

The Impact of Creative Accounting on Information Quality in Jordanian Commercial Banks

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Abstract: This study aims to explore the creative accounting practices and their impact on the quality of information of Jordanian commercial banks. This study designed a questionnaire to be distributed to the respondents, out of 278 questionnaires distributed to the Jordanian bank's employees, only 210 were returned valid to analysis yielded 75.5% responses rate. The results showed a negative impact for creative accounting on relevance, faithful representation, comparability and verifiability. This means that, the employees of Jordanian banks perceived the creative accounting to decrease these characteristics. Moreover, the results revealed no impact for creative accounting on timeliness and understandability.

Key words: Comparability, commercial banks, Jordanian, responses rate, characteristics, results

INTRODUCTION

Currently, globalization and competitiveness are altering business environment in which companies operate. The competition for talented individuals is a becoming more noticeable and leads to brain drain. Many countries all over the world have schemes and programs to attract qualified and talented individuals. Competing for the best brains between organizations within these countries has intensified. These organizations have started to develop long term strategies and creative tools and connect them with their human resource future plans. Also, these organizations have realized the importance of establishing the suitable context that can help to build a strong and qualified leadership that demonstrates the right competencies and achieve their goals.

Management in any organization is in charge of preparing and reporting financial statements. These financial statements are used by management, labor investors, creditors and stockholders. Some organizations attract "talented accountants" who are expert in accounting and have excellent knowledge in accounting rules to manipulate numbers and financial statements to present them to public in a way that helps organizations to achieve specific goals.

Detecting creative accounting is a tough and very complex job as there are too many complex and changing tools and practices should be constantly followed to detect and verify creative accounting. Creative accounting should help the company to present information and financial statements that reflect the true numbers and the real situation in the company. In fact,

presented information should be complete, neutral and free of errors or at least close to that. Creative accounting's methods and procedures might influence the level to which companies and organizations present their financial statements and data as creative accounting is complex to an extent that might present financial statements not as they are in real, however, financial statements would provide the absolute level of assurance.

Companies and organizations use creative accounting for various reasons such improve their financial performances or for tax evasion purposes. Generally, using creative accounting and manipulating accounting data and estimates might mislead management, public investors and stockholders. Building on this argument, the current study aims to explore the impact of creative accounting procedures on information quality in Jordanian commercial banks. The current study aims to address the following questions:

- To which extent Jordanian commercial bank's creative accounting practices influence accounting relevance for these banks
- To which extent Jordanian commercial bank's creative accounting practices influence accounting representational faithfulness for these banks
- To which extent Jordanian commercial bank's creative accounting practices influence accounting timeliness for these banks
- To which extent Jordanian commercial bank's creative accounting practices influence accounting comparability for these banks

- To which extent Jordanian commercial bank’s creative accounting practices influence accounting verifiability for these banks
- To which extent Jordanian commercial bank’s creative accounting practices influence accounting understandability for these banks

Study significance: These are important reasons for undertaking this study, however, the importance of this study arises due to the vital role creative accounting plays and how creative accounting practices influence the quality of disseminated information for Jordanian commercial banks.

Hypothesis of the study:

- H₁: there is a negative impact for creative accounting on relevance of accounting information
- H₂: there is a negative impact for creative accounting on faithful representation of accounting information
- H₃: there is a negative impact for creative accounting on timeliness of accounting information
- H₄: there is a negative impact for creative accounting on comparability of accounting information
- H₅: there is a negative impact for creative accounting on verifiability of accounting information
- H₆: there is a negative impact for creative accounting on understandability of accounting information

MATERIALS AND METHODS

Study model: Figure 1 illustrates the study’s variable where the dependent variable is creative accounting and independent variables are the qualitative characteristics of accounting information (i.e., relevance, faithful representation, timeliness, comparability, verifiability and Understandability).

Previous studies: Hamada (2010) conducted a study entitled by “the role of audit committee to detect creative accounting”. The study explored practices that audit committee conduct to verify and detect creative

accounting activities. Data were collected through survey from external auditors and members of audit committees in syrian public organizations. The survey included questions regarding practices, procedures and activities that audit committees do while verifying and detecting creative accounting practices. The study recommended a number of practices and procedures that might be useful to verify and detect creative accounting practices based on subject’s responses.

Matar and Al Halabi conducted entitled by the influence of the used creative accounting practices on accounting representational faithfulness”. The study aimed to clarify what motivate organization’s management to use creative accounting. The study also attempted to explore the role that auditors are playing to verify and detect creative accounting procedures that are conducted by Jordanian public shareholding companies concerning financial statements. Data were collected from 150 auditors, employees and financial analysts. The study concluded that the biggest challenge regarding creative accounting is not related to the technical dimension of accounting, however it is more related to ethics. The study revealed that the existence and frequency of creative accounting practices in Jordanian public shareholding companie’s financial statements are weak. Moreover, the study concluded that there is a negative statistical significant regarding the influence of creative accounting practices on accounting representational faithfulness for financial statements issued by Jordanian public shareholding companies.

Zakaria (2009) conducted a study entitled by “awareness extent of credit analysts regarding creative accounting procedures risks and the capability of managing such risks at Jordanian commercial banks”. To fulfill the objectives of the study data were collected from 47 credit officers through a survey in 2007. The study concluded that the credit analysts are aware of the risks associated with creative accounting procedures that carried out by a number customers. The average of credit analyst’s awareness is 4.023. The study revealed that credit analysts area ware to high extent of counter measures that oppose creative accounting procedures conducted by customers who seek credits. Credit analysts seeks reliable financial statements about customers when it comes to grant them credit facilities (Average = 4.058).

Jabbar conducted a study entitled by “creative accounting procedures and its impact on the reliability of financial statement”. A field study based on sample of Iraqi public companie’s. Based on the researcher creative accounting is related to methods and procedures which are conducted by accountants to manipulate a company’s

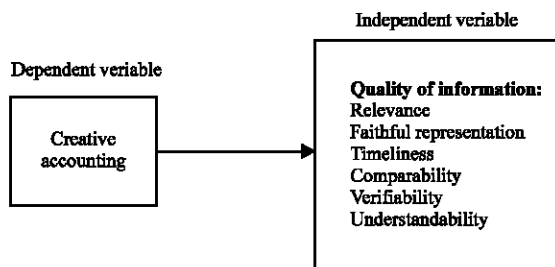


Fig. 1: Dependent and independent variables

financial statements and to hide its real performance to achieve beneficial results either for the company itself or for some of its employees. In general, creative accounting procedures and practices are acceptable if they do not exceed accounting principles and standards. Nonetheless, the level to which companies can be “flexible” when it comes to accounting might lead some to conduct creative accounting practices. Creative accounting practices can undermine confidence in companies’ financial statements and information. Creative accounting had a role in sudden collapse and failure of a number of companies worldwide that occurred last decade and that has influenced accounting profession negatively. Jabbar explored motives and methods of creative accounting procedures conducted by Iraqi public companies from both academic and professional perspectives and to which level are these procedures in conflict with accounting principles and standards. Data were analyzed using statistical techniques. The study concluded that there are various means and methods that are used in creative accounting and most important tools including, selecting accounting policies that are appropriate to achieve the objectives based on the company and its owners and exploitation legal loopholes and manipulating data and information. Moreover, the researcher found that creative accounting procedures are conducted based on the legal approved by auditors and then conducted by exploiting legal loopholes. Finally, he added that creative accounting methods and procedures influence the reliability of a number of companies’ financial statements.

Kamau *et al.* (2016a) conducted a study entitled by “Creative accounting among corporations listed in NSE, sector analysis”. The reason behind conducting the study was to analyze creative accounting among corporations listed in NSE in Kenya. Based on the researchers, despite creative accounting is an old practice it still remains unresolved to date. Based on the reviewed literature, creative accounting procedures have been practiced among major corporations in Kenya for long time. The study population comprised 64 companies listed on NSE. A sample of 39 firms was selected for the survey and their financial statements for the year 2013 and 2014 analyzed. The data were analyzed on the basis of modified Jones model to estimate the discretionary accruals in various sectors. The results were explained on the basis of the sectors which were: agricultural; automobiles and accessories; banking; commercial and services; construction and allied; energy and petroleum; insurance; investment; manufacturing and allied and telecommunication and technology. The study concluded that there were significant variances in discretionary accruals for various sectors as represented by firms listed in NSE in Kenya.

Bhasin (2016) conducted a study entitled by “The creative accounting practices. An experience of a developing economy”. Shockingly, few loopholes in the accounting standards provide enough room for use of creative accounting practices. Thus, creative accounting practices do not provide a “true and fair” view of the FS, since, February 21, 2018 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 preparer’s and user’s 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 creative accounting is always a deliberate attempt to gain undue advantage for accountants, managers and companies. The researchers recommend that “creative accounting 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 creative accounting practices”.

Nyabuti *et al.* (2016) conducted a study entitled by “Influence of creative accounting practices on the financial performance of companies listed in the Nairobi securities exchange in Kenya”.

The study is an empirical investigation of creative accounting practices in the Kenya. Creative accounting is carried out with an objective of making the company appear to be financially stronger or weaker depending on the management’s aspirations. There has been a corporate failure which has become a major issue with respect to firms worldwide which has been attributed to excessive practice of creative accounting. The general objective of the study was to evaluate the influence of creative accounting practices on the financial performance of public limited companies listed in the Nairobi securities exchange in Kenya. The study considered tax avoidance, accelerated depreciation and income smoothing as part of the major creative accounting practices that influence financial performance of public limited firms listed in the Nairobi securities exchange in Kenya. The research used both descriptive and inferential statistics to examine the major practices of creative accounting that influence financial performance of public companies listed in the Nairobi securities exchange in Kenya. The target population of this study was top management of public limited companies that is the CEO, directors top managers and accountants. A sample of 30 public companies was drawn using purposive sampling. Logistic linear regression technique was used to analyze the relationship

between creative accounting practices and financial performance and the correlation between the variables and financial performance. Quantitative approach through the use of questionnaires was adopted to help in the collection of primary data for analysis purposes. The secondary data was collected from NSE handbook relevant text books, finance journals, financial statements and the website of public limited companies that were sampled. Statistical Package for Social Sciences Software (SPSS) was used in carrying out the multiple regressions to establish the relationship between creative accounting practices and financial performance and the correlation between the variables and financial performance. Financial performance was measured using earning after tax. The study found a strong relationship exists between creative accounting practices and financial performance. The study revealed that R^2 was 0.633 meaning only 63.3% of the factors affecting financial performance among firms listed at the Nairobi securities exchange in Kenya as represented by the model while 36.7% was caused by other factors outside the model. Thus, the study reveals that creative accounting practices have a significant effect on the financial performance of a company and most companies used it abusively hence resulting in most collapses of many firms.

Kamau *et al.* (2016b) conducted a study entitled by “Creative accounting related practices among corporations listed in Nairobi securities exchange in Kenya”.

The researchers argued that creative accounting is influenced by a number of management accounting practices. The study aimed to assess creative accounting related practices among listed on the Nairobi Securities Exchange (NSE) in Kenya. The study identified four major practices which were dominant in the literature reviewed. Systematic sampling method was applied in selecting the sample for the study. The research design used in this study was a cross sectional survey design which assessed data for the year 2014. Data were acquired through administering questionnaires and interviews to a sample of managers, accountants and internal auditors of companies publicly listed on the NSE. A sample of 39 out of a target population of 64 companies publicly listed was extracted from the Nairobi securities exchange website. Simple descriptive statistics were employed to establish the level of agreement or disagreement by respondents on the influence of the said practices on creative accounting. The results indicated the level of agreement by respondents on influence on creative accounting among the companies listed on the NSE for practices such as management compensation, contractual obligation, tax management and insider dealings.

Creative accounting is relatively a modern accounting practice that appeared in the 1980's. Perhaps creative accounting has begun when companies and organizations faced financial difficulties particularly during recession periods. During stressful financial crises there is always a pressure on management to achieve profit. Some organizations have realized that laws are about “what not to do” and they are not about “what to do”. Thus, some companies and organizations came to the point that “if you cannot make profit” just pretend that “you are making such profit”.

Creative accounting can be defined from academic perspective as “The transformation of actual financial accounting figures to what managers want through taking advantage of some laws and exploiting other laws”. Aboulela defined creative accounting or profit management as a tactic to hide companies' real performance to achieve benefits for the company or for some of its employers. However, the concept of “creative accounting” is used when laws are followed. Thus, creative accounting is related to the use of accounting standards and principles in creative and flexible way to achieve company goals. The researcher argued that creative accounting concept is related to modern, complex and creative practices and procedures through which accountants can manipulate financial statements based on their accounting knowledge to achieve the company's objectives.

Creative accounting's techniques: There are various complex techniques and procedures for creative accounting which are not easy to be discovered (Matar, 2008; Jerry *et al.*, 2015):

- Sometimes accounting rules help companies to select accounting tools that match in a good way the company policy
- Using some inputs in statements which are related to forecasting or elevation. In such case creative accountant can manipulate numbers and values either by a procedure that can provide overall assessment or by selecting a valuator who is known for an optimistic or pessimistic direction
- Fake financial transactions can be considered in budgets to transfer profits between accounting periods
- Manipulating the timing of transactions as accountants might desire to make a particular year a profitable or unprofitable and this happens mostly when there are clear differences between the book value and the market value/true value

Creative accounting usage motivations: To influence positively a company's reputation in the markets in order to improve the financial value of the company. To influence a company's share price in the financial markets where the purpose of this is to maximize the financial value of the company and thus to increase the price of its shares. To increase borrowing chances for the company from banks. Tax manipulation through reducing profits and revenues and increasing expenses of a particular company to reduce its tax impact margin. Improving company's financial performance in order to achieve personal interests for management team and to improve the image of management team in front of the board of directors. To advance the company professional rating over its competitors based on financial indicators and standards.

Trends and modern methods to reveal creative accounting practices and to curb them. Audit committees which appeared in the united states after financial crises (resulted from manipulating financial statements). The members of committees are a number of non-executive members who are responsible for selecting and appointing the external auditor and agree on his/her fees. Appointing the external auditor is a way to increase transparency and to have an independent view regarding financial statements issued by companies.

Reduce the number of allowed alternative accounting treatments and identify contexts for alternative accounting treatments. It is vital to indicate that international accounting standards committee in recent amendments abolished alternative accounting treatment standards and developed a standard treatment in most its standards.

Reduce the misuse of some accounting policies through issuing rules that reduce the use of some accounting policies activating the constancy feature which refers to being consist regarding using accounting policies adopted by the preparers of financial statements. The attention and effectiveness of auditors and audit committees when it comes to detecting creative accounting practices.

Raising awareness and knowledge of accounting among investors and financial statements users. Activation of accounting profession and auditing regulations and develop ethical memo that should be followed by accountants and auditors. The high skilled auditor aims to obtain sufficient and strong evidence to prove that data and financial statements are not mistreated. However, it is vital to indicate that as a result of limitations and constrains regarding auditing there are risks that cannot be avoided when it comes to verify financial statement's mistreatment due to creative

accounting practices. It is possible to reveal financial statement's mistreatment for the period which auditing report addresses. Nonetheless, this does not mean the auditor fail to follow to the basic principles of auditing procedure. Despite following and adhering auditing principles and procedures it is possible to detect and verify misrepresentations in the financial statements.

The role of international accounting standards board emanating from the international federation of accountants in the reduction of the creative accounting practices standards board.

When international accounting standards board decided to amend international accounting standards to become international financial reporting standards aimed from such a change to achieve the following issues (Yahya, 2006).

Convergence with US accounting standards: satisfying the council of economic unity in the European Union by issuing new accounting standards that help to standardize accounting practices among the European Union countries (similar to the unification of the European currency). Taking into account dramatic and radical developments and changes that have happened as many countries all around the world issued local accounting standards based on international accounting standards. Exploitation legal loopholes and manipulating data and information that have been conducted by some accountants based on these standards resulted in the emergence of creative accounting

International accounting standards board was forced to amend some of international accounting standards to prevent accountants from exploitation legal loopholes and manipulating data and information based on these old standards. The following are the most important amendments.

The cancellation of most of alternatives such as standard alternative and treatment alternative in the new accounting standards. Having only one alternative accounting treatment to unify alternatives and to prevent accountants from selecting out of a number of alternatives. Various alternatives were used by some accountants to puff income or inflate profits or cover up some notes on a company's various activities.

The addition of appendices for each accounting standard accompanied with practical examples. This issue has been considered by many researchers as the most important change that occurred in new international accounting standards. It became clear that there are multiple difficulties when it comes to the practical application of many of codes and paragraphs of accounting standards where it is difficult for many professionals how to properly to follow and some of the

paragraphs in accounting standards. Some people with low ethical standards use to conduct manipulations for some terms of financial standards taking advantage from lack of clarity and understanding of accounting standards.

The cancellation of contradictions and conflict that exists between some standards and removing any uncertainty and ambiguity in those standards. That would prevent any of those who attempt to exploit these contradictions and ambiguity of some of those standards. The role of the auditor in the verification of practices and the results of creative accounting (Faris and Alkotaih, 2011).

Audit or review can be defined as the systematic process that performed by a qualified and independent auditor to validate information and allegations regarding financial activities and events and to validate and prove results based on accounting standards. Such a validation process includes declarations, endorsements, observations and inquiries. The process also involves reporting results to various users so that will help utilize such information in decision-making process.

Accounting and auditing profession has arisen in a very complex economic context to provide management with information regarding resources and to assist investors and suppliers, lenders and other parties to make their appropriate decisions, through the preparation of financial statements that clarify economic situation for the company. However, as management which represents auditors and accountants has its own financial objectives and personal interests which might differ from the interests of information users it is vital to review and audit data and financial statements by independent and professional accountants to validate data and to assess its reliability. Generally, auditors who research in auditing companies or in sectors that monitor organizations or court of audits or internal auditors within companies help companies to improve its internal auditing system.

The researcher believe that an auditor key responsibility is represented by declaring in his/her report his/her view to various users of accounting data and whether these data have been presented in correct and fair way and to make sure that data and financial statements are free of distortions and misrepresentations and they do not include any of creative accounting practices.

Information quality: Information quality is associated with a number of features and characteristics that make accounting information useful to users these characteristics are called qualitative characteristics of accounting information. Organizations including banks,

need information, data, planning, daily businesses and evaluation of previous performance. Accounting is considered as a key for all organizations. However, it aims to measure economic unity operations for organizations for a certain period of time. In addition it determines organization's financial position based on a specific date and then provide financial information to various users in an appropriate manner.

It is vital to indicate that accounting data are primary data for accounting information. Accounting data will be processed, compiled and classified inside an information system in order to obtain such information. Data are facts regarding independent, unrelated and uncountable activities which represent the input in an information system and it do not impact decision-making process (Hashim, 2000).

Unprocessed data do not add any value to data users while they making their decisions. Such data might be on the form of a bill or document or numbers or any other mean that represents a specific activity.

In general information can be defined as the outcome of performed operations on data such as classification, analysis and interpretation in order to use such data in the verification of various issues and in building facts to make users get benefit of the data (Rain, 2006).

The researcher believes that data and information are two integrated concepts data are the raw material for information. Nonetheless information help to increase user's knowledge. Collecting and processing data occurred due to knowledge shortage. The quality of accounting information determines the features of the useful accounting information which should be used to evaluate the quality of accounting information. The quality of accounting information is considered as a standard which can help to assess the level to which accounting information can achieve its objectives. In addition it can be used as a key criterion to rank various accounting practices to measure financial statement and to disclose it. It should be borne in the mind that there are a number of characteristics regarding information (Ibrahim and Al-Janabi, 2007):

- Information should decrease the level of uncertainty for decision-makers
- Information should increase the knowledge for decision-maker

Qualitative characteristics of accounting information: Accounting information (regardless its source of which might be the manual system or the computerized system) should have a number of characteristics to help decision-makers. Having such characteristics in financial

statements for banks benefits various parties. A statement issued by international accounting standards board considered relevance and representational faithfulness as the characteristics that discriminate high quality information from low quality information (Jerry *et al.*, 2015).

First, relevance: financial information should be relevant to decision-making process and thus, it affects the economic decisions for users and makes a clear difference regarding evaluation past, present and future events or modifying previous assessment. Accounting information is considered relevance if it is characterized by predictive value or confirmatory value or both of them (Naser and Pendlebury, 1992).

Relevant accounting information can make a difference in decision-making process. It can assist users to make predictions based on previous, present and future events or to confirm or to correct previous predictions. Relevant accounting information should have the following characteristics (Schroeder *et al.*, 2009):

- Accounting information should be timeliness
- Accounting information should be able to predict
- Accounting information should be able to provide feedback
- Comparability and what is required to apply accounting practices and methods to take into consideration relevance and representational faithfulness

Second, representational faithfulness: Credible accounting information should reflect accurately financial transactions and other events that have occurred at the organization and phenomena must be expressed. In order to reflect events, processes and phenomena, accounting information should be complete, neutral and free of errors. As it is hard for accounting information to reflect exactly these characteristics, accounting information should take these issues seriously (Naser and Pendlebury, 1992).

Representational faithfulness concept refers to the required characteristics of financial information as these information should reflect reality and should be free of bias and errors to a level that users can have confidence in such information and rely on these information.

It is vital to indicate that information quality does not depend on the own characteristics of information, however it depends on decision-makers and information users. The benefits the information provide to users are related to a number of issues such as filed, decision's types, decision's model information source, quantity and

quality of information, data analysis ability and user's perception and understanding. The benefits of accounting information for decision-making process is important characteristic which both representational faithfulness and relevance depend on. In order to make sure that information is characterized by representational faithfulness information should be:

Free of errors: Information should be subjective, results that are obtained by an individual should be obtained by researcher individual using the same method and practice in the two cases.

Neutrality: To present the full fact without any deleting or selection of the information in a way that serves the interests of particular group. This characteristic is important for two levels. Committees and bodies that are responsible for setting the accounting policy for the company. Accountants who are responsible for preparing financial statements. And it important at this point to avoid two types of bias, namely:

- Measurement's bias which is related to measurement method process, whether that leads to subjective results or not
- Bias related to the one who carries out measurement process and this type is divided into intended bias and unintended bias

Completion: To make sure that none of the central phenomena has been ignored while preparing financial reports. Also, it vital to take into consideration the relative importance and significance of assessing feasibility for any information before measure it and disclose. The researcher argued that there is no conflict between representational faithfulness and relevance. Information are relevant if they improve the ability of decision-maker to predict or if they confirmed or corrected prior expectations for decision-makers.

Creative accounting and information quality: Based on the above discussion and argument it is clear that creative accounting is a complex and difficult process and practice by which accountants can use their knowledge of rules and accounting laws to deal and manipulate Figures in companie's financial statements based on previous defined objectives by management.

These creative accounting practices should at the same time produce accounting information and these accounting information should have a number of characteristics such as relevance and it should accurately represent financial transactions and other events that

have occurred in the bank. It is vital that useful financial information should reflect the phenomena it represent. In order for accounting information to represent events, processes and phenomena accurately it should be complete, neutral and free of errors. As it is hard for accounting information to reflect exactly these characteristics, accounting information should take these issues seriously and to the best possible extent. It is clear that creative accounting practices and methods influence representational faithfulness and relevance for bank's financial statements. Creative accounting is a complex and difficult practice when it comes to manipulation Figures and it probably would give manipulated financial statements the highest level of representational faithfulness and relevance.

RESULTS AND DISCUSSION

Analysis and findings: Before testing the study hypothesis it is necessary that the data collected were checked for validity and reliability. The content validity of the instrument was ascertained by obtaining expert opinions from seven experts in this field. Additionally, Cronbach's alpha is considered an adequate indicator of the internal consistency and the reliability of the survey instrument. The test shows that the Cronbach's alphas range from 0.885-0.712 which exceed the minimum value of 0.7 to be acceptable, this means that the instruments used to measure the variable were acceptable and the data were later used for further analyses. Out of 278 questionnaires distributed to the Jordanian banks employees only 216 were returned. Six of these questionnaires were excluded because they were invalid since some of them were incomplete or all answers were marked as "disagree" or "agree". The remaining 210 questionnaires yielded 75.5% responses rate.

Hypothesis testing: The objectives of the current study are to examine the impact of creative accounting on accounting information quality. These relationships are hypothesized as follows:

- H_1 : there is a negative impact for creative accounting on relevance of accounting information

The result of simple regression between creative accounting and relevance shows that the beta value is -0.703 ($F = -176.464$, $\text{Sig.} < 0.000$). This means that creative accounting is significantly and negatively related to relevance in which for one unit increase in the creative accounting the relevance will decrease by 0.703 ($t = -8.243$, $p = 0.000$). Based on this result, the first hypothesis is supported:

- H_2 : there is a negative impact for creative accounting on faithful representation of accounting information

The result of simple regression between creative accounting and faithful representation shows that the β value is -0.507 ($F = -95.325$, $\text{Sig.} < 0.002$). This means that creative accounting is significantly and negatively related to faithful representation in which for one unit increase in the creative accounting the faithful representation will decrease by 0.507 ($t = -5.325$, $p = 0.000$). Based on this result, the second hypothesis is supported:

- H_3 : there is a negative impact for creative accounting on timeliness of accounting information

The result of simple regression between creative accounting and timeliness shows that the β value is 0.076 ($F = 3.705$, $\text{Sig.} < 0.070$). This means that creative accounting is not significantly and related to timeliness, ($t = 1.056$, $p = 0.108$). Based on this result, the third hypothesis is not supported.

- H_4 : there is a negative impact for creative accounting on comparability of accounting information

The result of simple regression between creative accounting and comparability shows that the β value is 0.441 ($F = -36.752$, $\text{Sig.} < 0.005$). This means that creative accounting is significantly and negatively related to comparability in which for one unit increase in the creative accounting the comparability will decrease by 0.441 ($t = -3.085$, $p = 0.004$). Based on this result, the fourth hypothesis is supported.

- H_5 : there is a negative impact for creative accounting on verifiability of accounting information

The result of simple regression between creative accounting and verifiability shows that the β value is -0.320 ($F = -18,762$ $\text{Sig.} < 0.020$). This means that creative accounting is significantly and negatively related to verifiability in which for one unit increase in the creative accounting the verifiability will decrease by 0.320 ($t = -2.722$, $p = 0.029$). Based on this result, the fifth hypothesis is supported.

- H_6 : there is a negative impact for creative accounting on understandability of accounting information

The result of simple regression between creative accounting and understandability shows that the β value is 0.104 ($F = 1.232$, $\text{Sig.} < 0.127$). This means that there is no

Table 1: Summarizing simple regression results

Variables	N	t-values	p-values	β	F-values
CA with relevance	210	-8.243	0.000	-0.703	-176.464
CA with faithful representation	210	-5.325	0.000	-0.507	-95.325
CA with timeliness	210	1.056	0.108	0.076	3.705
CA with comparability	210	-3.085	0.004	-0.441	-36.752
CA with verifiability	210	-2.722	0.029	-0.320	-18.762
CA with understandability	210	1.169	0.127	0.104	1.232

significant impact for creative accounting on understandability, based on this result, the last hypothesis is not supported ($t = 1.169.722$, $p = 0.127$, (Table 1).

CONCLUSION

The result of regression showed a negative impact between using creative accounting and relevance, faithful representation, comparability and verifiability. This means that the employees of Jordanian banks perceived the creative accounting to decrease these characteristics. Moreover, the results revealed no impact for creative accounting on timeliness and understandability.

These results are in line with Bhasin (2016) who found a negative relationship between creative accounting and relevance. Similarly, Nyabuti *et al.* (2016) who argued that using creative accounting is responsible for many companies demise due to its effect on financial performance.

In the contrary, some researchers argued that the creative accounting has a positive relationship with some qualitative characteristics. For example, Kamau *et al.* (2016a, b) who claimed that there a positive relationship between creative accounting and verifiability. Thus, the Jordanian banks have to develop their systems to enable feedback to enhance decision making process. there is a need to conduct more research on the creative accounting methods and how to detect them.

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