

# STUDY REGARDING THE ETHICS AND CREATIVITY IN THE FINANCIAL-ACCOUNTING ACTIVITY

**Ciuhureanu Alina Teodora**

*Romanian-German University of Sibiu Faculty of Economics Sciences and Computers Calea Dumbrăvii, nr. 28-32, Sibiu, 550324, Romania alinaciuhureanu@yahoo.com tel: 0744-603.378*

**Baltes Nicolae**

*“Lucian Blaga” University of Sibiu Faculty of Economics Calea Dumbrăvii, Nr. 17, Sibiu, 550324, Romania baltes\_n@yahoo.com tel: 0744-521.862*

*The study was based on a scientific research, investigation type, applied on a 110 organisations' sample. The essential objectives consist of knowing the level in which financial-accounting professionals apply the professional ethics' standards; outlining the managers' opinion regarding the estimation and usage of creativity and innovation in the financial-accounting activity. Based on the things presented in the paper, it can be noticed that the financial-accounting creativity practice and its effects depends on what managers wish to offer with the information they provide and implicitly what they want to get from the decisions adopted by using this information.*

*Key words: creativity, ethics, financial-accounting activity, fraud*

*JEL Classification: M41, L84*

## **1. Introduction**

One of the ethics' issues in the financial-accounting activity is related to creativity and innovation. Most of us consider the financial-accounting activity rigid, which does not leave the possibility of using imagination. This was however fought against through a series of situations where it has been noticed that imagination in the management of the financial-accounting activity may play a very important part when reality's distortion becomes an essential necessity.

Therefore, the question “Is the financial-accounting innovation and creativity a fraud?” outlines. With this study we have tried to answer to the following questions: “Do the financial-accounting professionals comply with the professional ethics' standards?”, “Is the financial-accounting innovation and creativity a fraud?”, “How do you appreciate the financial-accounting personnel's performance of being creative and innovating?”, “Does the organisation employ financial-accounting creativity and innovation practices? If yes, for what purposes? If not, why?” We believe that the undertaken research is of present interest, since the economic crisis affects the companies' activity and the temptation of being creative in a negative sense is inherent.

## **2. The methodology of the research**

The present study wants to underline the understanding of the economic entities' managers regarding the financial-accounting fraud and creativity. Our investigation included two successive researches: *a qualitative research, exploratory type, and a quantitative research, descriptive type.*

The qualitative research – exploratory type, aimed to *elaborate some hypotheses which were the object of the following quantitative research – descriptive type, to establish the following research priorities.* The methods used in this preliminary research were the following: *the analysis of secondary data*, which requires the usage of the available information from various sources, with focus on discovering shortcomings, ideas, solutions regarding the costs and the price policy; *the interviews with the specialists*, which had as objective getting additional information from specialists in the financial-accounting field; *the workgroups or the focus groups* which allowed the development of certain debates regarding this subject.

With the quantitative research – descriptive type, whose results are presented in this paper, we have tried to find out the understanding of the economic entities' managers understanding of the

financial-accounting fraud and creativity. We consider that the obtained information from this study is of great importance, especially under the circumstances of the present economy's conditions, the "financial crisis".

According to the place of development, the undertaken research was *in the field*, the information being gathered at the company's included in the sample office. According to the frequency of development, the undertaken research has been made *on occasion*.

In order to establish the sample, the *random sampling method* was used, which was based on a *fixed sample* (taking into account the organisational restrictions, a sample of 110 respondents was established – companies from the county of Sibiu, 9,4% margin of error for a 95% level of trust) *with reservations*. We can state that the sampling method consists of combining the *multi-stage sampling method* with the *non-proportional random stratified sampling method*. To process the information, the SPSS for Windows program was used. We would like to underline that this research could be extended, (a possible extending has already been considered of interest), the obtained information and results being a real starting point for this purpose.

### 3. Depicted conclusions after the research

A first objective of the study consists of **knowing the level in which financial-accounting professionals comply with the professional ethics' standards**. After processing the obtained information, we have calculated the score for each standard of the professional ethics in part, as well as the total score, the information being presented in table 1.

Table 1. The standards of the professional ethics						
The standards of the professional ethics	in a very small measure	in a small measure	neither	in a large measure	in a very large measure	Total
Integrity	-	4	4	50	52	110
Average (score) = 4,26						
Competence	-	3	6	54	47	110
Average (score) = 4,32						
Objectivity	-	2	9	57	42	110
Average (score) = 4,26						
Behaviour	-	5	13	42	50	110
Average (score) = 4,25						
Confidentiality	-	3	10	40	57	110
Average (score) = 4,37						
Responsibility	-	1	10	44	55	110
Average (score) = 4,39						
General average (general score) = 4,31						

The information's analysis leads us to estimate that in most of the companies it is considered that the standards of professional ethics are being respected, either in a large measure by the professionals operating in the financial-accounting field, or in a very large measure. It can be noticed that none of the investigated companies consider that there is not one standard of the professional ethics that is complied with in a very small measure.

The accomplished analysis underlines the fact that the score for each standard of the professional ethics is approximately equal (4,26 – integrity, 4,32 – competence, 4,26 – objectivity, 4,25 – behaviour, 4,37 – confidentiality, 4,39 – responsibility) therefore all characteristics being mostly respected (from 1 – in a very small measure, to 5 – in a very large measure).

Therefore, the obtained general score (4,39) confirms the hypothesis mentioned before the research (*The standards of the professional ethics are complied with in a large measure*).

As we have mentioned in the study's theoretical aspects, an ethics' issue in the financial-accounting activity is related to creativity and innovation. Most of us consider the financial-accounting activity rigid, which does not leave the possibility of using imagination. This was however fought against through a series of situations where it has been noticed that imagination in the management of the financial-accounting activity may play a very important part when reality's distortion becomes an essential necessity. Under these circumstances, another general objective of the research consists of **outlining the managers' opinion regarding the creativity's and innovation's understanding and usage in the financial-accounting activity.** To reach our set objective, we resorted to the introduction in the questionnaire of three questions, namely: "Is the financial-accounting innovation and creativity a fraud?"; "How do you appreciate the financial-accounting personnel's performance of being creative and innovating?"; "Does your organisation employ financial-accounting creativity and innovation practices? If yes, for what purposes? If not, why?"

The obtained information after processing the data for the question "Is the financial-accounting innovation and creativity a fraud?" are shown in table 2.

		Frequency	Percentage	Valid percentage
Valid	110			
	total disagreement	42	38,1	38,1
	disagreement	39	35,4	35,4
	neither agreement-nor disagreement	17	15,5	15,5
	agreement	6	5,5	5,5
	total agreement	6	5,5	5,5
	Total	110	100,0	100,0
Average	2,05			

It is obvious that most of the managers believe that the financial-accounting innovation and creativity is not a fraud, these ones expressing either their disagreement, or their total disagreement in this matter, and 15,5% of the managers have a neutral opinion regarding creativity and innovation. Only approximately 10% of the respondents believe that the financial-accounting innovation and creativity create fraud. As a whole, based on the score calculated for this question is 2,05 (from 1 – total disagreement, to 5 – total agreement) we can estimate that managers do not agree with the statement, the hypothesis formulated at the beginning of the research (*Managers do not agree with the statement "financial-accounting innovation and creativity is a fraud"*) is being confirmed. As a matter of fact, this was our conclusion as well.

Taking into consideration the permanent change in the financial-accounting and fiscal environment, the financial-accounting professionals often have to, or are forced to resort to various techniques or professional reasoning, but, it mostly depends on each of them to decide which the limit for breaking the law is. From this perspective, we have tried to capture, with the second question, **the way in which managers appreciate the performance of the financial-accounting professionals to be creative and inventive.** The obtained information is presented in table 3.

		Frequency	Percentage	Valid percentage
Valid	110			
	very badly	4	3,6	3,6
	badly	12	10,9	10,9

	neither badly, nor good	23	20,9	20,9
	good	44	40,1	40,1
	very good	27	24,5	24,5
	Total	110	100,0	100,0
Average	3,71			

It can be noticed that 14% of the managers believe that the performance of the financial-accounting personnel of being creative and inventive is very badly or badly, and 20,9% have a neutral position regarding this matter. Most of the ones interviewed (over 40,1%) prefer a financial-accounting personnel which is creative and inventive, and 24,5% of them are absolutely thrilled about having this kind of people. Generally, the majority of the managers agree with the performance of the financial-accounting personnel of being creative and inventive, especially as far as the interpretation of law is concerned.

The score obtained for this question is 3,71 (from 1 – very badly, to 5 – very good) and therefore the hypothesis we have launched at the beginning of the research (*The financial-accounting creativity and innovation is a well-appreciated performance*) is being confirmed, the score being close to the value of 4.

In the financial-accounting activity, there are a series of situations which make the ones involved decide upon the behaviour they adopt. In order to capture the perception regarding the usage of the financial-accounting creativity and innovation and knowing the reasons why the financial-accounting creative techniques are employed, the third question of the questionnaire has been formulated. The obtained information is presented in table 4.

Table 4 The financial-accounting “creativity and innovation” usage				
		Frequency	Percentage	Valid percentage
Valid	yes	72	65,5	65,5
	no	38	34,5	34,5
	Total	110	100,0	100,0

We notice that 65,5% of the questioned organisations resort to creativity and innovation in the financial-accounting activity and only 34,5% do not resort to such techniques. Very important are however the reasons why companies use creativity and innovation in the financial-accounting activity, reasons which reflect the two sides of creativity (table 5).

Table 5 Reasons				
a. The company wants to avoid fiscality				
		Frequency	Percentage	Valid percentage
	unmentioned	49	44,6	68,0
	mentioned	23	20,9	32,0
Valid	Total	72	65,5	100,0
Missing	System	38	34,5	
Total		110	100,0	
b. The company wants to get additional financing sources				
		Frequency	Percentage	Valid percentage
	unmentioned	41	37,3	56,9
	mentioned	31	28,2	43,1
Valid	Total	72	65,5	100,0
Missing	System	38	34,5	
Total		110	100,0	

c. The company wants to mislead the stockholders/associates				
		Frequency	Percentage	Valid percentage
	unmentioned	72	65,5	100,0
	mentioned	0	0	0
Valid	Total	72	65,5	100,0
Missing	System	38	34,5	
Total		110	100,0	
d. The company is forced to give financial-accounting information to external users				
		Frequency	Percentage	Valid percentage
	unmentioned	46	41,8	63,9
	mentioned	26	23,7	46,1
Valid	Total	72	65,5	100,0
Missing	System	38	34,5	
Total		110	100,0	
e. Other reasons				
		Frequency	Percentage	Valid percentage
	unmentioned	35	31,8	48,6
	mentioned	37	33,7	51,4
Valid	Total	72	65,5	100,0
Missing	System	38	34,5	
Total		110	100,0	

It can be noticed that the reasons why companies use the creative practices of the financial-accounting activity are divided as it follows: for 32% of the companies there is the desire to avoid fiscality; 43,1% of the questioned companies are interested in getting additional financing sources; 36,1% use creativity and innovation when they are forced to give financial-accounting information to some external users and 51,4% of the interviewed companies which use the financial-accounting creativity and innovation mention other reasons as well<sup>434</sup>.

In the *other reasons* category, there have been mentioned: the legislative contradictions; legislative interpretations; personal professional reasoning; diminishing the working volume; manipulating the financial result for not paying dividends out of the stockholders' wish.

By analysing the reasons why companies resort to financial-accounting creativity and innovation, most often it appears the desire to get additional financing sources, the desire to avoid fiscality and the legislative ambiguities.

From the research, *the main reasons why companies do not resort to financial-accounting creativity and innovation* can also be depicted: correctness; fear; the existence of major risks; the existence of certain internal and financial auditors; foreign stockholders; etc.

As a conclusion, the hypothesis launched before the research (*Most of the companies resort to creativity and innovation in the financial-accounting activity*) is being confirmed. We can also notice that most of the organisations resort to such techniques for negative purposes. Therefore, we can only rest wondering how the accounting principles are being complied with, whether we can still talk about a faithful image or "users, watch out!" These questions have their answers within another research.

As a result of the conclusions depicted from the undertaken study, we believe that the financial-accounting creativity practice and its effects depends on what managers want to offer through the information they provide and, implicitly, on what they want to get from the decisions users adopt by employing this information.

<sup>434</sup> We mention that the total is higher than 100% because the formulated question had multiple answers.

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