The Extent Of Compatibility In The Financial Ratios And Adopted Procedures In The Detecting Of Creative Accounting Between The External Auditor And The Financial Analyst

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Abstract: The study aims at knowing the compatibility in the financial ratios and adopted procedures in the detection of creative accounting in both income statement and balance sheet between the external auditor and financial analyst. To this end, a questionnaire consists of three fields each of them contains both procedures and financial ratios to detect creative accounting since 350 questionnaires have been distributed on a sample consists of 118 offices and companies. The findings of the study deduced the existence of compatibility between the external auditor and financial analyst as indicated in findings. The study recommends the cooperation necessity between the external auditor and financial analyst for their agreement on various procedures and financial ratios that lead to performance development and companies’ preservation of fraudulent, manipulation, or any other practices might affect them.

Keywords: Creative accounting, external auditor, financial analyst.

1 INTRODUCTION

Overall, the counsels of companies’ management look forward to obtain sound and precise financial and administrative reports that express the actual situation of companies until they are able to make appropriate and suitable decisions that aims at elevating companies to the highest ranks, achieving the optimal profits to guarantee its stability and continuity. However, specific categories in companies might change or adjust the financial statement body mentioned in reports in order to achieve private goals, such as obtaining loans from big financial institutions, maintaining managers on their job, obtaining the best rewards, preserving the good reputation of companies, or escaping from taxes, etc. Such change or adjustment is not taken randomly rather it is organized and examined by the management and stakeholders the trust in them. External auditors’ role is embodied in assuring the preciseness and safety of data and that financial statements fairly express the company. To do so, both procedures and business that aim at detecting any practices might lead to distort or manipulate them. On the other hand, Gibson (2011) indicates the role of financial analysts in making judgmental process which aims at determining the primary changes in orientations, amounts of money, the relation between them, and the verification of the reasons behind such changes which, in turn, lead to detect the fraudulent data. As such, it will help the analyst in deciding the companies’ continuity and loyalty to its commitment whether for short term or long term company. Also, it determines its ability to generate income. For this objective, a group of procedures and financial ratios are adopted. However, as mentioned previously the objective compatibility between the financial analysts and external auditors that is represented in detecting either manipulation or distortion in the financial data. All of which lead both procedures and financial ratios that are adopted by both of them as a research concern regarding their agreement or disagreement about using them.

2 THE PROBLEM OF THE STUDY

Ndébugri and Senzu (2017) indicate that creative accounting has considered as an old phenomenon that has been started since the industrial revolution until these days. The existence of creative accounting distorts the actual and fair status to the companies’ financial situation. In this respect, Al-Momani and Obeidat (2013) state that such phenomenon has increased since the beginning of the eighties of the last century and has led to the failure and close of big companies in all over the world. These findings drive us to be interested in and acknowledged of its peculiarities in terms of its definition, methods, and the procedures of detecting it in order to reduce it which might be one of the primary tasks for both financial analyst and accounting auditor. Matar (2016) points out the adopted procedures by the financial analyst in the detection of creative accounting that differ from the auditor. However, Jarbou (2005) suggests the dependence and cooperation between the external auditor and financial auditor in some parts of the work except in creative accounting. Owing to the importance of dependence, cooperation, task compatibility between them the idea of the study emerged to detect the extent of compatibility between the external auditor and financial analyst.
auditor and financial analyst in terms of financial ratios and procedures related to the detection of creative accounting due to their great efforts in limiting this phenomenon, as mentioned before, that has a negative impact on company’s continuity.

Accordingly, the problem of the study is limited to the following questions:

2.1 The first primary question: what is the extent of compatibility in the detection of creative accounting procedures between the external auditor and the financial analyst?

This question includes the following:
1. What is the extent of compatibility in the detection of creative accounting procedures in income statement between the external auditor and the financial analyst?
2. What is the extent of compatibility in the detection of creative accounting procedures in balance sheet between the external auditor and the financial analyst?

2.2 The second primary question: what is the extent of financial ratios compatibility adopted by the external auditor and financial analyst ratios in detecting creative accounting?

3 THE OBJECTIVES OF THE STUDY

Study objectives are limited in both two primary and two secondary objectives as follows:

3.1 The first primary objective: determining the degree of compatibility of the adopted procedures in the detection of creative accounting between the external auditor and financial analyst and includes the following:
1. Determining the degree of compatibility in the followed procedures to detect creative accounting in income statement between both the external auditor and financial analyst.
2. Determining the degree of compatibility in the followed procedures to detect creative accounting in balance sheet between both the external auditor and financial analyst.

3.2 The second primary objective: determining the degree of compatibility in financial ratios adopted by external auditor and financial analyst ratios in the detection of creative accounting.

4 THE SIGNIFICANCE OF THE STUDY

The study drives its significance from its trial in enhancing and organizing the efforts between the external auditor and financial analyst by demonstrating the aspects of compatibility regarding the adopted procedures and financial ratios by both of them to detect creative accounting in income statement and balance sheet in order to develop work and to obtain more confidential financial ratios that fairly express the actual financial status of companies.

5 POPULATION AND SAMPLE OF THE STUDY

Jordan guide (2019) indicates that the population of the study composes of companies and audit offices in Jordan that reached to 170. A sample consists of 118 offices and companies were randomly selected to commensurate with the population size. The workers’ auditors were considered as inspected unit since 350 questionnaires, 3 out of them were distributed on offices and companies and 324 were taken as completed and valid for analysis.

6 HYPOTHESES OF THE STUDY

The hypotheses of the study are determined according to both questions and objectives of the study as follows:

6.1 The first primary hypothesis: there is no compatibility in the followed procedures for detecting creative accounting between the external auditor and financial analyst and includes the following:
1. There is no compatibility in followed procedures for detecting creative accounting in income statement between the external auditor and financial analyst.
2. There is no compatibility in followed procedures for detecting creative accounting in balance sheet between the external auditor and financial analyst.

6.2 The Second primary hypothesis: there is no compatibility in financial ratios adopted by external auditor and financial analyst in detecting creative accounting.

7 DESIGN OF THE STUDY

Matar (2016) approach was adopted for determining the design of a study who mentioned precisely the adopted procedures by the financial analyst in detecting both creative accounting and financial ratios. Therefore, such procedures were formulated in order to create a study tool to guarantee its compatibility with the external auditor as follows:

The hypotheses of the study are determined according to both questions and objectives of the study as follows:

8 THE DEFINITION OF CREATIVE ACCOUNTING

Jones and Jones (2011) claim that the perspectives regarding the concept of creative accounting are varied i.e. United States considered such definition as a fraudulent, whereas United Kingdom considered it as flexibility exploitation in the governed systems. Accordingly, creative accounting has been defined as flexibility application in accounting within the frameworks of the governed systems in order to determine and evaluate accountings to manifest properly in order to reflect the interest of its preparers rather than its workers. Moreover, Remenarić et. al (2018) define it as an accounting practice that do not follow accounting standards. However, it might follow accounting standards in case of it serves the mangers and companies’ owners interests. Accordingly, such practices might be divergent from the primary idea to the standards and accounting principles. Most importantly, it considered for others unethical rather than illegal since it does not fulfill the primary goal in providing a fair and objective image of the company that is represented in preparing the financial reports. Yaseen et. Al. (2018) mentioned that institutions that do not use creative accounting do not breach the law, but simply use the flexibility in accounting to serve its special interest. It has been planned due to the misuse of the gaps existed in the current organizational system. Also, they pointed out to one of creative accounting
terminologies, namely, aggressive accounting which is known as the usage of accounting principles in producing financial outcomes for achieving specific administrative goal. Bekteshi (2017) adds that creative accounting is considered as the usage of evaluation methods and accounting practices that are permitted by accounting regulation for changing the financial statement body. It can be deduced that creative accounting is considered as practices and methods that are permitted by law's flexibility, standards, and accounting regulations. However, it has been used for achieving private goals that lead to the change of financial figures body. Holda and Staszef (2016) stated that creative accounting is represented in taking legitimate and discretionary among the methods of various treatments in the cases which standards a direct method to resolve a problem. Such definition agrees with the above mentioned definitions in the choose of ways and treatment methods, but it differs in the purpose of such selection that is represented in the change of financial data and figures body.

9 THE COMMON NAMES IN THE MANIPULATION OF FINANCIAL FIGURES

Mulford and Comiskey (2002) mentioned that manipulation practices names were varied in the financial figures. Some of them called as aggressive accounting that allow for selecting and applying accounting principles in deliberate manner to achieve specific goals, principles that might agree or disagree with the accepted accounting principles might be selected. Also, manipulation practices have also been known as Earnings management which is represented in profits manipulation for achieving specific goal determined by management. Besides, they are known as income settlement which is considered an aspect of profits management for achieving specific administrative goal.

10 REVIEW OF RELATED LITERATURE

The current study touched upon the previous studies in creative accounting practices, the reasons behind its usage, the reasons that eliminate it, and the reasons that oblige accounts auditors to reduce such practices. The present study demonstrated, throughout reviewing previous literature, a number of adopted creative accounting practices in companies that are related with both income statement and balance sheet that will be mentioned in general. However, the classification of creative accounting into two categories will be achieved through study tool, namely the misuse of polices. Shah et al. (2011) suggests that one of such policies is represented in the recognition time of the expenses according to the intended goal. Ndebugri and Senzu (2017) state that recognition time of the transactions revenue throughout the manipulation in sales registration. Shah et. al. (2011) rendered that changing in accounting policies such as the depreciation method or the rate of depreciation method and the overestimation of assets. Ndebugri and Senzu (2017) mentioned the alternatives of inventory's pricing, such as FIFO, LIFO, W.A. Remenarić et. al. (2018) added changing in amounts of money such as reduce expenditure. Hussein et. al. (2015) imply that other practices such as the overvaluation of stock closing, the changing of allocation, bad debt, postpone costs, other financial ratios, reserve accounting, expenses capitalization, hiding losses or liabilities, and missing with taxes. Tassadaq and Malik (2015) indicate the reasons that prompt the companies to use creative accounting are embodied in: unethical behaviors, agency problem which considers as the reason for exceeding the laws and regulations in case if the manager did not obtain rewards. Therefore, the manager use creative accounting adversely for his private interest, and the non-vocational situation that company might occur due to the company's lack of knowledge and awareness about creative accounting practices. Cătălină (2017) adds that personal satisfaction when managers submit a report about the actual company's situation in order not to be criticized from board of directors. Furthermore, Hussein et. al. (2015) mention other reasons, such as the increase of stock price in stocks market, tax avoidance, debt structuring, financial constraint, and encouraging investors to buy companies' share. Moreover, Tassadaq and Malik (2015) mentioned that researchers have determined a number of adopted procedures in order to reduce creative accounting practices, such as internal and external financial auditors, ethical values, international standards that are considered as significant rules in financial transactions processing and financial reports preparation which lead to control and unify currencies and reporting in order to get out alike to facilitate the comprehension and comparison its figures to the same company over several years, and comparing its figures with other companies. Similarly, Popescu and Nişulescu (2013) review a number of procedures to reduce such practices, such as comparing the employed accounting policies in the current fiscal year with previous fiscal years, comparisons with accounting policies and employed methods by the competitors, analyzing the opinions with the reserves in accounting auditors reports, analyzing the exceptional consequences and previous extraordinary consequences, analyzing the development of clients receivables, shares, services providers, analyzing the transactions with companies, and analyzing the movements in reserve accounts. Sanusi and Isa (2012) mentioned the practices that entail accounting auditors to preform them, which lead to reduce creative accounting practices, provide the principles, techniques, and appropriate tools to detect creative accounting practices, exert the essential vocational care, possessing the skill in performing work.
knowing the techniques and appropriate tools that enable
them to detect creative accounting practices, examining the
data quickly and precisely, preparing special reports of the
exceptional factors of financial statements since they are
considered as figures, indicators, and warning signals
which financial ratios might be a part of. In the similar vein,
Popescuand Nişulescu (2013) added examining accounting
records. According to the previous presentation, Al-Momani
and Obeidat (2013) indicate that auditors add more
credibility to the information and financial statement since
they have accounting and auditing knowledge which give
them positive and important role in preparing financial
reports according to the accounting standards and abiding
with accounting standards, laws, and special companies' instructions which prevent inequalities and practices that
might fall under creative accounting.

11 THE FINDINGS OF THE STUDY
For the purpose of facilitating both presentation and
discussion of the study, it will be divided in various parts as
follows:

11.1 The First Part: Sample characteristics:

<table>
<thead>
<tr>
<th>Statement</th>
<th>Frequency</th>
<th>Percentage</th>
<th>Accumulative Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Job title</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary auditor</td>
<td>65</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>Auditor assistant</td>
<td>101</td>
<td>31.20%</td>
<td>51.20%</td>
</tr>
<tr>
<td>Auditor</td>
<td>158</td>
<td>48.80%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Experience</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>129</td>
<td>39.82%</td>
<td>39.82%</td>
</tr>
<tr>
<td>From 3 years to less than 9 years</td>
<td>85</td>
<td>26.24%</td>
<td>66.06%</td>
</tr>
<tr>
<td>From 6 years to less than 9 years</td>
<td>72</td>
<td>22.22%</td>
<td>88.28%</td>
</tr>
<tr>
<td>From 9 years and above</td>
<td>38</td>
<td>11.72%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having Jordanian Certificate Public Accountant</td>
<td>65</td>
<td>20.00%</td>
<td>20.00%</td>
</tr>
<tr>
<td>No</td>
<td>259</td>
<td>80.00%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>324</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Having other vocational certificates</td>
<td>43</td>
<td>13.30%</td>
<td>13.30%</td>
</tr>
<tr>
<td>No</td>
<td>281</td>
<td>86.70%</td>
<td>100.00%</td>
</tr>
<tr>
<td>Total</td>
<td>324</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The above mentioned Table shows that the whole sample
of the study is distributed among the categories of the
sample characteristics in an appropriate and suitable
manner with the study data. Such distribution gives the
needed data to be analyzed that are collected by the usage
of study tool the credibility and trust because it has been
taken from a variety of sample categories. Also, it properly
represents the population of the study. In considering the
relevant frequencies and categories with the first
characteristic, namely, job title which logically expresses the
practical reality since most of the employees have the name
of auditor, the less of them have the name of auditor
assistant, but the minority of them has the name of primary
auditor. Most importantly, the majority of the sample that
reach to 60% whose experience exceeds three years in
auditing which indicates that sample members have practiced auditing process for enough period that enable
them to acknowledge the details of auditing process. More
than 100 individuals have vocational certificates such as
Jordanian Certified Public Accountant and other certificates.
Such people give the data greater confidence because they
combine with both scientific and practical aspects.

11.2 The second part: the distribution of responses
value and significance level for the study tool Five
point Likert Scale was used to distribute the responses
of the study sample as illustrated in the following Table:

<table>
<thead>
<tr>
<th>Respons</th>
<th>Strong Agree</th>
<th>Agree to a certain extent</th>
<th>Disagree</th>
<th>Strongly Disagree</th>
<th>General Average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>5</td>
<td>4</td>
<td>3</td>
<td>2</td>
<td>1</td>
</tr>
</tbody>
</table>

The general average (3) is considered as a borderline for
accepting or un accepting the responses of study sample to
the paragraphs indicated in the study tool. The significance
level for such paragraphs was determined according to the
following equation: The significance levels are distributed
according to the following Table 1.33= 3/5-1 to become (the
highest response-the lowest response)/ the number of
levels as follows:

<table>
<thead>
<tr>
<th>The significance level</th>
<th>Low</th>
<th>Medium</th>
<th>High</th>
</tr>
</thead>
<tbody>
<tr>
<td>Extent</td>
<td>From 1 to 2.33</td>
<td>From 2.34 to 3.67</td>
<td>From 3.68 to 5.00</td>
</tr>
</tbody>
</table>

11.3 The third part: Study fields that is divided into
three fields
11.3.1 The first field: the adopted procedures by the
external auditors to detect creative accounting in income
statement.

<table>
<thead>
<tr>
<th>No.</th>
<th>Procedure</th>
<th>Arithmetic average</th>
<th>Standard deviation</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Verifying that sales invoices are actually rather than not actually.</td>
<td>4.20</td>
<td>0.117</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>Verifying of sales invoices that are related with the concerned parties such as subsidiary and associates company.</td>
<td>4.80</td>
<td>0.401</td>
<td>High</td>
</tr>
</tbody>
</table>
3. Verifying of credit conditions including payment and deduction conditions. 3.60 0.491 Medium
4. Verifying the whole of questionable debt provisions 4.60 0.491 High
5. Verifying of allocating provision with a value suitable for price declines 4.40 0.799 High
6. Verifying of making a appropriate manner with price declines 3.60 0.802 High
7. A document provision for purchase invoices 4.20 0.751 High
8. Verifying the expenditure of the capitalized Conditions 4.40 0.802 High
9. Recalculate the depreciation expenses according to the generally accepted averages 4.20 0.401 High
10. Re-preparing income statement to show the impact of discontinued processes 4.80 0.399 High
11. Recalculate operating profit after excluding any profits or extraordinary items 4.20 1.170 High
12. Recalculate business result after the disclosure of company's share from the profits of its subsidiaries or associates profits to detect any cases of integrated profits 4.60 0.490 High
13. Readjusting profit figure with the loss value of subsidiary or associates companies 4.00 0.000 High
14. Verifying the justifications validity of changing consumption patterns 3.80 1.474 High
15. Verifying of the value of extinguishing Expense 3.80 0.983 High
The Overall 4.21 0.367 High

The above mentioned Table shows the adopted procedures by the external auditor in detecting the practices of creative accounting in income statement which shows external extreme caution in detecting such practices that lead to show the indicated financial statements in income statement in an unrealistic and unfair appearance that do not express the company which, in turn, might lead the decision maker to writing decisions.

The arithmetic averages indicated above, which surpassed 3, show that the whole sample of the study agree with the procedures employed by auditor in detecting creative accounting practices. Such procedures aim at Verifying the following:
1. Revenues accuracy as the verification of bills of sale related with clients as well as subsidiaries and associates company.
2. Allowances accuracy as the verification of allowance for doubtful account and price declines allowances.
3. Purchases accuracy as the verification of purchases invoices.
4. Expenses accuracy as the verification of expenses capitalization, such as depreciation, amortization, and other expenses.
5. Gains and losses accuracy for subsidiary and associates companies or any other gains and losses.

It is clearly obvious that majority of arithmetic averages is low. Such result indicates that the variation in the responses of sample of the study is low. However, their responses in eleventh, fourteenth, and fifteenth paragraphs are high. This finding indicates the variation in the responses certain auditors might agree with high degree paragraph, while simultaneously other auditors might not agree with it. In other words, it might be used by some people; it might not be interested for others. To clarify, some of people might understand and know its importance, while others might not notice its importance.

11.3.2 The second field: the adopted procedures by the external auditor in detecting creative accounting in balance sheet

<table>
<thead>
<tr>
<th>No.</th>
<th>Procedure</th>
<th>Arithmetic average</th>
<th>Standard deviation</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ensuring the validity of expense rates used in the translation of monetary items translation in foreign currencies.</td>
<td>4.60</td>
<td>0.490</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>The verification of market prices validity used in evaluating portfolio.</td>
<td>4.20</td>
<td>0.751</td>
<td>High</td>
</tr>
<tr>
<td>3</td>
<td>The verification of the justifications of current investments reclassifications to a long term upon the declination of its market prices.</td>
<td>4.20</td>
<td>0.748</td>
<td>High</td>
</tr>
<tr>
<td>4</td>
<td>Ensuring the justifications of the reduced provisions for price declines to the current investments.</td>
<td>4.20</td>
<td>0.401</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>Testing a proportion of doubtful debts allowance to the total debters' value.</td>
<td>3.60</td>
<td>0.802</td>
<td>Medium</td>
</tr>
<tr>
<td>6</td>
<td>The verification of the accounts receivable disclosure particularly for large accounts receivable.</td>
<td>4.40</td>
<td>0.802</td>
<td>High</td>
</tr>
<tr>
<td>7</td>
<td>Ensuring the elimination of receivables for subsidiary and associates company and from the total account for debtors and disclosing it in separate item.</td>
<td>4.40</td>
<td>0.491</td>
<td>High</td>
</tr>
<tr>
<td>8</td>
<td>Ensuring the inventories and the effective realization of the species in inventories.</td>
<td>4.40</td>
<td>1.554</td>
<td>High</td>
</tr>
<tr>
<td>9</td>
<td>Ensuring the validity of inventory's valuation.</td>
<td>4.40</td>
<td>0.491</td>
<td>High</td>
</tr>
<tr>
<td>10</td>
<td>Ensuring the validity of changing justifications in the method of pricing inventory such as changing from FIFO to LIFO.</td>
<td>3.20</td>
<td>1.331</td>
<td>Medium</td>
</tr>
<tr>
<td>11</td>
<td>Ensuring the validity of changing justifications in the adopted accounting methods in long term investments accounting such as changing from costing method to the</td>
<td>3.40</td>
<td>1.360</td>
<td>Medium</td>
</tr>
</tbody>
</table>
property rights method.

<table>
<thead>
<tr>
<th>No.</th>
<th>Procedure</th>
<th>Arithmetic average</th>
<th>Standard deviation</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>12</td>
<td>Ensuring the elimination of current operations between the parent company and its subsidiary companies.</td>
<td>4.20</td>
<td>0.751</td>
<td>High</td>
</tr>
<tr>
<td>13</td>
<td>Ensuring the commitment with historical cost principle by considering the disclosure of the assets replacement value.</td>
<td>4.40</td>
<td>0.491</td>
<td>High</td>
</tr>
<tr>
<td>14</td>
<td>Ensuring the validity of tangible assets valuation and the necessity to include the surplus value if necessary within the rights of shareholders instead of income statement.</td>
<td>4.00</td>
<td>0.634</td>
<td>High</td>
</tr>
<tr>
<td>15</td>
<td>Ensuring the validity of the adopted basis in intangible assets valuation that arise upon merging.</td>
<td>4.00</td>
<td>0.632</td>
<td>High</td>
</tr>
<tr>
<td>16</td>
<td>Ensuring the validity of intangible assets recognition such as the recognition of the purchased goodwill only.</td>
<td>4.20</td>
<td>0.748</td>
<td>High</td>
</tr>
<tr>
<td>17</td>
<td>Ensuring the non-modification of the current year profit for the achieved gains from previous years it shall be resolved within the reserved profits.</td>
<td>4.60</td>
<td>0.491</td>
<td>High</td>
</tr>
<tr>
<td>18</td>
<td>Ensuring the elimination of the emanated gains from financial data translation to the subsidiary companies prepared by foreign currencies in income statement and resolving them within the rights of shareholders.</td>
<td>4.00</td>
<td>0.632</td>
<td>High</td>
</tr>
<tr>
<td></td>
<td>The Overall</td>
<td>4.11</td>
<td>0.338</td>
<td>High</td>
</tr>
</tbody>
</table>

The above mentioned Table illustrates the adopted procedures by the external auditor in detecting creative accounting practices in balance sheet. The general average for the overall procedures reached to (4.11) which is higher than the medium of study tool (3). This result indicates the approval of study sample for auditor to employ such procedures for detecting creative accounting practices. In case of the application, the management, stakeholders, and decision makers will ensure the accuracy, trust, and the justice of balance sheet that it is fairly express about the actual company's financial situation which is reflected on the accuracy and the validity of adopted decisions. The standard deviations show that a number of procedures have a high standard deviation although its arithmetic averages was higher than (3) i.e. the approved proportion. Such deviation indicates the response variation among auditors since of them might strongly agree, while others might strongly disagree. The finding indicates that such procedure either might be used by an auditor or might not be used by another. In other words, some of them might realize the importance of such procedure, while some of them might not realize its importance. Most importantly, the above mentioned procedures include a large number of balance sheet factors such as:

1. Inventory.
2. Accounts receivables.
4. Tangible assets.
5. Intangible assets.
7. Other demonstrated items in the above mentioned Table as follows:
   a. Ensuring the intercompany elimination between the parent company and its subsidiary companies.
   b. Ensuring the accounts receivable elimination to the subsidiary and associates companies.
   c. Ensuring the validity of the employed exchange rate in monetary items translation of the foreign currencies.

The procedures variation that reviews a huge number of balance items will lead to provide more precise and honest data to the stakeholders in general and governing bodies in particular.

11.3.3 Third field: the financial ratios adopted by the external auditor in detecting creative accounting.

<table>
<thead>
<tr>
<th>No.</th>
<th>Procedure</th>
<th>Arithmetic average</th>
<th>Standard deviation</th>
<th>Significance level</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>The current ratio is adopted to ensure the exclusion for any of the current assets and current liabilities.</td>
<td>4.40</td>
<td>0.491</td>
<td>High</td>
</tr>
<tr>
<td>2</td>
<td>The quick ratio is adopted to detect the manipulation cases in current assets items and current liabilities.</td>
<td>3.60</td>
<td>0.798</td>
<td>Medium</td>
</tr>
<tr>
<td>3</td>
<td>The cash ratio is adopted to detect the manipulation cases in cash and quasi-cash assets.</td>
<td>3.60</td>
<td>0.490</td>
<td>Medium</td>
</tr>
<tr>
<td>4</td>
<td>The debt ratio is adopted to detect the exclusion cases for any of due debts.</td>
<td>4.20</td>
<td>0.751</td>
<td>High</td>
</tr>
<tr>
<td>5</td>
<td>The double leverage ratio is adopted to detect manipulation cases in any of the Owners’ Equity.</td>
<td>3.60</td>
<td>0.490</td>
<td>Medium</td>
</tr>
<tr>
<td>6</td>
<td>The interest coverage ratio is adopted to detect any of manipulation cases in both operating income and paid interest.</td>
<td>3.60</td>
<td>0.490</td>
<td>Medium</td>
</tr>
<tr>
<td>7</td>
<td>The overall coverage ratio is adopted to detect any manipulation cases in depreciation and due loan installments.</td>
<td>4.00</td>
<td>0.632</td>
<td>High</td>
</tr>
<tr>
<td>8</td>
<td>The accounts receivable turnover rate is adopted to detect the manipulation cases in sales in debtors.</td>
<td>4.40</td>
<td>0.490</td>
<td>High</td>
</tr>
<tr>
<td>9</td>
<td>The inventory's turnover rate is adopted to detect the manipulation cases in the inventory.</td>
<td>4.20</td>
<td>0.751</td>
<td>High</td>
</tr>
</tbody>
</table>
It is illustrated in the above mentioned Table the extent of compatibility among the sample of the study on their usage of financial ratios and adopting them in detecting creative accounting practices. It is clearly obvious that such ratios are diverse and include a huge number of financial items, such as the overall assets and current liabilities, and then moving into detailed items, such as cash items, tangible assets, due amounts. This peculiarity and generality helps the auditor in ensuring and verifying such items, adding more accuracy, trust, and reliability to the financial statements than the case of either generality or peculiarity. These ratios are compatible with the above mentioned procedures in the previous fields concerning creative accounting practices in income statement and balance sheet such as inventory turnover that helps in detecting the manipulation cases in inventory, account receivable turnover that helps in detecting the manipulation cases in sales and account receivables, operating income margin that helps in detecting the manipulation cases in operating expenses, debt ratio that helps in detecting the elimination cases for any of due debts that might enhance the company's financial situation, and net income margin that helps in detecting the manipulation cases in interests and taxes. The compatibility in the financial ratios indicated in the above mentioned Table with the procedures of income statement and balance sheet help the auditor in verifying auditing process and coming to an informed decision regarding the validity and accuracy of the apparent financial data in financial statements as well as its fair expression of the company's financial standing which is reflected on the accuracy and safety of the boards of directors resolutions, managements, and stakeholders.

11.4 The Fourth Part: the differences in study field that are attributed to the sample characteristics

ANOVA test was conducted on sample characteristics to the responses consist of three levels and more and Independent Samples Test was conducted on sample characteristics to the responses consist of two levels and more in order to know if there is any statistically significant differences among the responses of the sample of the study or not. The findings indicate no statistically significant differences between the individuals who have vocational certificates except Jordan Certified Public Accountants certificate and the individuals who do not have vocational certificates which, in turn, indicates no variation between those who have vocational certificates and those who do not have them whether in dealing or understanding the questionnaire. On the other hand, the findings show statistically significant differences among the sample of the study responses in terms of auditors’ job level and experiences in the three fields as indicated in Table (7). These differences are for the interest of primary auditor and the auditor assistant. Such finding is indicated in the arithmetic averages shown in Table (8) since the primary auditor constituted the highest average and then the auditor assistant. Also, the Table shows that experience differences are for the interest of those whose experience is more than nine years and above, followed by those whose experience ranges from 6 to less than 9 years. This indicates that primary auditors and auditor assistants whose experience range from 6 years and above are more understandable, interactive, and aware for the procedures and financial ratios used by the auditor in his/her job. On the other hand, the findings show statistical significant difference among those who have Jordanian Certified Public Accountant in the first and second fields that are related to creative accounting practices in both income statement and balance sheet as illustrated in Table (10). These differences are for the interest for those who have certificates as illustrated in Table (9). Such finding indicates that they are more competent in describing job reality comparing with those who do not have Jordanian Certificate Public Accountant. Table (10) shows no statistically significant difference in the responses among the sample of the study in respect of the third field concerning financial ratio.

**Table No. (7)**

ANOVA test to determine the differences among the responses of the sample of the study concerning job level and experience

<table>
<thead>
<tr>
<th>Characteristic</th>
<th>Field</th>
<th>Total Sum of Squares</th>
<th>D F</th>
<th>SIG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work level</td>
<td>The adopted procedures by external auditor in detecting creative accounting in income statement.</td>
<td>Between-groups Within-groups Sum</td>
<td>28.7 80</td>
<td>14.7 63</td>
</tr>
</tbody>
</table>
### Table No. (8)
Post Hoc Tests (Tukey HSD)

<table>
<thead>
<tr>
<th>Field</th>
<th>Job title (I)</th>
<th>Job title (J)</th>
<th>Mean Difference (I-J)</th>
<th>Sig</th>
</tr>
</thead>
<tbody>
<tr>
<td>The procedures adopted by external auditor in detecting creative accounting in balance sheet</td>
<td>Primary auditor</td>
<td>Auditor assistant</td>
<td>0.848</td>
<td>0.580</td>
</tr>
<tr>
<td></td>
<td>Auditor assistant</td>
<td>Primary auditor</td>
<td>-0.848</td>
<td>0.268</td>
</tr>
<tr>
<td></td>
<td>Auditor</td>
<td>Primary auditor Auditor assistant</td>
<td>-0.268</td>
<td>-0.268</td>
</tr>
<tr>
<td>The procedures adopted by external auditor in detecting creative accounting in income statement</td>
<td>Primary auditor</td>
<td>Auditor assistant</td>
<td>0.647</td>
<td>0.271</td>
</tr>
<tr>
<td></td>
<td>Auditor assistant</td>
<td>Primary auditor</td>
<td>-0.647</td>
<td>0.376</td>
</tr>
<tr>
<td></td>
<td>Auditor</td>
<td>Primary auditor Auditor assistant</td>
<td>-0.271</td>
<td>-0.376</td>
</tr>
<tr>
<td>Financial ratios in detecting creative accounting</td>
<td>Primary auditor</td>
<td>Auditor assistant</td>
<td>0.129</td>
<td>0.058</td>
</tr>
<tr>
<td></td>
<td>Auditor assistant</td>
<td>Primary auditor</td>
<td>-0.129</td>
<td>0.187</td>
</tr>
<tr>
<td></td>
<td>Auditor</td>
<td>Primary auditor Auditor assistant</td>
<td>-0.058</td>
<td>-0.187</td>
</tr>
</tbody>
</table>

Field | Experience (I) | Experience (J) | Mean Difference (I-J) | Sig  |
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The</td>
<td></td>
<td></td>
<td>0.042</td>
<td>0.5</td>
</tr>
</tbody>
</table>

The procedures adopted by external auditor in detecting creative accounting in income statement:
- From 1 year to less than 3 years: -0.522
- From 3 years to less than 9 years: -0.501
- From 9 years and above: 0.000

Financial ratios in detecting creative accounting:
- From 3 years to less than 6 years: -0.042
- From a year to less than 3 years: -0.564
- From 3 years to less than 9 years: -0.459
- From 9 years and above: 0.000

Experience:
- From 6 years to less than 9 years: 0.522
- From a year to less than 3 years: 0.564
- From 3 years to less than 9 years: -1.023
- From 9 years and above: 0.000

From 9 years and above:
- From 1 year to less than 3 years: 0.501
- From 3 years to less than 9 years: -0.629
- From 9 years and above: 0.000

From 9 years and above:
- From 1 year to less than 3 years: 0.011
- From 3 years to less than 9 years: -0.224
- From 9 years and above: 0.000

From 3 years to less than 6 years:
- From 1 year to less than 3 years: -0.011
- From 3 years to less than 9 years: -0.845
- From 9 years and above: 0.000

From 6 years to less than 9 years:
- From 1 year to less than 3 years: 0.629
- From 3 years to less than 9 years: -0.853
- From 9 years and above: 0.000

From 9 years and above:
- From 1 year to less than 3 years: 0.224
- From 3 years to less than 9 years: -0.212
- From 9 years and above: 0.000

From 1 year to less than 3 years:
- From 1 year to less than 3 years: -0.180
- From 3 years to less than 9 years: -0.389
- From 9 years and above: 0.000

From 3 years to less than 6 years:
- From a year to less than 3 years: 0.180
- From 3 years to less than 9 years: -0.208
- From 9 years and above: 0.000

From 6 years to less than 9 years:
- From 1 year to less than 3 years: 0.389
- From 3 years to less than 9 years: -0.208
- From 9 years and above: 0.000

From 9 years and above:
- From 1 year to less than 3 years: 0.138
- From 3 years to less than 9 years: 0.042
- From 9 years and above: 0.000
The adopted procedures by external auditor in detecting creative accounting in income statement.

<table>
<thead>
<tr>
<th>Field</th>
<th>Do you have Certified Public Accountant Certificate</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65</td>
<td>4.35</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>259</td>
<td>3.67</td>
<td></td>
</tr>
</tbody>
</table>

**Table No. (9)**
The arithmetic averages for the individuals who have and do not Jordanian Certified Public Accountant

The financial ratios adopted by external auditor in detecting creative accounting.

<table>
<thead>
<tr>
<th>Field</th>
<th>Do you have Jordanian Certified Public Accountant Certificate</th>
<th>N</th>
<th>Mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yes</td>
<td>65</td>
<td>4.00</td>
<td></td>
</tr>
<tr>
<td>No</td>
<td>259</td>
<td>3.54</td>
<td></td>
</tr>
</tbody>
</table>

**Table No. (10)**
Statistically Significant Differences among the Response of Sample the Study to the Participants who have Jordanian Certificate Public Accountant Independent Samples Test

### 11.5 The Fifth Part: Hypotheses Testing

One Sample T-Test was used for hypotheses testing since both subsidiary hypotheses associated with the primary hypothesis will be tested. Accordingly, the result of the first primary hypothesis will be determined and the second primary hypothesis will be tested separately as illustrated in Table (11).

11.5.1 The first primary hypothesis: there is no compatibility of the adopted procedures in detecting creative accounting between the external auditor and financial analyst. It includes the following:

1. There is no compatibility of the adopted procedures in detecting creative accounting in income statement between the external auditor and financial analyst.
2. There is no compatibility of the adopted procedures in detecting creative accounting in balance sheet between the external auditor and financial analyst.

11.5.2 The second primary hypothesis: there is no compatibility of the adopted financial ratios by the external auditor and financial analyst ratios in detecting creative accounting.

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Calculated T</th>
<th>Scheduled T</th>
<th>SIG</th>
<th>Result</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Primary</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First subsidiary</td>
<td>59.506</td>
<td>1.960</td>
<td>0.01</td>
<td>Reject</td>
</tr>
<tr>
<td>Second subsidiary</td>
<td>59.269</td>
<td>1.960</td>
<td>0.01</td>
<td>Reject</td>
</tr>
<tr>
<td>Second Primary</td>
<td>102.975</td>
<td>1.960</td>
<td>0.00</td>
<td>Reject</td>
</tr>
</tbody>
</table>

The above mentioned Table shows that calculated t-value is higher than scheduled t-value for the two subsidiary hypotheses associated with the first primary hypothesis. Similarly, in the second primary value sig. level is lesser than 5% significant level for the whole hypotheses. Accordingly, previous null hypotheses are rejected and alternative hypotheses are accepted to draw a conclusion the existence of compatibility of the adopted procedures in detecting creative accounting between the external auditor and financial analyst in income statement and balance sheet. A similar compatibility demonstrated in the financial ratios adopted by the external auditor and financial analyst in detecting creative accounting. The current study is consistent with Jarbou (2005) study regarding the cooperation and dependence between the external auditor and financial analyst as well as Tassadaq and Malik (2015) concerning the auditors’ assistance in reducing creative accounting practices. Moreover, the present study bears a close resemblance with several studies (Popescu and Nisulescu, 2013; Al-Momani and Obeidat, 2013) in indicating that auditors’ role is embodied in the reliability of information and financial statements. Likewise, Sanusi and Isa (2012) study which revealed the appropriate tools and mechanisms that shall be implemented by the auditor in order to reduce creative accounting practices which consider both procedures and financial ratios part of it.

### 12 FINDINGS

The study comes up with the following findings:

1. There is compatibility in the procedures adopted by the external auditor in detecting creative accounting with the procedures adopted by the financial analyst concerning the following:

   A. Income statement procedures as follows:
      1. Verifying documents, such as shipping consignments, vendor invoices, purchase invoices.
      2. Verifying expenses financial values, such
as depreciation expenses, expense allocations, amortization, and any other expenses that have material effect on income statement.
3. Verifying gains and losses.
4. Verifying operating profit value and net profit.
5. Verifying subsidiary and associates companies in terms of gains and losses and the parent company share of subsidiary companies.
6. Verifying the numbers of non-ongoing operations.

It is clearly demonstrated that external auditor is interested in the whole income statement items in terms of the non existence of manipulation, deliberate or un deliberate changing to issue an opinion on the dependent extent of such statement and its expression of the company’s reality. However, the financial analysts employ such procedures to verify the void of any negative practices in such statement for issuing a decision regarding the changes that might happen in the company and its ability to generate the revenue and achieve profitability from its ongoing operations.

B. Balance sheet procedures are represented by the following:
1. Verifying that current assets, such as inventory, balance, account receivables, and short term investments.
2. Verifying the elimination of current operations and account receivables for subsidiary and associates companies.
3. Verifying the valuation validity for the tangible assets and the validity of confession of intangible assets.
4. Verifying the validity of the figures in the reserved profits in ownership rights.
5. Verifying the validity of the exchange rates in translating monetary items in foreign currencies and the validity of the employed market price in the valuation of financial papers portfolio.
6. Ensuring the justifications that are related to the change of methods and accounting policies such as the method of inventory valuation and long term investments accounting methods.

It is clearly indicated through such procedures the keen of external auditor on assuring the preparedness of balance sheet according to the established policies. Such policies are done according to the proper justifications. Balance items have been precisely and accurately valued to fairly express of company's financial situation. The financial analyst employs such procedures to ensure the company’s ability to both meet the current and non-current liabilities and achieve the company's ability to continue to perform its job without alteration or fraudulent. 2. There is compatibility in the financial ratios adopted by the external auditor and the financial ratios adopted by financial analyst in detecting creative accounting as follows:
A. Liquidity ratio (Current , quick ratio, and cash).
B. Performance ratio: (account receivables turnover ratio, trade payables turnover ratio, inventory turnover, net working capital inventory ratio, tangible assets turnover ratio).
C. Capital structure ratio (indebtedness, double financial leverage, interests coverage, and full coverage).
D. profitability (gross profit margin, operating profit margin, return on assets, working capital, and retained earnings).

Such ratios help the external auditor and the financial in assuring the above mentioned results indirectly. Such ratios need wide experience and precise methodology for reading digits precisely to enable the external auditor and financial analyst to govern financial statement items and balance sheet are void of manipulation and creative accounting practices.
3. The sample of the study variation in understanding, dealing, and recognizing to the procedures and financial ratios adopted by the external auditor and financial ratios in terms of:
A. Job description since the primary auditor and his/her assistant differs from the auditor.
B. Experience since high expertise people differ from those who are less expertise.
C. The holders of Jordanian Certificate Public Accountant differ from those who do not have it. This finding revealed in the statistical differences to the above mentioned sample characteristics.
4. The above mentioned findings show the importance of external auditor and financial analyst to the company in terms of detecting creative accounting practices or any other practices that aim at changing the financial statements either positively or negatively for the interest of specific categories for making such statements misleading for decision makers.

13 RECOMMENDATIONS
After reviewing, analyzing, and deducing the significant findings, the study reached to the following recommendations:
1. The cooperation between the external auditor and financial analyst because of their agreement on the procedures and financial ratios might lead to the performance development, companies' protection of fraudulent, manipulation, or any other harmful practices.
2. Guiding worker auditors in order to obtain Jordanian Certificate Public Accountant due to the advantages that are resulted from having such certificate particularly in the comprehension and recognition of procedures and financial ratios.
3. The business administration councils shall organize special meetings between them and the financial analysts and external auditors who are not designated for auditing companies for verifying both the financial statements and companies' financial situation in terms of companies' continuity capacity and creative accounting practices and any other practices that might lead to bankruptcy and destruction.
14 REFERENCES

14.1 Arabic References:

14.2 English References: