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A BRIEF REVIEW OF CREATIVE ACCOUNTING LITERATURE AND ITS CONSEQUENCES IN PRACTICE

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ABSTRACT: Our research has as main objective a short review of the aspects approached at the European level regarding the role that creative accounting plays in the life of an enterprise. In order to achieve our goal, we have analysed approximately 40 academic articles indexed in international database, such as Science Direct, Emerald and ProQuest. We have used a longitudinal classification of the selected articles, studied between the years 1999 and 2009; we have tried, also, a classification of these papers according to the most frequent debating themes.

In the end of our research, we have formulated our own conclusion,, that there is no unanimously or unifying accepted theory at the international or European level regarding what is, what the creative accounting represents or which are its basic principles.

Key words: creative accounting, financial scandals, financial reporting

JEL codes: M41, M14, G34

Introduction

When and why exactly this concept first appeared and what influenced its development – these are questions that come up when opening this true Pandora's Box: creative accounting.

With hindsight a few favourable circumstances to this concept can be identified, circumstances first related to the economical advent of world states but at the same time to the need of economic entities to create for themselves a good reputation in an increasingly competitive and tough economic environment. About this particular moment, that is - the first mention, regarding creative accounting practices, we can't ignore the fact that the first mention belongs to the founder of accounting - Luca Paciolo. This ambition of making figures more appealing or the opposite, if the case, is as old as 500 years. Thus, Luca Paciolo was shaping in his already renowned De Arithmetica, the first accounting manual, practices of creative accounting.

In the context of brisk Venetian foreign trade, relationships between traders were recorded by double-entry bookkeeping with ink and quill-pen in main and subsidiary books. Where discrepancies arose, the inkwell was occasionally knocked over on these books – not always unintentionally – in order to make the entries illegible. That's the origin of the term "cover-up".

In the context of the world economic crisis nowadays, creative accounting will be referred to more often as a field from where it is expected either to offer live-saving solutions or be blamed for all the negative evolutions. On this aspect, Salustro and Leburn (2000) would say: „Crisis periods are actually trials for entreprises; affecting their cash flow and generating risks, that accounting doesn't deal with in a flawless manner. Therefore, managers are tempted to resort to ingenious, more often questionable procedures, for refining accounts presentation."

The reality of an enterprise can be mirrored in several aspects, starting from the atmosphere and the environment where the employees perform their daily activity, through the company's

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brand and to the yearly financial statements. This reality, though, seen from the perspective of the external environment, capitalized in clients, suppliers, public institutions, banks, investors etc, is strongly influenced by the subjectivity of the one watching.

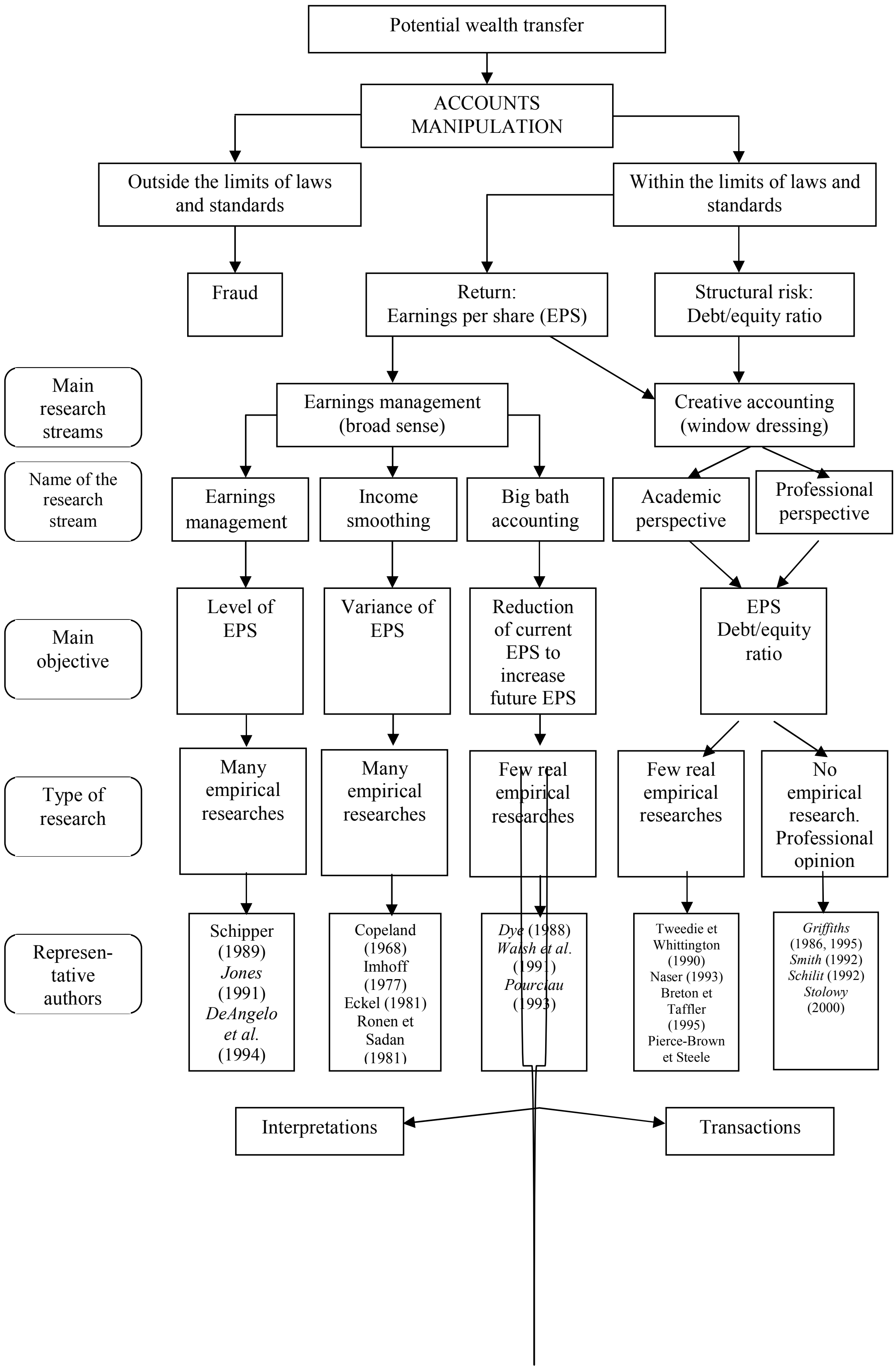
We will further tackle the information from the financial statements, analyzing them from the perspective of the communication process between the two pores. The enterprise, considered as a transmitter, through the channel of the financial statements sends the message capitalized in the financial information to a receiver which is actually the user of this information. Until this message gets from the information supplier to the receiver, it is influenced by perturbing factors and, once reaching the receiver, it will be processed and understood depending on this one's interests, experience, state and perception, creating an image, a reality appropriated with subjective prints.

This approach of the accounting informing system may seem absurd due to the fact that the information of the financial statements are some figures, some values which apparently cannot be misunderstood. Yet, reading between the lines and making certain connections, several ways to manipulate the information can be discovered.

The purpose of our article is to present the current stage of knowledge in the field of the creative accounting. In this view, we have used, first of all, the presentation of a frame for the understanding of the creative accounting practices, to the identification of the protagonists, of the conditions favouring these practices and not in the least of the objectives set. In the second place, we have reviewed, based on the specific literature, the main foreign and domestic approaches regarding the concept of creative accounting, trying to identify and present the main collocations used in literature to describe this phenomenon. In the third place, our scientific approach reviewed the academic articles dealing with this subject in the last 10 years, available in scientific databases Emerald, Science Direct and ProQuest. The paper provides, in the end, some conclusions and suggestions for future research.

The theoretical framework proposed for the understanding of creative accounting practices

Authors like Stolowy and Breton (2003) are among the few interested in the subject of creative accounting daring to suggest a theoretical framework for the understanding of the accounting manipulation practices. The fundamental principle which their theoretical framework is based on is the following: the aim of publishing financial information is that to reduce the costs of the enterprise projects financing. But this reduction depends on the risks to transfer the riches as they are perceived by the agents on the market. The practical means to operate these transfers are based on the results and the balance between the debts and share capital. Consequently, the purpose of accounting data management is to change these two measures: the variation of the result per share and the relation liabilities/assets. The result per share can be changed in two ways: either adding or subtracting certain profits or expenses (which represents the change of the net result) or transferring a column from the upstream or the downstream of the results serving as a computation base of the result per share (which is the management through classification). Regarding the relation between liabilities and assets, this can be modified by increasing the benefit or hiding certain financings with the help of engagements generating devices, off the balance sheet. Figure 1 represents the theoretical framework proposed by Stolowy and Breton for the understanding of the accounting data management.



Potential wealth transfer
ACCOUNTS MANIPULATION
Outside the limits of laws and standards
Within the limits of laws and standards
Fraud
Return: Earnings per share (EPS)
Structural risk: Debt/equity ratio
Main research streams
Earnings management (broad sense)
Creative accounting (window dressing)
Name of the research stream
Earnings management
Income smoothing
Big bath accounting
Academic perspective
Professional perspective
Main objective
Level of EPS
Variance of EPS
Reduction of current EPS to increase future EPS
EPS Debt/equity ratio
Type of research
Many empirical researches
Many empirical researches
Few real empirical researches
Few real empirical researches
No empirical research. Professional opinion
Represen-tative authors
Schipper (1989) Jones (1991) DeAngelo et al. (1994)
Copeland (1968) Imhoff (1977) Eckel (1981) Ronen et Sadan (1981)
Dye (1988) Walsh et al. (1991) Pourciau (1993)
Tweedie et Whittington (1990) Naser (1993) Breton et Taffler (1995) Pierce-Brown et Steele
Griffiths (1986, 1995) Smith (1992) Schilit (1992) Stolowy (2000)
Interpretations
Transactions

Figure 1. A proposed framework for understanding accounting manipulation practices
Source: H. Stolowy, G. Breton, Accounts Manipulation: A Literature Review and Proposed Conceptual Framework, 13.01.2003, pg 35

Actors, favouring conditions and objectives

In the chess parties there are many times when we consider that one of the parts has an important advantage, even though the number of the pieces on the board is the same. To what does this statement owe, otherwise a correct one? Obviously, it is explained through the pieces activity difference. Seldom, during the moments of maximum confrontation of the pieces on the board, one of the parts has more pieces "out of the game". How can we avoid such situations? Simple, taking into account the piece improving principle (according to the Russians, first worded out by Makogonov) who shows that: "in balanced position, when none of the parts has immediate threats, it is necessary to rearrange the pieces, in the worst situation, on a suitable field, or if this thing is not possible, let's try to change them." Of course, there are multiple the situations when we have more pieces out of the game. It is necessary the successive application of this principle, starting with the strongest pieces. What we have presented above seems something absolutely ordinary, we all learn, from first steps on the land of this magical game, that we have "to arrange the pieces on the centre of the board, to be stronger". This does not prevent us, that in the moments of relative "calm" on the board, from forgetting about the application of this principle. Otherwise, subsequently, this thing becomes already hard or impossible to achieve.

As within the framework of this "brain" game we can see the ability of the parts to use the pieces available to them (by complying more or less with the principle worded) in order to achieve the result proposed, thus, by extrapolating our analysis to the case of the enterprises, we can identify certain participants who, according to the levers available to them can shape, more or less, the image of the enterprise.

Therefore, in the life of an enterprise, two categories of actors have a special position (Feleagă N., 2006):

(i) on one side, the shareholders, because their patrimonial rights are not exercised but in the end, after the others, who have rights (creditors, suppliers, employees etc.) have emphasised their debts, the shareholders take the financial risk justifying the appropriation of a part of the year's profit and from the residual net asset, in the case of the entity closing down;

(ii) on the other side, the leaders, because they have privileged information, taking into account the position held in the enterprise and, therefore, are tempted to take advantage by allowing themselves considerable advantages or, generally, by directing the entity towards a direction useful for them. In the case of enterprises quoted on financial markets there is a natural distribution of responsibilities. Such a distribution and the problems arising from it have been presented in the founding papers of Berle and Means (1932).

The shareholders invest their capitals and give the leaders/managers a mandate through which they manage the best the organization, trying to maximize the performance of the enterprise. This separation of the responsibility can lead to conflicts generating costs. Manipulating accounting data is an activity reserved to company managers, even though the other players in the field influence the leaders/ managers in their decision to perform such a manipulation. If it were possible to build a theory of the accounting data management, it would not have started from the techniques used for manipulation, but based on the needs, the occasions arising and of the relations between players and investors.

The investors can be divided in four subgroups: real and potential shareholders and the real and potential stockholders. Their interests are very varied and the transfers of riches can be operated between these subgroups. Consequently, they react differently to manipulating accounting data.

Relating ourselves to the analogy with the exciting game mentioned above, we wonder to what extent we can identify certain positive values of the creative accounting which is mentioned quite timidly in the specific accounting literature. Therefore, being attracted to this idea, to the extent to which we can identify such aspects, we will return…

Literature review

The concept of creative accounting is usually used to describe the process through which the accounting professionals use their knowledge in order to manipulate the figures included in the annual accounts. Accounting has been defined as "the art of faking a balance sheet" (Bertolus J.), "the art of calculating the benefits" (Lignon M.), "the art of presenting a balance sheet" (Gounin L.), or "the art of saving money" (Ledouble D.).

The creative accounting appeared in the Anglo-Saxon literature in the 1970s, most often in the papers about the bankruptcy of enterprises and those written by Watts and Zimmerman (1978, 1986, 1990) which represent the foundation of the positive accounting theory. This research trend made the object of several empirical works trying to explain the accounting choices starting from the problem of the political costs that the enterprises are exposed to. More recently, Brown and Steele (1999) have selected a portfolio of 12 accounting techniques, combining also the accounting options with the management decisions. In addition to the political costs, it is emphasised the importance of the activity and risk sector and that of the firm operation, as significant determinants of the creative accounting.

According to Colasse, creative accounting is defined as a cumulus of accounting information practices, at the limit of legitimacy, practised by some economic entities in order to beautify the image of the financial position and the economic-financial performances. Also, Colasse states the fact that these practices arise as a result of the normalization limits but also as a result of the fact that the human creativity does not have limits. We retain the following remark: "it would be wrong to believe that the regularization and the normalization present objectively the accounting portrait of the enterprise. They reveal, explicitly, only the manner in which this portrait has been painted. On the other side though, they leave to the account preparers a manipulation line, in the same time indispensable and irreducible, that they can use according to the considerations deriving from the enterprise's financial policy or the communication policy." (Colasse, quoted by Raybaud – Turillo and Teller, 1996).

Almost in the same manner, Trotman (1993) defines creative accounting, appreciating that it is a communication technique having in view the amelioration of the information provided to the investors. Thus, the economic entity is presenting to the investors or to the prospective investors financial statements passed through the filter of some techniques capable of generating a more favourable image on the market but also the illusion of some more attractive results that the normal.

Defining creative accounting through a well known practice, that is "the result of smoothing(smoothing income), Barnea, Ronen and Sadan (1976) appreciate that this makes its presence felt each time the profits have a high fluctuation, unjustified through the economic reality.

A complex vision is provided by Naser (1993) in whose opinion, creative accounting is: "1) the process through which, due to the existence of some breaches in the rules, accounting figures are manipulated and, taking advantage of the flexibility, they choose those measurement practices allowing the transformation of the synthesis documents from what they are supposed to be into what the managers want; 2) the process through which the transactions are structured in such a manner that it allows the "production" of the "desired accounting result."

Some authors define creative accounting as "an assembly of procedures having in view the change of the level of the result in order to increase or decrease, or present the financial statements, without these objectives being reciprocally excluded" (Stolowy, 2000). For others, creative accounting is represented by "the assembly of techniques, operations and freedom spaces provided by the accounting texts which, without distancing from the accounting norm and strictness, allow the managers of an enterprise the change of the value of the result or the change of the aspect of the accounting documents" (Gillet, quoted by Shabou and Boulila Taktak, 2002).

As a journalist, Griffiths (1986) noticed that the majority of the economic entities hide their benefits. He appreciates that the financial statements are drawn up based on the "embellished" registers, the resulted figures being changed in order to protect the guilty. Creative accounting is presented as a legitimate fraud.

From practitioner's perspective, Jameson (1988) appreciates the fact that accounting process in its essence, requires the operation with different motivations, different ideas. From this diversity arise manipulation, cheating and falsification at some less scrupulous accounting members. It is he who states that these creative accounting practices do not break the law or the accounting standards, therefore they comply with the law but not its spirit. Jameson states thus the negative character of creative accounting which distorts the enterprise's financial results and the position, misleading the users of the accounting information.

From the perspective of a financial analyst, Smith (1992) considers that the highest part of the economic growth of the '80s is "due" to creative accounting, that is to the accountants' skills than rather to a real economic growth. In the book, Accounting for Growth, he motivates the previous idea, exemplifying the cases of some British companies which use creative accounting practices (finding concrete proofs at 45 economic entities of great Britain), taking the example of three companies which experienced the financial collapse shortly after they had presented their financial statements which clearly reflected: financial stability.

Defining creative accounting, Merchant and Rockness (1994) appreciate that any action come from the management which can distort the profits and which is not a consequence of the economic reality, it actually represents the privilege of the financial engineering. They draw the attention on the fact that on long term all these forced approaches can have a negative effort on the financial stability of the economic entities.

Defining creative accounting through its practices, Shah (1996) as well as MacBarnet and Whelan (1999) appreciate that all those financial engineering used in order to create the image desired, the representation desired are called instruments of creative accounting. One year later, Shah actually defines the concept of creative accounting and the emphasis is placed on the fact that the management of the enterprise uses the legislation's breaches or the ambiguities in order to create their own portrait of the enterprise, according to their preferences, in other words the financial performance is obtained through the use of the breaches in the legislation. The author emphasises the idea that creative accounting does not break the law but only its spirit.

Creative accounting is used, according to the opinion issued by Burlacu and Pătroi (2005) and for the "consolidation" of the economic-financial indicators of the economic entities, distorting yet their informational content. It is appreciated that in this way the consistency and truthfulness of the accounting information sent by the economic entity to the business environment is being altered.

Romanian literature is poor in what the interest regarding creative accounting is concerned. Feleaga and Malciu (2002) stated that creative accounting was defined as a process through which the accounting professionals use their knowledge in order to manipulate the figures contained in the annual accounts.

Although there are misunderstandings regarding the definition of creative accounting, the majority of researchers accept the idea that this stands out through two aspects. The first aspect has in view the use of the accounting professionals' imagination in order to translate those juridical, economic and financial innovations for which there are no normalized accounting solutions at the time of their occurrence. The second aspect shows the fact that the adjustments resulting from this financial engineering are initiated according to their incidence on the enterprise's balance sheet and results.

Other nomenclature of creative accounting in literature

Creative accounting, as mentioned before, has developed geographically both in its practices' complexity and in its nomenclature. Thus, the term preferred in the USA and the most frequent one is that of "earnings management" whereas in Europe we are using the phrase "creative accounting". In the literature, creative accounting can still be found under the name of *income smoothing, earnings smoothing, cosmetic accounting or accounting cosmetics, financial crafts or accounting crafts*. For more explanations on all the various global nomenclature, we enclose the following table:

Country	The equivalent of the Romanian „creative accounting”
Switzerland	Bilanzmanipulation, Bilanzkosmetik ,heisse Luft
Germany	Tricksereien , Bilanzartistik, geschönte Jahresrechnung, Seifenblasen
Holland	Winstegalisatie (profit equalization), Creatief boekhouden, Creatieve jaarverslaggeving, Winststuring (earnings management), Winstflattering, Verliesmaximalisatie
France	Bricolage (DIY), Fabricated accounts, Unlimited creativity
USA	Cooking the books, fabricated numbers, fiddle the numbers, more debits than credits, earnings management
Italy	Politiche di bilancio
Japan	Furyo Kessan (improper accounting); Funshoku (window-dressing), Kara-uri (dummy or "empty sales"); Mae-da-oshi (bringing sales forward)
Australia	Fudging, Manipulative accounting, Feral accounting
Great Britain	Window-dressing, Accounting for profits, Bubbles, Enronitis

(*Source: Audit Committee Newsltter, KPMG, June, 2003*)

By the mentioned above we pointed out the fact that creative accounting has known a global geographical development, today being a world discussed phenomenon.

Research methodology

The object of the current article refers to the presentation of the conceptual delimitations regarding creative accounting, the detailed description of theoretical framework proposed by some authors, as well as the brief review of the literature written on the topic between 1999 and 2009. Also, we can see how the specific literature regarding the aspects concerning the magical land of creative accounting becomes day by day even richer, not little guilty by this thing being the financial scandals and the recent economic crisis we are experiencing (are we going to get over it?) we have decided to shortly review the main aspects approached at the European level regarding the role that creative accounting is playing in this "play". To achieve this aim, we analysed approximately 40 academic articles available in three scientific databases, Science Direct, Emerald and ProQuest. The choice of these three sources is motivated by the presence hereof all the articles having in view a very good quality international research and the English language to present them. Our approach regarding the exploratory research includes two stages:

The first consists in finding the information about creative accounting in the databases mentioned above the longitudinal classification of the selected articles – the interval had in mind being contained between 1999 and 2009.

The second stage consisted in grouping them on the most frequently approached themes. Out of these, we mention aspects connected to different accounting techniques/practices in the context of some bankruptcies, by their influence on the financial markets transactions and aspects connected to the problems of audit and corporative governance.

In our research, we have used the deductive method (the attainment of the conclusions based on the already existing theories), the type of research used being the fundamental one. The utility of such a research contributes to the ensurance of the premises for the development of future research.

Discussion

The main interest areas around which we have tried to "embroider" are therefore presented in detail next:

Bankruptcies

The spectacular rise and fall of Enron Co. provides a truthful illustration of the fact that some companies can use the juridical status of transactions to hide the economic substance representing the base of these transactions. Baker and Hayes(2004) examine the creative accounting practices connected to:

1. Off balance sheet financing
2. Acknowledgement of profits
3. Information regarding the financial statements re

Based on these three directions, the article examines the GAAP's requirements and the ways through which Enron used these GAAPs to hide the economic substance representing the base of the transactions. If the economic principle on the judicial had been applied in the case of Enron Co., the investors and creditors would have been provided with a realistic image of the financial position and results, probably avoiding what subsequently has become the most famous bankruptcy case in the USA history. Remaining on the sphere of serious accounting scandals within the big companies (for example, World Com and Enron) and in the banking sector (for example BCCI, Barings, Allied Irish Bank and Baninter), Mine Omurgonulsen, Ugur Omurgonulsen (2009) brings into discussion the problem of creative accounting with its legal and illegal facets which occurred on the companies and governments' agenda. They examine a certain type of creative accounting practice (fraud) in the light of a Turkish case (the ImarBank scandal). It has been discovered that the deficiencies within the legal banking conceptual framework, the inadvertencies of the regulating and supervision governmental bodies, practical difficulties in the application of the ethical rules and of the legislation which have led to the wrong operation of the judicial system, are significant reasons for creative accounting practice in connection with the Imarbank owners and top management's greed. Also, the intention and capacity of the political power in fighting against this type of corruption are crucial. The authors also deal with the different techniques of creative accounting found in practice, the review of a series of illegal transactions discovered at Imarbank and the reasons for which the public authority has failed in preventing the Imarbank scandal.

Creative accounting is the root of numerous accounting scandals. It represents the transformation of the accounting figures from what they are in accordance to the economic reality into what the managers want using the advantages of the existing regulations and/or ignoring some of them. The impact of the creative or fraudulent accounting can be reduced by making the accounting and the audit system more efficient but also through an efficient corporative governance.

Audit

Even though there are numerous articles in the specific accounting literature regarding the theme of creative accounting, tackling the creative accounting techniques such as "window dressing" and off balance sheet financing, there is little known about the frequency with which the companies use these techniques. In this view, Naser & Pendlebury (1992) tackle the results of the application of a questionnaire to the experienced auditors who have been asked to express their opinion concerning creative accounting. The auditors have been asked to indicate the frequency with which they met creative accounting techniques and their answers have been analysed according to: the type of companies, the industrial classification and creative accounting practices.

The auditors' perception regarding the reasons for which the companies use creative accounting and the steps that must be followed in order to eliminate creative accounting are also analysed by the authors.

The accounting standards are created and implemented in order to standardise the accounting practice, they containing definitions of the accounting concepts whose function is to guide the professional reasoning. The professional reasoning has a major impact on the creation of the financial statements because the subjectivity and the freedom of action can lead to the manipulation of the profits. Hronsky şi Houghton (2001) identify the decisions made by the auditors within the legislative changes, analysing the accuracy of the professional reasoning within the legislative changes.

An empirical study proposed by Caramanis and Lennox (2008) investigates the impact of the audit mission efforts on the managerial earnings using a unique database which contains the hours worked by the auditors made within 9738 audit works in Greece in the companies audited between 1994-2002. It has been noticed that in the case of audit works where the number of hours is small the audited companies have the tendencies to manipulate more the managerial earnings therefore the reduced effort for the audit works increases the possibility that the managers report manipulated profits.

A factor of the weak conformity with the accounting standards seems to be the low quality of the audit trials. Falkman and Tagesson (2008) describe and explain the impact of the legislation and standardization on the municipal accounting in Sweden under the spectre of positive theory of accounting. The regularization of the municipal accounting in Sweden represented the object of fundamental researches in the last decades. The municipal accounting was regulated by law starting with January 1st 1998. The main purpose of the accounting reform in Sweden was that to suppress the creative accounting and increase the level of harmonization and comparability.

The data collected have been obtained through the documentary study, questionnaire and interviews. The final results showed that the reform had a limited impact on the accounting practices and the conformity with the accounting standards was made at a low level. Also, the study showed that there were major perception differences among the financial statements preparers.

Governance

The great Britain example illustrates as well as possible the problems which can be associated with the property separation and the enterprise control, dealing with several aspects involved by the agency's theory. Such problems connected to the agency, as it has been demonstrated above, often include the managers' asset abuse and the lack of a real control. Yet, as in other countries, the development of the corporative governance in Great Britain has initially led to enterprise collapses and financial scandals. As a result of these (Coloroll and Polly Peak, etc.) and of the lack of trust in the financial reporting of several British enterprises, the Financial Reporting Council, the London Stock Exchange and the accounting profession launched in May 1991 the idea of creating a committee regarding the corporative governance financial aspects (Feleagă, 2008). After the committee was created, there were the scandals of the BCCI and Maxwell enterprises. The Cadbury report was drawn up between May 1991 and the end of 1992, through the committee with the same name, due to Sir Adrian Cadbury. The central report is built by what the authors call a code regarding the best practices. They pretend that, if such a code had existed in the past, the recent unexpected bankruptcy examples and the fraud cases would have been disclosed much earlier.

Peasnell et all. (2000) using a constant group analyse the correlation between the structure of the Board of Directors and the managerial earnings comparing two periods of time: the period before the appearance of the Codes of Good Practice written by the Cadbury Committee1994 and the period after the appearance of the Code of Good Practices. They conclude that after the appearance of the Code of Good Practices the managerial earnings diminished, given the new management structure proposed by the Code.

The relation between the corporative governance and the Parmalat bankruptcy is dealt with by Buchanan and Yang (2005). At the base of the Parmalat company failure is the conflict of interests between founding chairman (majority shareholder) and the minority shareholders, a conflict rooted in a corporative governance based on an opportunist behaviour favouring the majority shareholder against the minority shareholder. The development of creative accounting in this context is connected to the failure of the regulating bodies regarding the corporative governance, as well as the auditors and financial institutions' lack of vigilance.

The problem of the profit manipulation has been studied through the accounting positivist theory. The weaknesses characterising the results obtained appeared due to the fact that the different theoretical and methodological approaches through which this subject was studied. In France, the management plays a central role in manipulating the profit. Using the results of 32 interviews organized in 13 companies, Lambert and Sponem (2005) argue that the spread of the Anglo-Saxon model of corporative governance promoted this behaviour. Far from the opportunism hypotheses worded out by the positivist accounting theory, profit manipulation is a tool through which the management wants to get large legitimacy within the organizations and/or adopt what they pretend to be ethical behaviour. They also tackle the pressure come from the investors in direct relation to the profit manipulation, the profit manipulation seen as an ethical act as well as the role of the accounting information in the Anglo-Saxon model of corporative governance.

Financial Markets

There are significant proofs of the use of creative accounting by the big companies listed. Yet, little is known about the process through which such practices are drawn up and manage to flinch the regulations and legal sanctions. Atul K. Shah (1996) examines the process of a creative conformity in the case of convertible bond issuing by the companies quoted on the Stock Exchange in Great Britain during 1987-1990. There has been an active dialectic on the creativity used in creating these instruments, an attempt to break the laws in order to break them again. The results show that a small group of professionals from the finance, law and accounting fields have collaborated to draw up these instruments. They helped the issuers to manage the financial reporting process in such a way that the conformity is ensured. Where the contributors have the capacity to use such "creative conformities" referring to the resources and abilities they have, the regulating bodies are confronting themselves with irregularities coming from their own "yard".

An empirical study developed by Kinnunen et all. (2000) in Finland, shows the fact that the firms issuing shares for high discounts use this escape door in order to manipulate the financial information comparing to those providing reduced discounts for the shares or the firms which do not issue shares. The managerial policy has in view the use of these manipulated earnings for the subsequent granting of dividends to the shareholders, coming up to the investors' expectations regarding the company's ability to pay its dividends. The flexibility in selecting the accounting models sometimes motivates the managers to choose between the accounting options or simply to change those that they have already used due to the desire to raise the final result, that is to manipulate the result. Therefore, the manipulating behaviours in the Turkish companies quoted on the Stock Exchange are detected by Atik (2009) using empirical tests, tests tackling discretionary accounting changes (DAC). Parallel with the study performed by Moses, quoted the above mentioned author, the result smoothing is accepted as one of the motivations for DAC and the group of firms is divided into two: manipulating and non-manipulating, based on Moses' manipulating behaviour index. The results show as possible motivations for DAC: the result smoothing, the economic characteristic when DAC are made and the Turkish firms' desire to have profits aiming at zero.

The Public Sector

Benito et all. (2008) analyze a few private financing proposals in the public sector which took place in recent year Spain. They demonstrate that the new financing methods incorrectly evaluated as being private, have been made in the end by the government from the budgetary resources. A postponing of the budgetary acknowledgement of some transactions accompanied by a wrong information on the debts presented in the financial statements afferent to projects are the main consequences of the use of the new financing methods. Shortly, this is a clear example of creative accounting used in order to positively respond to the convergence criterion imposed by the EU.

Traditionally, the financial balance of the economic entities in the public sector was determined based on the balance budgets and treasury budgets. Even from 1990 the superiority of the accrual basis of accounting used in the context of public sector was emphasised both by practitioners as well as by the academicians. Vinnari and Nasi (2008) demonstrate that the accrual basis of accounting provides opportunities to use creative accounting or the managerial earnings in the public sector, at least as long as the accounting is held according to the national regulations rather than to IAS/IFRS.

Financial Reporting

According to Barlev & Haddad (2003), the relevance of the financial statements must be measured by reporting to the:

- association between the market and the estimated profits
- contribution of the administration function
- reduction of the agency's costs
- streamline of the management
- supply of relevant information to the stakeholders.

Also, the development and improvement of the accounting standards reveal the fact that the historical cost is gradually replaced by the fair value. The fair value (FVA) in contrast to the historical cost hiding the real financial position and the profit, represents a relevant value (according to the same authors). The reporting based on FVA draw the shareholders' attention on the capital value and streamline the administrative function. The managers are asked to watch the value of the shareholders' capital. The fair value (FVA) ensures a complete information, compatible with the reality and transparent. The application of the FVA opens up the way to the volatility of earnings and managerial earnings in relation to the application of the historical cost (HCA).

Other authors, Markarian & Pozza (2008), based on empirical researches referring to motivational factors of the earning manipulation in the firms with majority family capital, investigate the conflict of interests occurred from the agency's theory and word out hypotheses assuming that those firms are less sensible to the motivations of the result smoothing than the firms with a non-family capital. The research hypotheses are focused on the problem of costs capitalizing the development costs.

Conclusions

Our paper deals with conceptual and motivational aspects of the appearance and development of creative accounting practices. The concept of creative accounting is analysed in its evolution, from the first definitions found in the specific literature to the contemporary modern approaches connecting this concept implicitly to cultural, political or even psychological aspects. To understand the meanings of the concept mentioned, our study describes in detail a theoretical framework proposed by some authors but also the objectives of the accounting figure manipulation. Also, there are descriptions of the actors of this "game" of creative accounting, of the conditions generating different accounting manipulation practices and not in the least the "manipulation" intentions of the enterprise managers. A distinct part of our study has in concern a short review of the main aspects tackled with at the European level in the specific literature regarding the role played by creative accounting in the life of an enterprise. To achieve this objective, we have analysed approximately 40 academic articles available in three scientific databases, Science Direct, Emerald and ProQuest. We have used a longitudinal classification of the articles selected – the interval had in view being 1999-2009 – also trying to group them according to the most frequently tackled with subjects.

In the end of our research, we may conclude that there is no unanimously accepted theory at the international or European level concerning what is, what creative accounting represents or which are it basic principles. Also, we retain the attention on some controversial aspects attachable to this subject such as the negative values versus the positive values of the creative accounting.

Being aware of the limitations of our research, we will concentrate our efforts on a more deepened analysis of the famous cases of creative accounting and fraud and on the other circumstances which it is never known when they might give birth to some manipulations in order to distort the real image of the enterprises' financial statements. For this, the study of literature must be more ample in time and space and it should clearly emphasise the areas uncovered by the existing literature in order to see which elements are worth studying with propensity.

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