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CREATIVE ACCOUNTING MEASUREMENT AND BEHAVIOR: A CASE STUDY

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ABSTRACT

Creative accounting is the practice which is adopted within the framework of accounting system or in other words taking undue advantage of loopholes of accounting system is creative accounting. However the recent major accounting scandal in India i.e. Satyam Computers was a fraudulent accounting practice. In highly competitive market, it becomes very important and necessary for every business to find new and innovative ways of running the business. And one of the new ways is creative accounting. Creative accounting is an art of manipulating the books of accounts in a manner that desired results can be drawn. Aggressive accounting, cooking the books and massaging the numbers are few common terms used in context of creative accounting. Creative accounting in present uncertain environment is facilitating management to accomplish personal goals as big, well established firms followed. Traditional accounting was limited to recording, classifying and summarizing the monetary results and communicating the same to investors. But modern accounting demands higher level of transparency with accurate reporting of financial position of the firm. The change has been seen in modern accounting system after a change in financial market. Companies are also taking active part in obtaining funds through market. As the contribution of public funds increased in the corporate sector, the demand of transparency also increased and thus the way of managing books has also changed. Companies are trying to find out methods whereby they can provide full transparency & simultaneously accomplish their personal goals. The paper is structured as follows.

At First introduction of theme of paper is given. After that, different motivations for its uses and several creating accounting techniques are have sought to identify its existence, nature and incidences. The paper continues with a review of some ethical issues concerning creative accounting and concludes by suggesting possible solutions for this problem reference to India. Various studies conducted on accounting scandals in other countries will also be considered in present study.

Key Words: Accounting Ethics, Creative Accounting, Earnings Management, GAAP, Financial Reporting.

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