH THE USE OF ACCOUNTING POLICIES RELATED TO BALANCE SHEET LIABILITIES

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Abstract
Creative accounting represents an extraordinary challenge for the accounting profession, this being an international theme treated differently. Thus, the choice of accounting policies being a problem treated from the Anglo-American perspective and the manipulation of transactions being a problem with tradition on the European continent. The choice of alternative accounting policies and options depends on the variety of managers' motivations. In this context, the purpose of this work is to highlight the most used creative accounting practices, as well as the impact on financial statements.

Keywords: creative accounting; accounting policies; balance sheet liabilities; financial result; financial position.

JEL Classification: M41

I. INTRODUCTION

In the specialized literature there is no agreement regarding the definition of the concept of creative accounting, but over time different approaches to this concept have been tried, starting from the idea that creative accounting is often used to describe "the process through that accounting professionals use their knowledge in order to manipulate the figures included in the annual accounts", even if ", it has become a necessity to base on real economic and financial basis the managerial and investment decisions."[1] From another approach to creative accounting, this "can be understood as the process by which management makes use of certain deficiencies or ambiguities in the accounting rules, with the aim of presenting a certain image of financial performance". 1 One of the most complete definitions regarding the concept of creative accounting can be the following: "The process by which, due to the existence of loopholes in the rules, accounting information is manipulated and, taking advantage of flexibility, those measurement and information methods are chosen that allow transforming summary documents from what they should be to what managers want."2 According to some Romanian authors, creative accounting is "a tool to support the manager, used to promote and support the image of the company he leads and to select the information in such a way that the data provided support the interest he pursues, and "is increasingly gaining ground in terms of a practice of shaping accounting sources."[2] Even though the use of creative accounting is not illegal, it indicates that managers, under financial pressure, "are looking for solutions"[3] without raising the issue of compliance with ethical standards. n other words, half-truths and lies can be considered susceptible to possible fraud", "depending on how they are regulated or not"[4] Basically, most researchers accept the fact that two aspects of creative accounting can be distinguished, namely: • "using the imagination of accounting professionals to translate those legal, economic and financial innovations for which there are no standardized accounting solutions at the time of their appearance; • the application of specific creative accounting techniques are initiated depending on their incidence on the financial position and the economic and financial performances of the entities." The simple association between accounting and creative is not necessarily considered by all authors as a negative thing, creative accounting offers means that allow them to keep pace with the upward development of markets and the proliferation of financial products. "Creative accounting can be the result of the flexibility that exists within the accounting regulations and which, if applied in good faith, allow ensuring a true picture of the financial position and the performance of economic entities. However, each user of accounting information has a certain need, "to generate maximum utility to users'[5], has certain interests and, often, the flexibility offered by the accounting standards is used to satisfy some private interests to the detriment of the public interest. In the

[1] Cosmulese, C.,G., Grosu, V., Influences of new ifrs on consolidated financial reporting, The USV Annals of Economics and Public Administration 19 (2 (30)), 185-191, Frontiers in Nutrition 9, 912759, 2022
[2] Hlaciuc, E., (2021), Study on the Application of Creative Accounting Techniques, European Journal of Accounting, Finance & Business, 16, issue 26, p. 33-45.
[3] Grosu, V., / Hlaciuc, E. (2018). IFRS 16 - Challenges and Opportunities in Adopting and Applying the New Standard Regarding Leases. In C. Năstase (ed.), The 14th Economic International Conference: Strategies and Development Policies of Territories: International, Country, Region, City, Location Challenges | May 10-11, 2018 | Stefan cel Mare University of Suceava, Romania (pp. 345-354). Iasi, Romania: LUMEN Proceedings. https://doi.org/10.18662/lumproc.85
[4] Grosu, V., Botez, D., Melega, A., Kicsi, R., Mihaila, S., Macovei, A., (2022). BIBLIOMETRIC ANALYSIS OF THE TRANSFORMATIVE synergies between blockchain and accounting in the uprooting of economic criminality. 9. 77-105. 10.9770/jesi.2022.9.4(3).
[5] Jieri, N., Tanasä, S., M., Grosu, V., Mihailä,S., 2021. "Revenue Disclosures In Financial Statements In Accordance With IFRS 15 Revenue From Contracts With Customers" The USV Annals of Economics and Public Administration, Stefan cel Mare University of Suceava, Romania, Faculty of Economics and Public Administration, vol. 21(2(34)), pp. 165-171.

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specialized literature, however, creative accounting has a negative role due to the fact that only some of the users of accounting information are advantaged by its use", and "the most important financial indicators that a retail company should focus on and include in communication with external stakeholders.”[6]

II. CREATIVE ACCOUNTING PRACTICES

Through creative accounting practices, entities can change their image of the performance achieved, which will be reflected in inappropriate prices for the shares and bonds issued, "which will attract more investors."[7] Due to the need for users of financial statements to be able to detect whether an entity uses creative accounting practices, a classification was created that is based on the assessment of income, expenses, assets and liabilities, to this is added creative practices used in the preparation of the profit and loss account and loss and cash flow statement.

Flexibility represents the possibility given to entities to present their financial position and performance according to the specifics and circumstances in which they are registered so as to reflect as faithfully as possible the activity carried out, but companies use this flexibility to improve the image presented through financial statements, " and of the definition of the elements contained within the financial statements[8]”.

In the following, we will present some procedures that influence the result or the elements in the accounting balance sheet.

Table 1. Processes impacting the value of the result

Elements	Mechanism	Impact on accounts	Limits
Research and development expenses	Capitalization of research and development expenses	- the increase in the result in the year of capitalization, the decrease in the year of the transfer and in the following years due to depreciation - the impact of choosing the start date of depreciation	-fulfillment of the conditions stipulated by the reporting rules -difficulties in evaluating the cost of research
Fixed Assets	Leaseback contract	- the appearance of an added value from the leaseback -registration of rents during the period after taking over the asset	- the artificial increase of the result due to the existence of a commitment to pay rents for a certain period - the risk of distributing fictitious dividends
Depreciation	When determining the amortization plan, there are several options: -probable duration of use - estimation of the residual value	-modification of the registered depreciation rate, therefore of the depreciation expenses	- the need for an amortization plan - the permanence of the methods
Stocks	Incorporation of financial expenses into the production cost of inventories	- the increase in the result in the year of incorporating the expenses -the decrease in the year of stock cancellation	-difficulty in defining "borrowed capital" and "production financing" -the justification and amount of expenses must be presented in the notes
Impairment adjustments and equity securities	Understatement or overstatement of equity impairment adjustments	-increasing (or reducing) the result in the year of registration, reverse effect in the year of resumption	The principle of prudence
Adjustments for depreciation and current assets	-underestimation or overestimation of receivables impairment adjustments	- the increase (or decrease) of the result in the year of registration	The principle of prudence

[6] Grosu, V., 2016. "Study On Financial Communications From Public Retail Companies: Comparative Analysis“ Milano Stock Exchange And Bucharest Stock Exchange," EcoForum, "Stefan cel Mare" University of Suceava, Romania, Faculty of Economics and Public Administration - Economy, Business Administration and Tourism Department., vol. 5(Special I), pp. 1-22.
[7] Grosu, V., Tanasoaia,M., 2022. Identifying The Methods Of Adapting The Behavior Of Cash Flows To The Variations Of The Relevant Financial-Economic Indicators In Multiple Crisis Conditions, European Journal of Accounting, Finance & Business, "Stefan cel Mare" University of Suceava, Romania - Faculty of Economics and Public Administration, West University of Timisoara, Romania - Faculty of Economics and Business Administration, vol. 10(2), pp. 46-58, June.
[8] Hlaciuc, E., Grosu, V., Socoliuc, M., Maciuca, G., 2014. "Comparative Study Regarding The Main Differences Between Us GAAP and IFRS," The USV Annals of Economics and Public Administration, Stefan cel Mare University of Suceava, Romania, Faculty of Economics and Public Administration, vol. 14(2(20)), pages 140-145, December.

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	-Underestimation or overestimation of adjustments for inventory depreciation		
Provisions for risks and expenses	The existence of several problems: - the date of the restructuring decision; - the degree of precision in terms of evaluation; - taking into account potential surplus values in the assessment of the provision (although it is forbidden)	-impact on the result depending on the level of the provision, reverse effect in the year of resumption	The principle of prudence
Long-term contracts	The existence of several methods of recording these contracts: the method of the percentage of advancement; the method of finishing the works	Impact on turnover depending on the method used Different recognition of contract revenues	The principle of prudence

Source: Adaption after Raileanu, 2010, pp. 28-29[9]

The practice of creative accounting results from the increase in the volatility of market elements, thus, the transition from constant currency to fluctuating exchange rates, the increase in the interest rate correlated with the increase in the inflation rate, periods of economic crisis in general, resulted in the increase in uncertainty. So, under these conditions, entities are "motivated to adopt risk reduction instruments", but the problem arises due to the fact that in the field of financial instruments, practice is what induces the need to use creative accounting.

Table nr. 2 Proceedings having an impact on the presentation of the balance sheet

Elements	**Mechanism**	**Impact on accounts**	**Limits**
Fixed Assets	Leaseback contract	Improvement of the working capital Treasury improvement	Artificial improvement of the financial situation
Clients	Discounting a bill of exchange or a promissory note	Accounting view: -reducing the need for working capital - improving the treasury	Financial overview: There is no reduction in the need for working capital, no increase in the treasury, the discount being a bank aid
Clients	Securitization of receivables: transfer of receivables to a common receivables fund against cash collection	Decrease in the need for working capital Treasury improvement	-
Equity	Issue of hybrid securities whose classification between equity and debt is delicate	Change in debt ratio and return on equity	-

Source: Adaption after Raileanu, 2010, pp. 30[10]

As we can see in the two tables above, different situations and mechanisms can influence the picture of the financial statements and the result. Attention must be directed to a correct application of the accounting principles, their application in an aggressive manner leads to the possibility of changing the financial results and the financial position in order to create an attractive picture regarding the financial performances of the entities so as to obtain certain advantages and benefits. Accounting options have always existed and do not constitute what we call "creative accounting", a rational application of accounting principles by the professional accountant can only bring out the true picture of the financial statements and the result of the entities.

[9] Note de curs „Contabilitate Creativă", Raileanu Vasile și alții, Academia de Studii Economice, București, 2010, pp. 28-29
[10] Note de curs „Contabilitate Creativă", Raileanu Vasile și alții, Academia de Studii Economice, București, 2010, pp. 30

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III. ACCOUNTING POLICIES AND CHOICES THAT ATTRACT THE USE OF CREATIVE ACCOUNTING PRACTICES

Balance sheet liabilities represent the debts and equity of an economic entity, which by OMFP no. 1802/2014, art. 18, are defined as follows: "a debt represents a current obligation of the entity arising from past events and through the settlement of which it is expected to result in an outflow of resources incorporating economic benefits. A liability is recognized in the accounts and presented on the balance sheet when it is probable that an outflow of resources embodying economic benefits will result from the settlement of a present obligation and when the amount at which this settlement will be realized can be reliably estimated" and "equity represents the residual interest of shareholders or associates in the assets of an entity after deducting all its liabilities." Next we will make a foray into creative accounting techniques related to debt and equity.

Provisions

In accordance with the International Accounting Standard 37 - "Provisions, liabilities and contingent assets" provisions represent uncertain liabilities from the point of view of the maturity period and the value. According to OMFP no. 1802/2014, "provisions are intended to cover liabilities whose nature is clearly defined and which at the balance sheet date are likely to exist or it is certain that they will exist, but which are uncertain as to the amount or the date when they will appear".[11]. Provisions occupy an intermediate position"”[12] between equity and liabilities. Due to the need for certain estimates, they create leverage for smoothing the results. The same order mentioned above provides that the recognition of provisions is done when the following conditions are met: "(1) the entity has recorded a current obligation generated by a previous event; (2) an outflow of resources is likely to honor the previously recorded obligation; (3) a credible estimate of the value of the obligation can be made".

The provisions must be established based on the principle of prudence and with discernment, without exceeding the amounts necessary to settle the obligations. Next, we will present an example regarding the accounting practices related to the provisions:

Example: SC "LUCAS" SRL records in 2021 a turnover of 3,500 lei and the expenses related to the turnover are 2,100 lei. It is estimated that in the following years sales will decrease and it is possible that the company will enter the area of losses and therefore no longer be profitable. Thus, SC "LUCAS" SRL decides to constitute a provision for risks and expenses in the year 2021 in the amount of 700 lei. In 2022, the risk occurs that generates expenses of 150 lei. The actual turnover in 2022 is 3,000 lei and the expenses related to the turnover are 2,300 lei."

Profit and Loss for the two years is presented below:

Incomes and expenses	**Year 1**	**Year 2**
Turnover	3.500	3.000
Income from provisions	0	700
Operating expenses (related to turnover)	(2.100)	(2.700)
Other operating expenses	0	(150)
Expenses with provisions	(700)	0
Operating result	**700**	**850**

We notice that the company seems to have a special evolution of the result, but the estimate it made regarding the size of the provision is exaggerated considering the fact that the risk produced an effective loss of only 150 lei. If, let's suppose, that the maximum accepted size of the provision was supposed to be 500 lei, the profit and loss account would look like this:

Incomes and expenses	**Year 1**	**Year 2**
Turnover	3.500	3.000
Income from provisions	0	500
Operating expenses (related to turnover)	(2.100)	(2.700)
Other operating expenses	0	(150)
Expenses with provisions	(500)	0
Operating result	**900**	**650**

[11] OMFP 1802/2014, sectiunea 4.10

[12] Ciubotariu, M.-S., Socoliuc, M., Grosu, V., Mihaila, S. and Cosmulese, C.G. 2021. Modeling the relationship between integrated reporting quality and sustainable business development. Journal of Business Economics and Management. 22, 6 (Nov. 2021), 1531-1550.

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ISSN 2344-102X
ISSN-L 2344-102X

Under these conditions, a decrease in the result can be observed, which affects investors especially if the entity is listed on the capital market. Thus, the way accounting estimates are made is fundamental for changing the results.

Capital premiums

From an accounting point of view, capital premiums represent another element of equity. "Capital premiums have the role of creating equality between the new shareholders and the old shareholders and represent the price paid by the new shareholders to enter as co-owners in a economic entity. The capital premiums can be used for three purposes: capitalization, switching to reserves or covering expenses generated by the issue and sale of new shares".

According to OMFP no. 1802/2014, premiums related to capital include: issue premiums; merger premiums; intake premiums; conversion premiums. The expenses for the issue and sale of the new shares are initially recorded as an asset, within the establishment expenses and from here, creative accounting is manifested: either the establishment expenses are amortized and directly influence the result, or the establishment expenses are covered by the issue premiums.

The choice of the second option is justified by the fact that it is stated that it does not affect the interests of any shareholder, but it favors the state by not including an expense in the result and therefore, a higher profit tax is paid. However, applying this variant, the result remains higher and external users are misled because they give priority to the variation of the result and less to the variation of the capital premiums."

The result of the exercise

The national regulations, through OMFP 1802/2014, section 4.13.5, regarding the result of the financial year state that "the result of the year is determined as the difference between the income and expenses of the year", then, "the final result of the financial year is established at its end and represents the final balance of the profit and loss account" but, "the closing of accounts 121- "Profit or loss" and 129- "Profit distribution" is carried out at the beginning of the financial year following the one for which the annual financial statements are drawn up. As a result, the two accounts appear with the corresponding balances in the balance sheet drawn up for the financial year to which the annual financial statements refer."

With all these regulations, we can encounter different "creative" situations regarding the result as follows:

a) Sales followed by the return of the sold goods

In this regard, there may be formal or informal agreements between certain entities whereby the buyer proceeds to return the goods that have not been sold, thus the seller prepares the cancellation invoice and receives the goods back. This practice is not aimed at influencing the result, but it can be considered in certain situations, a way of smoothing the result in the situation where in the year of the sale, the economic performances are inadequate. Thus, in the year of the sale the profit is recognized, and in the year in which the return takes place a decrease in the profit will be recorded. Therefore, it can be considered that one of the reasons why the annual financial statements are approved after a certain period from the end of the financial year is to identify the events and transactions subsequent to the end of the financial year but which are related to the completed financial year in order to be able to influence the result of that financial year.

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b) Sales of products within the own retail units

There are some economic entities that capitalize on their partially/totally obtained products through their own retail units. Here, creative accounting makes its way by choosing the way of accounting and, implicitly, the way of reporting in the financial statements, especially at the level of the profit and loss account, of the transfer of products from warehouses of finished products to retail stores. This problem manifests itself because within the same economic entity the production function meets the commercial function, and accounting, through the way of organization and management, must report "reliable and relevant financial information"[14] about the performance

[13] Groșanu, A., (2013), *Contabilitate creativă,* Colecţia Cercetare avansată postdoctorală în ştiinţe economice, Editura ASE, București, pp. 61-66

[14] Mihaila, S, Grosu, V., Cosmulese, C.,G., Socoliuc, M., Bursuc, M.,2021. "Transhumanism Versus The Future Of Accounting," The USV Annals of Economics and Public Administration, Stefan cel Mare University of Suceava, Romania, Faculty of Economics and Public Administration, vol. 21(1(33)), pp. 122-129, June.

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of each link of the entity. The transfer of products from the entity's warehouse to the retail units implies from an accounting point of view the transfer of products to the category of goods.[15]

c) Expenses with collaborators

Regarding this matter, creativity is manifested in the case of small entities where the associations are not limited only to the contribution of capital but also achieve a contribution of the labor factor. For the labor factor, the remuneration is the salary, but in order to avoid the payment of salary taxes, which are considered high, the associations register as authorized natural persons and who, depending on the field of activity, pay a fixed annual tax, regardless of the income achieved. Thus, under these conditions, a transfer of profit is made from the level of the entity paying profit tax, through the invoices issued by the entity's associates for the work performed, to the level of the individual paying flat tax.

In this case, the gain for the associates is twofold: firstly, profit tax is saved and, secondly, no dividend tax is paid. In this way, creative accounting is used to optimize the fiscal pressure, the associates not being expressly interested in the information published in the financial statements, especially in the case of entities not listed on the stock exchange."[16]

Therefore, there are not a few situations in which creative accounting techniques can be used so that the result of the exercise looks better according to the expectations of the associates.

Reserve from revaluation

Creative accounting techniques related to the revaluation of fixed assets are usually used by entities in difficulty with the aim of increasing their own capital (revaluation reserves) and thus artificially increasing their debt capacity. The revaluation of fixed assets must be carried out by authorized appraisers, members of ANEVAR (National Association of Appraisers in Romania).

Revaluation represents an alternative treatment that an entity can apply so that fixed assets are presented in the financial statements at fair value." According to the International Financial Reporting Standards-IAS/IFRS, IAS 16 - Tangible assets recommends two methods of revaluation, according to as follows in the following figure: the gross value method and the net value method.

"The gross value method was mainly used in the 90s when Romanian entities were obliged to evaluate their fixed assets according to the inflation index communicated by the National Institute of Statistics. This method is still used today due to compliance with the principle of permanence of methods, however, the net value method is more common in our country due to the fact that at the time of revaluation, the fair values of fixed assets become depreciable values, this method being simpler to use." [17]

Following revaluations, from an accounting point of view, an increase or decrease in the net book value of the fixed asset may result, the resulting differences being treated differently as follows[18]:

• If the revaluation results in an increase compared to the net book value, the accounting treatment will be as follows:

o The increase in the value of the revaluation reserve (in the credit of account 105 – "Revaluation reserves"), if there was no previous decrease recorded as an expense;

o Registration of an income (in account 755- "Income from the revaluation of tangible assets") to offset the expense (account 655- "Expenses from the revaluation of tangible assets") with a previous decrease, and the possible remaining surplus will be recorded in the credit of account 105 - "Revaluation reserves"

• If we have a decrease in the net book value of an asset, the treatment will be as follows:

o An expense (account 655- "Expenses from the revaluation of tangible fixed assets") summing up the total value of the depreciation, when there is no recorded revaluation reserve related to that asset;

o A decrease in the revaluation reserve (debit of account 105 - "Revaluation reserves"), with the lower value between the value of that reserve and the value of the decrease, and an expense is created for the uncovered difference (account 655- "Expenses from the revaluation of tangible fixed assets ").

OMFP no. 1802/2014, art.112, provides that "the revaluation reserve can be distributed when the revalued asset has been capitalized, the surplus from the revaluation being a realized gain". The tax code provides that "value losses resulting from revaluations represent non-deductible expenses. The added value obtained at a subsequent revaluation, recorded in income to compensate for the previous depreciation, is considered non-taxable income". If revaluations are carried out that cause a decrease in the value of fixed assets below the acquisition cost or market value, the remaining unamortized tax value is recalculated up to the level established on the basis of the acquisition cost or market value.

Given that in Romania, these revaluations fall under the Fiscal Code, it makes the following references regarding the revaluation of immovable assets[19]:

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[15] Idem

[16] Groșanu, A., (2013), *Contabilitate creativă,* Colecţia Cercetare avansată postdoctorală în ştiinţe economice, Editura ASE, București, pp. 61-66

[17] Domil A., Mateș D.,si alții (2016), Contabilitatea și gestiunea fiscală a entităților economice, Editura Eurostampa, Timișoara, pp. 24-26

[18] Bufan Ioana-Diana, Cornean Andra-Nicoleta, „The effect of the revaluation of tangile fixed assets on the depreciation for tax purposes", *Dezbateri Social Economice,* nr. 1/2013, pag 49.

[19] Legea nr. 227/2015 privind Codul fiscal.

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• in the case of revaluations of intangible assets or depreciable fixed assets that cause a decrease in their value below the acquisition cost, their unamortized fiscal value is recalculated up to the level established on the basis of the acquisition cost;

• revenues representing increases in value resulting from the revaluation of fixed assets, intangible assets, which offset expenses with previous decreases related to the same asset "are considered non-taxable revenues"”[20];

• expenses from the revaluation of intangible assets/fixed assets, if a decrease in their value is recorded as a result of the revaluation, are considered deductible expenses."

Also, due to the fact that the revaluation of buildings has a major impact on taxation in our country, since the revaluation method has an impact on the tax on buildings, the Fiscal Code provides that starting from January 1, 2016, the tax on buildings should be determined according to its destination , respectively, residential or non-residential. For residential buildings, the building tax is calculated by applying a rate between 0.08%-0.2% on the taxable value of the building, and for non-residential buildings, the building tax is calculated by applying a rate between 0.2% - 1.3% on the taxable value of the building. These quotas are established according to the City Council and can reach a quota of approximately 5% of the inventory value of the building if it has not been reevaluated in the last three years. The choice of appraiser and the timing of the appraisal falls within the scope of accounting creativity, broadly speaking.

A distinction must be made between the recording of the result obtained from revaluations and the recording of the result obtained from the evaluation of the balance sheet elements during the inventory of the patrimony because the minuses obtained from the revaluation reduce the cost of the assets and are not recorded on account of the depreciation adjustment accounts, as is done in the case of the depreciation found in the inventory."

Therefore, the revaluation result is very important because it has repercussions on the financial statements, affecting both the accounting and fiscal results."

Depreciation

Depreciation of assets can have a strong impact on financial statements affecting both the financial result and the recognition of assets in the balance sheet. Accounting depreciation affects the assets on the balance sheet and the corresponding expense affects the profit and loss account.

The depreciation policy can affect the evolution of the result through the following variables: the amount to be amortized; amortization period; depreciation method..

International Accounting Standards define depreciation as "the systematic allocation of the depreciable value of an asset over its entire useful life".[21]

In practice we encounter two types of depreciation, namely, accounting depreciation and tax depreciation.

"Differences between accounting and tax depreciation generate deferred taxes. The differences between these depreciations are determined by the use of different depreciation methods or different periods of use of fixed assets. The International Accounting Standards also provide that the depreciation of fixed assets is calculated starting from the date from which the asset becomes available for use and the Romanian regulations, through OMFP no. 1.802/2014, art. 238, stipulates that "the beginning of depreciation of fixed assets takes place in the month following their commissioning, until the full recovery of the value". OMFP no. 1.802/2014, art. 240, provides for the following depreciation methods: linear, degressive and accelerated, as well as depreciation calculated per unit of product or service when the nature of the fixed assets justifies the use of such a method.

Unlike our country, in other countries the value to be amortized is the difference between the input cost and the estimated residual value at the end of the period of use, from here the accounting creativity can be manifested which is related to the estimation of the residual value and subsequently, at the end of the following years regarding the following estimates of this value. In our country, according to OMFP no. 1802/2014, the residual value is zero, so it is not taken into account in the calculation of the amortized value."

Another place for creative accounting is the depreciation period, which is an accounting estimate available to the management of economic entities, and "does not reflect economic reality." OMFP no. 1802/2014, art. 238, mentions that "the periods of depreciation in accounting, established according to accounting policies, may be different from the periods of depreciation used by entities for tax purposes." In practice, in order for the accounting depreciation to be equal to the tax depreciation, economic entities establish the periods of economic use within the range in which the normal operating period is included.

In the following we will try to highlight the differences arising as a result of the application of different depreciation methods.

Example: SC LUCAS SRL and SC BRAK SRL each own a machine with an input value of 16,500 lei, depreciable over a period of 5 years. The company LUCAS SRL depreciates the equipment using the straight-line method and SC SC BRAK SRL depreciates the equipment using the accelerated method. The annual turnover is 93,000 lei and the expenses related to the turnover, without depreciation expenses, are 48,000 lei.

[20] Cosmulese, C.,G., Grosu, V., Hlaciuc, E., Intangible assets with a high degree of difficulty in estimating their value, , Ecoforum Journal 6 (3), 2017

[21] Standardele Internaţionale de Raportare Financiară-IFRS, Ed. a 7-a, rev., Editura CECCAR, Bucureşti, 2015, Partea A, pag A1263.

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Depreciation calculation:
LUCAS SRL: Depreciable value (VA) = 16,500 lei, Depreciation period (Yes) = 5 years
Annual depreciation = Va/Da = 16,500 lei/5 years = 3,300 lei.

BRAK SRL: Depreciable value (VA) = 16,500 lei, Depreciation period (Yes) = 5 years
Year 1= 50%x Va= 50% x 16,500 lei=8,250 lei,
Remaining value to be amortized (VR1)= Va -A1 (Year 1)= 8,250 lei
Year 2,3,4 and 5 = VR1/ 4 years = 8,250 lei / 4 years = 2,062.5 lei
Profit and Loss statement will be as follows:

LUCAS SRL	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Total***
Turnover	*93.000*	*93.000*	*93.000*	*93.000*	*93.000*	*465.000*
Operating Expenses	*(48.000)*	*(48.000)*	*(48.000)*	*(48.000)*	*(48.000)*	*(240.000)*
Depreciation expenses	*(3.300)*	*(3.300)*	*(3.300)*	*(3.300)*	*(3.300)*	*(16.500)*
Operating result	***41.700***	***41.700***	***41.700***	***41.700***	***41.700***	***208.500***
BRAK SRL	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Total***
Turnover	*93.000*	*93.000*	*93.000*	*93.000*	*93.000*	*465.000*
Operating Expenses	*(48.000)*	*(48.000)*	*(48.000)*	*(48.000)*	*(48.000)*	*(240.000)*
Depreciation expenses	*(8.250)*	*(2.062,5)*	*(2.062,5)*	*(2.062,5)*	*(2.062,5)*	*((16.500)*
Operating result	***36.750***	***42.937,5***	***42.937,5***	***42.937,5***	***42.937,5***	***208.500***

We can see from the above example that the depreciation method chosen by the entity has implications on the evolution of the operating result. Since depreciation must be correlated with the way the asset is used, it is rare for a tangible fixed asset to be consumed in the first year up to 50%, but the accelerated depreciation method produces as a tax advantage the deduction of larger amounts in the first year of operation for entities income tax payer.

It can also be mentioned that the entities can proceed to change the duration of use after putting a fixed asset into operation, which generates changes on depreciation and implicitly on the result of the year. These changes can be made when an error is determined in the estimation of the conditions of use as well as in the case of repairs or investments, other than those determined by current maintenance.

So, through the previous examples, we saw how the information from the financial statements related to the liability elements of an entity can be manipulated so that they are in accordance with the requirements of managers or any other factor/reason underlying the use of creative accounting techniques. All these practices are not illegal, they are the result of incomplete accounting and fiscal rules that leave free rein to accounting professionals to show their creativity in accounting. In many of these situations, attention must be directed to when the transaction/revaluation/commissioning of an asset takes place, etc. as the market is fluctuating and the outcome is always different.

IV. CONCLUSION

Accounting helps managers in their efforts to improve the company's performance and its image, but unfortunately, some managers, exceeding their competences, look for a series of solutions that do not always comply with ethical standards. Such managers are tempted to ask the entity's accountants to use those creative accounting techniques that lead to the desired result. Professional accountants must not allow themselves to be influenced or constrained by this aspect in the performance of their mission, but must comply with the International Code of Ethics for Professional Accountants developed by IFAC and the National Code of Ethics for Professional Accountants developed by CECCAR (Corps of Chartered Accountants and Chartered Accountants from Romania).

By resorting to creative accounting policies, the real image of the company may suffer, becoming distorted, and the information provided by the financial statements may mislead users. Creative accounting is perceived negatively in the situation where the reflection of a faithful image is not sought, as required by the current regulations in the field, but is intended to lead to the preparation of financial statements that meet the needs of the management team according to the interests pursued. The positive variant of creative accounting is in the situation where the correct professional judgment of the accountants is called upon, as well as the good faith of the management team."

With the help of the practical part of this paper, we managed to highlight the fact that the phenomenon of creative accounting is not to be neglected in the current context of the economic environment. The hypothesis that was the basis of the study finally confirms the fact that there is a tendency of accounting professionals to modify accounting information, to modify the real picture of financial reports and ethical behavior in order to result in financial statements according to expectations.

Volume **10** / 2022 ISSN 2344-102X
Issue 3 / **October** 2022 ISSN-L 2344-102X

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