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ACCOUNTANCY IN BIOTECHNOLOGY FROM A CREATIVE POINT OF VIEW

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Abstract

Creative accounting is a term used to describe the practice of manipulating financial information to present a more favorable picture of a company's financial performance and position than what might be an accurate representation under standard accounting principles. Creative accounting involves altering real accounting figures to convey specific messages desired by managers through exploiting accounting loopholes limitation. Nevertheless, in light of the changing accounting and legal context, researchers are increasingly preoccupied on the managerial outlook with regards to creative accounting and accounting manipulations. The influence of sustainable financial data governance tends to discourage creative accounting by promoting transparency, adherence to ethical principles, and stakeholder trust. On the other hand, political connections can have a more ambiguous impact, as they can either facilitate or discourage creative accounting, depending on the extent of influence and regulatory capture.

Key words: creative accountancy, ethical issues, fraud, management, audit

INTRODUCTION

Accountancy in biotechnology refers to the specialized financial and accounting practices and principles applied to businesses and organizations operating in the biotechnology industry. Biotechnology is a rapidly growing sector that involves the use of biological processes, organisms, or systems to develop or create products, technologies, and services. This can include pharmaceuticals, medical devices, genetic engineering, agriculture, and more. Effective accounting in biotechnology is essential for financial management, regulatory compliance, and decision-making. Here are some key aspects of accountancy in biotechnology:
Revenue Recognition: Biotech companies often have complex revenue recognition processes due to the long development timelines of products and services. Accountants must determine when and how to recognize revenue, taking into account factors like milestones, collaboration agreements, and licensing arrangements (Faragalla, W.A., 2015).
There are several important elements to consider such Research and Development Costs, Intellectual Property, Regulatory Compliance, Taxation, Funding Sources, Inventory Valuation, Financial Reporting, Risk Assessment and Cost Control.
Accountancy in biotechnology requires a deep understanding of the industry's unique challenges and financial intricacies. Biotech accountants work closely with scientists, researchers, and management to provide accurate financial information, support decision-making, and ensure compliance with industry regulations. They play a critical role in helping biotech companies achieve their financial goals and bring innovative products and services to market.

THE CONCEPT OF CREATIVE ACCOUNTING

Creative accounting is the practice of manipulating financial information to present a more favorable picture of a company's financial performance and condition than is possible under standard accounting principles. Creative accounting involves bending or abusing accounting rules and regulations, often within legal limits, to achieve specific financial goals. Although creative accounting is not inherently illegal, it raises ethical concerns and can mislead investors, creditors, and other

stakeholders. Some common techniques associated with creative accounting include:

Income Smoothing. This involves spreading out income and expenses over multiple periods to create a more stable and positive financial performance (Herrmann & Inoue, 1996). Companies may hold off recognizing certain expenses or accelerate revenue recognition to achieve this effect. This technique can be conducted by a chartered accountant who can manipulate the company's income and expenses to facilitate income smoothing using creative accounting (Abed et al., 2022).

Off-Balance-Sheet Financing. Companies may keep certain liabilities or assets off their balance sheet to make their financial position appear stronger than it actually is. This can be done through various financial instruments, special purpose entities, or partnerships (Cugova, 2020).

Changing Depreciation Methods. Altering depreciation methods can affect the value of assets on the balance sheet and impact the income statement. For instance, a company might switch from straight-line to accelerated depreciation to decrease reported profits in the short term.

Reserving for Contingencies. Companies may establish or release reserves for contingencies to smooth earnings or improve financial metrics. The timing and amount of such provisions can be manipulated.

Changing Accounting Policies. Switching accounting policies, such as from LIFO (Last-In-First-Out) to FIFO (First-In-First-Out), can affect the cost of goods sold and impact reported profits. Ustinova and col. 2022 showed that the results obtained by A. Sweeney (Sweeney, 1994) in her researches reveals that can be used LIFO and FIFO methods in order to influence the company's profit.

Revenue Recognition Timing. Accelerating or delaying the recognition of revenue to achieve specific financial targets, often related to bonuses or investor expectations.

Classification of Expenses. Shifting certain expenses from operational expenses to capital expenses can inflate reported profits in the short term.

Valuation of Assets. Overvaluing assets, such as real estate or inventory, can increase a company's net worth and make it appear financially healthier (Mortură & Dreghiciu, 2018).

While creative accounting can be used to meet short-term financial goals, it often leads to long-term problems. Investors and creditors rely on financial statements to make informed decisions, and when those statements are manipulated, it can erode trust and undermine the stability of the financial markets. Regulatory agencies, such as the U.S. Securities and Exchange Commission (SEC), have put in place strict rules and regulations to prevent and detect creative accounting practices, and Companies that engage in fraudulent accounting practices may face legal consequences. Ethical standards and corporate governance practices are also essential to prevent creative accounting practices and promote transparency and accuracy of financial reporting.

MOTIVATIONS/GENERATOR FACTORS FOR CREATIVE ACCOUNTING

Creative accounting, also known as earnings management or financial engineering, involves manipulating financial statements to present a more favorable picture of a company's financial performance or position than is actually the case. While creative accounting can have negative consequences and can be unethical or even illegal, there are several motivations or generator factors that might lead individuals or organizations to engage in such practices:

Profit Maximization. Creative accounting can be used to increase reported earnings and profits, thereby making the company more attractive to investors and analysts. This is likely to lead to increased stock prices and dividends, benefiting shareholders and possibly related to executive compensation.

Avoiding Debt Covenants. Companies may use creative accounting to avoid breaching debt covenants. By artificially improving financial ratios (e.g., debt-to-equity ratio), they can remain in compliance with loan agreements, thereby avoiding the risk of default and potential financial penalties.

Tax Minimization. Through creative accounting, companies can reduce their taxable income, leading to lower tax liabilities. This can enhance cash flow and the bottom line,

though it should be noted that there are strict legal limitations on what can be done to minimize taxes (Moisescu, 2016).

Managerial Compensation. Executive compensation programs often include bonuses or stock options tied to financial performance metrics. Creative accounting can inflate these figures, leading to larger bonuses or stock options for executives.

Attracting Investment. Companies may engage in creative accounting to attract investments or secure loans. A more favorable financial picture can be more appealing to potential investors, lenders, or creditors.

Meeting Analysts' Expectations. There is often pressure on publicly traded companies to meet or exceed analysts' earnings expectations. Creative accounting can be used to smooth out earnings and make them more predictable, reducing the likelihood of stock price volatility due to earnings surprises.

Hiding Financial Problems. Companies facing financial difficulties may use creative accounting to temporarily hide problems or losses, giving them time to address underlying issues without causing panic among investors, creditors, or employees.

Regulatory Compliance. Companies may engage in creative accounting to comply with complex accounting standards. In some cases, the application of these standards can be subjective, allowing for interpretations that favor the company's interests.

Competitive Advantage. In some industries, creative accounting may be used to maintain a competitive advantage. When competitors are engaging in similar practices, a company may feel compelled to do the same to avoid appearing less profitable or efficient.

Management's Reputation. Creative accounting can be used to maintain or enhance the reputation of a company's management team. This may be particularly important in industries where investor or public perception is closely tied to the integrity and competence of the management.

It's important to note that while there may be motivations for creative accounting, it is often unethical and can lead to legal consequences, damage a company's reputation, and harm stakeholders. Regulatory bodies and auditors play a crucial role in detecting and preventing creative accounting practices. Investors and analysts should be cautious and critically evaluate financial statements to detect possible irregularities.

CREATIVE ACCOUNTING TECHNIQUES

Creative accounting techniques involve manipulating financial and transactional data to present a more favorable or misleading view of a company's performance or financial condition. While these techniques can be unethical and sometimes illegal, they have been employed by some individuals and organizations. It's important to note that engaging in creative accounting can lead to severe consequences, including legal and regulatory action, damage to a company's reputation, and harm to investors and stakeholders. Here are some common creative accounting techniques:

Income Smoothing. This technique involves manipulating income or expenses to achieve a consistent level of reported earnings over several accounting periods. E. Bartov (Bartov, 1993), analyzed the overestimation of income in order to manipulate the moment of recognition of the sale of non-current assets. This technique can be done by postponing or accelerating the recognition of revenue or expenses, thus avoiding fluctuations in reported earnings.

Cookie Jar Reserves. Companies may create "cookie jar" reserves by setting aside excess profits in good years and then releasing them in bad years to boost reported earnings (Okoye&Obioma, 2020). This technique can make a company appear more stable and less volatile in terms of its earnings.

Big Bath Accounting. Under this technique, a company intentionally recognizes larger-than-necessary losses in a particular period, often during a restructuring or difficult year. By doing so, the company sets a low earnings benchmark for future periods, making it easier to show improved performance (Shahid&Ali, 2016).

Off-balance sheet financing. Companies can use off-balance sheet financing by removing assets, liabilities or transactions from the balance sheet to avoid them being recorded in

the financial statements (Kovalova & Michalikova, 2020). This can be used to make a company's financial position appear stronger or less risky than it actually is.

Channel stuffing. This technique involves artificially inflating short-term sales or revenue by shipping more products to distributors or customers than they can sell in a given period of time determined. This may make current sales numbers look better, but it often leads to future returns or unsold inventory.

Revenue Recognition Manipulation. Creative accounting can involve recognizing revenue too early or delaying revenue recognition (Kovalova & Michalikova, 2020). This can be done by changing the terms of sales agreements, issuing fictitious invoices, or recognizing revenue before it is genuinely earned.

Expense Capitalization. Instead of expensing certain costs immediately, some companies may capitalize them by treating them as long-term assets. This practice can make the company's profits appear higher in the short term because expenses are spread out over time.

Changing Depreciation and Amortization Methods. Companies can manipulate depreciation and amortization methods to lower expenses and increase reported earnings. This can involve extending the useful life of assets or using more favorable depreciation methods.

Inventory Valuation Techniques. Altering inventory valuation methods, such as using the LIFO (Last-In-First-Out) method to reduce taxable income, can lead to creative accounting. Companies can also overstate the value of inventory to inflate assets. Creative accounting can be used extensively in inventory, as it is highly subjective. As a result, the difference (positive or negative) in inventory reporting has an impact on the results of the current and future accounting periods (Abed et al, 2022).

Related Party Transactions. Engaging in transactions with related parties (e.g., family members, insiders, or affiliates) at non-market rates can be a way to manipulate financial results. This can involve artificially inflating or deflating expenses, revenues, or asset values.

Aggressive Accruals. Companies may use aggressive accruals by recognizing revenue before it is received or delaying the recognition of expenses (Okoye & Obioma, 2020). This can temporarily inflate earnings.

Income Shifting. Multinational corporations may engage in income shifting by shifting profits from high-tax jurisdictions to low-tax jurisdictions to minimize tax liabilities.

It's important to emphasize that these creative accounting techniques are not only unethical but can also be illegal if they violate accounting and financial reporting regulations. Auditors and regulatory bodies play a crucial role in detecting and preventing such practices, and they can impose penalties on companies and individuals who engage in creative accounting. Investors and analysts should exercise vigilance and conduct thorough due diligence to identify potential red flags in financial statements.

COMPARATIVE ANALYSIS BETWEEN CREATIVE ACCOUNTING AND FRAUD

Creative accounting and fraud are related concepts within the realm of financial reporting and accounting, but they are distinct in their nature, intent, and legal implications (Yadav, B. et all, 2014). Here's a comparative analysis highlighting the key differences between creative accounting and fraud:

Creative Accounting Intent. Creative accounting involves the manipulation of financial data and transactions to present a more favorable, albeit often misleading, view of a company's financial performance or position. The primary intent is to make the financial statements appear better without necessarily breaking the law.

Ethical Consideration. While creative accounting may not necessarily be illegal, it is typically considered unethical as it misrepresents a company's financial health and can deceive investors and stakeholders.

Motivation. The motivations behind creative accounting are often related to profit maximization, tax minimization, debt covenant compliance, and regulatory compliance. It may involve taking advantage of accounting rules' flexibility or subjective interpretation.

Legal Implications. Creative accounting is not inherently illegal, but it may cross ethical and legal boundaries if it involves false or misleading statements (Jan, 2018). Legal

consequences can arise if it violates accounting and reporting standards or securities regulations.

Examples. Income smoothing (Barnea, A. et al., 1976), big bath accounting, and off-balance-sheet financing are common examples of creative accounting techniques.

Fraud intent: Fraud, in the context of financial reporting, involves intentional deception, misrepresentation, or theft with the purpose of gaining financial benefits or causing financial harm. The primary intent is to deceive and commit unlawful activities (Goyal, 2012).

Ethical Consideration (Jan, 2018). Fraud is inherently illegal and unethical. It involves deliberate misrepresentation, embezzlement, or theft.

Motivation. Fraud is typically motivated by personal financial gain, often at the expense of shareholders, investors, or the company itself. It includes activities such as embezzlement, insider trading, and financial statement manipulation with fraudulent intent.

Legal Implications. Fraud is illegal, and it can result in severe legal consequences, including criminal charges, fines, and imprisonment. Legal authorities and regulators actively investigate and prosecute fraudulent activities.

Examples. Fraudulent activities in financial reporting may include cooking the books, embezzlement, insider trading, and financial statement manipulation with the intention to deceive stakeholders.

Regulators, auditors, and the legal system play vital roles in detecting and addressing both creative accounting and fraudulent activities in financial reporting. In contrast to fraud, creative accounting is simply the exploitation of inaccuracies, the incompleteness of accounting records (Gînța & Țirău, 2018).

EFFECTS OF USING CREATIVE ACCOUNTING

The use of creative accounting can have various effects on a company, its stakeholders, and the broader financial market. These effects can be both positive and negative, depending on the circumstances, the intent behind the creative accounting practices, and the ethical and legal boundaries crossed. Here are some of the key effects of using creative accounting:

Positive Effects

Enhanced Financial Performance. Creative accounting can make a company's financial statements appear more robust, which can attract investors and lenders, potentially leading to an increase in stock prices, easier access to capital, and lower borrowing costs (Okoye & Obioma, 2020).

Improved Liquidity. By manipulating financial statements, a company can temporarily improve its cash flow, which may be beneficial in the short term for covering expenses, servicing debt, or funding investments (Guinea, 2016).

Executive Compensation. Company executives who are rewarded based on financial performance metrics may benefit from creative accounting, as it can lead to larger bonuses or stock option payouts.

Debt Covenant Compliance. Creative accounting can help companies avoid breaching debt covenants, preventing the triggering of financial penalties and maintaining access to credit.

Tax Minimization. By reducing taxable income through creative accounting, companies can lower their tax liabilities, freeing up more cash for business operations or other purposes.

Negative Effects

Legal Consequences. Companies are free to take a creative approach to the use of methods that are permitted by the law (Kaminski, 2014). Engaging in creative accounting that involves fraudulent or illegal activities can lead to legal actions, fines, and imprisonment for individuals and significant penalties for companies.

Reputation Damage Discovery of creative accounting practices can severely damage a company's reputation, erode trust with investors, lenders, and the public, and result in a loss of business partners.

Investor Losses. Investors who rely on manipulated financial statements may suffer financial losses when the true financial health of the company is revealed, leading to stock price declines.

Increased Risk. Creative accounting can obscure a company's true financial health, making it difficult for investors to make informed decisions. This can increase the overall risk in the financial markets.

Distorted Capital Allocation. When companies appear more profitable than they are due to creative accounting, capital may be misallocated to companies that do not deserve it, potentially leading to inefficient resource allocation in the economy (Ustinova et al., 2020).

Market Volatility. The uncovering of creative accounting practices can lead to significant market volatility, as investors react to the sudden realization of the true financial state of a company (Groşanu 2013).

Credit Risk. Lenders and creditors may unknowingly extend credit to companies that are riskier than their reported financials suggest, leading to increased credit risk.

Erosion of Confidence in Financial Markets. Repeated instances of creative accounting can erode confidence in financial markets, making investors and stakeholders more skeptical and cautious.

In conclusion, the effects of using creative accounting are complex and multifaceted (Berisha & Shala, 2014). While it may provide short-term benefits for a company or its executives, it often leads to long-term harm, including legal consequences, damage to reputation, and financial losses for investors. For these reasons, regulatory bodies, auditors, and ethical business practices are crucial in ensuring transparency and integrity in financial reporting.

THE INFLUENCE OF SUSTAINABLE FINANCIAL DATA GOVERNANCE, POLITICAL CONNECTIONS ON THE CREATIVE ACCOUNTING PRACTICES

The influence of sustainable financial data governance and political connections on creative accounting practices can have significant implications for a company's financial reporting and ethical behaviour. Let's explore how these factors can affect the likelihood of creative accounting:

1. **Sustainable Financial Data Governance**

a. **Increased Transparency**

Sustainable financial data governance practices promote transparency and accountability in financial reporting (Jan, 2018). When a company has robust governance measures in place, it becomes more challenging to engage in creative accounting without detection.

b. **Ethical Framework**

Companies with a strong commitment to sustainable financial data governance are more likely to follow ethical principles in their financial reporting practices, reducing the incentive for creative accounting.

c. **Reduced Tolerance for Creative Accounting**

Sustainable financial data governance frameworks often have checks and balances that discourage creative accounting. Independent audits, internal controls, and rigorous reporting standards can deter unethical practices.

d. **Stakeholder Trust**

Companies that adhere to sustainable financial data governance are more likely to maintain trust with stakeholders, including investors, customers, and regulators. The risk of damaging this trust through creative accounting practices can be a strong deterrent. Existing practice confirms that most companies today use some form of positive creative accounting. As a result, they are able to ensure that the interests of the company are in line with the expectations of their investors and other stakeholders (Kaminski, 2014).

2. **Political Connections**

a. **Regulatory Influence**

Companies with political connections may have the ability to influence regulatory or legal decisions. This influence can lead to leniency in enforcement or changes in accounting standards that may accommodate creative accounting practices.

b. **Regulatory Capture**

In some cases, political connections can lead to regulatory capture, where regulatory agencies become excessively influenced or controlled by the industry they are supposed to oversee. This can create an environment where creative accounting goes unchecked.

c. **Reduced Scrutiny**

Companies with political connections may face less scrutiny from regulators or law enforcement agencies, making it easier to engage in creative accounting without fear of detection or legal consequences.

d. **Reputation Risk**
While political connections can provide certain advantages, they can also carry a risk of reputational damage. If it becomes public knowledge that a company is using political influence to engage in creative accounting, it can lead to public backlash and investor withdrawals.
e. **Selective Enforcement**
Political connections can lead to selective enforcement of regulations, with authorities choosing to turn a blind eye to certain companies' creative accounting practices. This selective enforcement can create an uneven playing field in the market.
Companies should be vigilant in adhering to ethical financial reporting practices and maintaining transparency, regardless of their political connections, to ensure the integrity of their financial statements and preserve the trust of stakeholders (Ibtihal A. et al., 2022). Regulatory bodies also play a critical role in detecting and preventing creative accounting practices, regardless of political influence. Shah et al. (2011) claimed that in a critical situation, companies can use creative accounting as a powerful weapon, but it is highly dependent on the management and ethical values of the company how this practice is used at this critical point.

ETHICS VERSUS CREATIVE ACCOUNTING

Ethics and creative accounting represent two contrasting approaches to financial reporting and accounting practices. Let's explore the key differences and considerations in the context of ethics versus creative accounting:

1. **Intent and Purpose**
Ethics: Ethical financial reporting emphasizes honesty, integrity, and transparency in financial statements (Amat, O. et al., 1999). The primary intent is to provide accurate and reliable information to stakeholders, such as investors, creditors, and the public. The purpose is to build trust and ensure that all relevant information is fairly and accurately represented (Comândaru, A.M., 2022).
Creative Accounting: Creative accounting involves manipulating financial data to achieve specific outcomes, often to make financial statements appear more favorable than they are (Guinea, 2016). The intent is to present a more positive image of a company's financial position or performance, even if it means bending accounting rules or exploiting loopholes (Richard, J. et al., 2009).

2. **Legal and Regulatory Compliance**
Ethics. Ethical financial reporting is aligned with legal and regulatory requirements. Companies following ethical practices adhere to accounting standards, laws, and regulations to ensure compliance and avoid legal consequences.
Creative Accounting. Creative accounting may involve actions that are legal but ethically questionable. However, it can also cross the line into illegal practices, such as fraud or securities violations. Companies engaged in creative accounting may take advantage of the flexibility in accounting rules or push the boundaries of legal compliance.

3. **Long-Term Consequences**
Ethics. Ethical financial reporting considers the long-term health and sustainability of a company. It fosters trust and positive relationships with stakeholders, which can lead to stable growth and a strong reputation.
Creative Accounting. Creative accounting often prioritizes short-term gains or appearances over long-term sustainability. While it may temporarily boost stock prices or profitability, it can erode trust, damage a company's reputation, and lead to negative consequences in the long run.

4. **Stakeholder Trust**:
Ethics. Ethical financial reporting is crucial for building and maintaining trust with shareholders, investors, creditors, employees, and other stakeholders. Trust is a cornerstone of successful and sustainable business relationships.
Creative Accounting. Engaging in creative accounting practices can erode stakeholder trust when discovered, as it demonstrates a lack of transparency and integrity in financial reporting.

5. **Legal and Ethical Accountability**
Ethics: Ethical financial reporting practices align with ethical standards and principles (Okoye & Obioma, 2020). Violations of ethics may result in reputational damage but may not necessarily lead to legal consequences.
Creative Accounting. Creative accounting practices, especially if they cross legal boundaries, can lead to serious legal and regulatory consequences, including fines, penalties, and even imprisonment for individuals and legal actions against companies (Umobong & Ironkwe, 2017).

AUDITOR ROLE IN VERIFYING UNETHICAL ACCOUNTING PRACTICES

Auditors play an important role in verifying and detecting unethical accounting practices. Their primary responsibility is to provide an independent and objective assessment of a company's financial statements, ensuring that they fairly represent the company's financial position and performance (Al Rawashdeh, N.H.H., 2013). Here's how auditors fulfil this role in the context of unethical accounting practices:
Independence and Objectivity. Auditors must maintain independence and objectivity in their work (Groșanu, 2013). This means they should not have any financial or personal interests that could compromise their impartiality. Independence is vital in detecting and reporting unethical practices.

Risk Assessment. Auditors assess the risks associated with unethical accounting practices by analysing the company's internal control systems, financial records, and industry-specific factors. They identify areas where there is a higher risk of material misstatement due to unethical behaviour.
Audit Procedures. Auditors design audit procedures to address the identified risks. These procedures may include substantive testing, analytical procedures, and tests of controls to ensure that the financial statements are free from material misstatement, whether due to error or fraud.
Fraud Detection. Auditors are specifically responsible for detecting fraud, including unethical accounting practices. They look for signs of fraudulent financial reporting or misappropriation of assets. This includes assessing the risk of management override of controls (Groșanu, 2013).
Professional Skepticism. Auditors employ professional skepticism when evaluating the financial statements (Rabin, C.E., 2005). They maintain a questioning mindset and exercise judgment when examining the evidence. This skepticism helps auditors uncover and investigate irregularities or inconsistencies.
Whistleblower Reporting:
Auditors are often required to report any instances of fraud or unethical behaviour they discover during the audit (Groșanu, 2013). If auditors suspect unethical accounting practices, they may escalate their concerns to the company's audit committee or the board of directors.
Materiality Assessment. Auditors assess materiality, which is the threshold at which financial misstatements would be considered significant enough to impact the decision-making of users of the financial statements. If unethical practices result in material misstatements, auditors are more likely to detect them.
Communication with Management. Auditors communicate with company management throughout the audit process. They may request additional information or explanations if they identify areas of concern or if they suspect unethical practices.
Documentation. Auditors maintain thorough documentation of their audit work, including the procedures performed, findings, and conclusions. This documentation provides a record of their assessment of the financial statements.
Reporting to Regulators. In some cases, auditors may be required to report unethical practices to regulators or law enforcement, depending on the severity of the problem discovered (Dechow&Skinner, 2000).
Audit Report. The final audit report issued by the auditor gives an opinion on the integrity of the financial statements (Okoye & Obioma, 2020). If auditors discover unethical accounting practices, they are required to include a statement regarding the issues found in the report.

If auditors uncover unethical accounting practices, they have a professional and ethical duty to report their findings to the appropriate parties, which may include the company's board of directors, audit committee, regulators, or law enforcement agencies, depending on the circumstances and severity of the issues. The auditor's role in uncovering unethical practices is critical in maintaining the integrity of financial reporting and protecting the interests of stakeholders.

CONCLUSIONS

The influence of sustainable financial data governance tends to discourage creative accounting by promoting transparency, adherence to ethical principles, and stakeholder trust. On the other hand, political connections can have a more ambiguous impact, as they can either facilitate or discourage creative accounting, depending on the extent of influence and regulatory capture.

Creative accounting and fraud both involve manipulation of financial data and transactions but differ significantly in terms of intent, ethics, motivation, and legal consequences. Creative accounting, while often unethical, may not necessarily be illegal, whereas fraud is inherently illegal and entails deliberate deception and financial harm.

Ethics and creative accounting represent opposite approaches to financial reporting. Ethical financial reporting prioritizes accuracy, transparency, and long-term sustainability while creative accounting often seeks short-term gains through manipulation of financial data. Companies that prioritize ethics are more likely to build trust and maintain positive relationships with their stakeholders, while those that engage in creative accounting may face with long-term legal, reputational and financial risks.

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