The Management Motives in Preforming the Practices of Adapting Accounting Numbers and their Ethical Acceptance in the Iraqi Environment

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Abstract

The study aims to know the motives that lead the management to practice adapting accounting numbers ([1]) and the extent to which the Iraqi environment accepts these practices that take different forms, some of which tend to maintain a fixed number of profit and others to increase or decrease profit according to the need of management. To achieves its aim the study uses a questionnaire distributed as the following: one form for each auditor, one form for each investor in the Iraq Stock Exchange represented by the financial intermediation company, and one form for each accountant or account manager.

[1] The practices of adapting accounting numbers, is the term adopted by the researcher in this study to express the processes of intentional influence by management on the content of the accounting information it produces, by choosing between accounting policies; whether they are conservative practices that tend to reduce profits or aggressive practices that tend to inflate profits or Practices seek to smooth the income. Levitt, one of the former presidents of the New York Stock Exchange (SEC), called these practices the Numbers Game in a 1998 speech about manipulation in the accounting profession.

The study found a set of conclusions; the most important are there are many motives push the management to practice adapting accounting numbers, and the Iraqi environment rejects these practices whatever their motives are, and whether they are performed within the framework of accepted accounting principles or outside the scope of these principles. These practices exist in the Iraqi environment in many forms that vary between income smoothing, accounting conservatism, profit management and fraud and manipulation. These practices accepted in the Iraqi environment when they are done under the name of accounting conservatism and if the size of the distortion caused by them is limited. The study also found that in order to reduce and deter these practices the collaborating efforts of the practitioners of the accounting profession as individuals, their organizations and the concerned parties, needed.

Key Words

Numbers Game, adapting the accounting numbers, accounting policies, ethical accounting practices and un-ethical accounting practices.

1.1 Introduction

Adapting accounting numbers is a process used by the management for the purpose of; influencing the accounting numbers contained in the financial statements, which leads to produce false information about the business entity, in order to achieve self-interest for the management and influence the market value of the company. In order to let this adaptation to remain within the legal form and not turn to take un-authorized forms, the management do the adaptation through using alternative accounting policies and accrual accounting principles allowed by generally accepted accounting principles.

This what Jameson 1988 affirms by saying that the accounting process includes Processing many issues using judgments (personal opinion) to resolve conflicts between approaches or alternative approaches in order to present the results of financial events and business operations, and this flexibility provides opportunities for manipulation, fraud, deception, misrepresentation or misrepresentation.

The riskiness of the practices of adapting the accounting numbers; that spread and spread until they took the form of a global phenomenon that is not limited to a particular country, nor confined to a specific geographical spot, and does not take a single form. Is due to the managements' freedom to choose the policies it wants, and which are allowed by the accounting principles and standards to produce those numbers so the management can choose the number that suits it to publish in the financial statements without anyone realizing this adaptation or touching its physical existence.
The management motives to the practices of adapting the accounting numbers as a result of the interaction of the factors of

fear and greed in them; Fear for their positions and greed to increase their own resources.

The roots of the phenomenon of adapting accounting numbers in its various forms go back to the separation of ownership from management, which gave birth to management motives, capabilities, means and tools to achieve that adaptation ([2]). The separation also led to the multiplicity of stakeholders with conflicting goals within the business entities and caused asymmetry and concentration of information with one party (mostly the management) ([3]), and the inability of the other parties to obtain information except by referring to the management and being satisfied with what it provided to them.

[2] Bastawisi 2002 indicates that the management interests can be current interests or future interests and that these interests can categorized in terms of source into three main elements: salaries and bonuses, the formation of management goodwill and management's ownership in the capital of the establishment.

3] Conflict of interest is the main source of the practices of adapting the accounting numbers; The managers' interest is in reducing taxes and distributed profits, the shareholders' interest in maximizing the return on their investments, the employees' interest in increasing their various compensations, and the tax authorities in collecting more taxes. The multiplicity of interests - despite their conflict - is what caused the adaptation of accounting numbers.

This phenomenon has many negative and even dangerous repercussions on the business entities themselves and the economy in general, as it causes a kind of misleading or confusion among the users of the financial statements, which reflected in the decision-making process and ultimately affects the credibility of the accounting information produced by the accounting information system.

Studies differ in their view to the ethicality of adapting accounting numbers practices ([4]). Some of them see that they are legal as long as they are in accordance to the generally accepted accounting principles GAAP, but if they do not comply with these principles and are outside their scope, then they are seen as fraudulent practices. In all cases, they are practices that lead to the production of deceptive or fraudulent financial reports.

Others believe that the point of separation between the ethical and unethical practices of adapting accounting numbers lies in the extent of the fundamental distortion caused by these practices, if they Increase the volume of manipulation in the financial reports then these practices are fraudulent, but if the size of the distortion is not substantial, they describe it as acceptable. Regardless of the morality of these practices their existence and continue using them will result in the company to be exposed to a financial crisis and then bankruptcy.

As happened to a number of giant companies that collapsed in short time and without warning, such as Xerox, Enron International, Jordan Bank of Petra, the Lebanese Bank of Medina and others.

[4] There are many views to the term morality, in this study we adopt the view of Griffin (1999), who sees that the ethical behavior is the behavior that conforms to generally accepted social standards, while immoral (un-ethical) behavior is the behavior that does not conform to generally accepted accounting standards.

1.2 Research problem

The problem of the managements' ability to produce several accounting numbers and choose the number to be published in the financial statements without anyone realizing this raised because the multiplicity of accounting alternatives, the use of the accrual basis of accounting, and the wide area of freedom that the management possesses in choosing the accounting policies that suit it and that are allowed by the accounting principles and standards.

These practices lead to the production of misleading information, and over time, the accounting information that is the final product of the accounting system loses its credibility and turns into a worthless commodity, which harms the reputation of accountants and their professionalism ([5]). This is referred to as the moral imbalance between the management (that seeks to protect its self-interests and preserve its functional positions), and the shareholders. Both are the direct stakeholders in the economics of the entity; where management motives s to misleading and manipulating accounting items in a way that leads to the appearance of financial performance in a natural way that does not raise doubts, questions and criticism, by choosing accounting alternatives that rise, or reduce the profit number, or maintain it at a fixed number. This is consistent with its purposes, position and objectives and does not seem to contradict the generally accepted accounting principles.

Iraq, like many countries of the world, witnessed during the first decade of the twenty-first century major changes represented by economic openness, foreign investment and the obligation of the financial market for companies to apply international accounting standards. In addition, local accounting standards are derived from international accounting standards, both contain many accounting alternatives and leave a space of freedom for the company's management to choose among those alternatives, which raises doubts about the possibility of the existence of adapting accounting numbers practices in the Iraqi environment. And because the studies differ in their view to the ethicality of adapting accounting numbers practices; some of them see that they are legitimate practices and others see the opposite, and each has its reasons and justifications.

[5] Al-Ziyadi's study (2015) proved that there is a strong correlation between the methods of adapting the accounting numbers, or what the study called (creative accounting methods) and the credibility of the financial statements.

This difference in viewpoints motivated the researcher to investigate the extent to which these practices are ethical in the Iraqi environment; meaning the extent to which the Iraqi environment accepts the practices, specifically from the point of view of groups with direct interest in the economics of the entity. The financial managers and preparers of financial statements (As the party responsible for preparing the financial statements and carrying out the practices of adapting the accounting numbers), the auditors (as agents of the owners), the users of the financial statements, and in particular the investors (as the category most closely related to the accounting numbers). Raising the following research question: "Are there an acceptable practice to adapt accounting numbers and others not acceptable, and to what extent these practices are acceptable is the Iraqi environment"?

1.3 Research Objectives

The research aims mainly to know the motives that push the management to perform the practices of adapting the accounting numbers and the extent to which the Iraqi environment accepts those practices that take different forms; some tend to maintain a fixed number of profit and others work to increase or decrease the profit and according to the need of the management.

1.4 Research Importance

The research derives its scientific importance from the importance of the topic it deals with in contemporary accounting thought, where many studies revolve around the topics of profit management, accounting conservatism, smoothing profits and other practices of adapting accounting numbers with their different names that are performed through accounting policies. The justification for this growing interest is the growing controversy about the role of accounting standards in those practices, including what each standard contains of alternative treatments, as well as from the ethical perspective of the role of accounting in society as a system for the production of reliable accounting information. And since accounting information has become the final product for the application of alternatives and methods of accounting policies, the problem, as Al-Sadiq 1988 points out, is related to the origin (alternatives and methods of accounting policies) Not by branch (accounting information).

From a practical point of view, the importance of the research due to seriousness impact of adapting accounting numbers practices in its various forms on the outputs of the accounting information system as the practices of adapting accounting numbers lead to the production of misleading information. Over time accounting information that is the final product of the accounting system loses its credibility and turns into a worthless commodity, which is harmful to the reputation of accountants and their professionalism, especially after the collapse of many economic entities around the world. In fact, the crisis has grown and affected the economies of several countries.

1.5 Research Hypothesis

1. There is a statistical significant relationship between the management desire to achieve its own interests and the practices of adapting accounting numbers in the Iraqi environment.
2. There is a statistical significant relationship between realizing the interests of the owners and the practices of adapting accounting numbers in the Iraqi environment.
3. There is a statistical significant relationship between the acceptance of CFO, auditors and investors for the practices of adapting accounting numbers in their various forms and the morality of those practices in the Iraqi environment.
4. There is a statistical significant relationship between the use of accounting standards when carrying out the practices of adapting accounting numbers and the ethical practices of those practices in the Iraqi environment.

1.6 Research Methodology

A. Research Form: The research uses the positive model in analyzing, interpreting and predicting the management motives in carrying out the practices of adapting accounting numbers and the ethical practices of those practices in the Iraqi environment.

B. Research Tool: A questionnaire used to collect data on the practical side of the study, and the five-point Likert scale was determined to know the opinion of those included in the questionnaire.

Strongly agree	Agree	Neutral	Refuse	Strongly disagree
5	4	3	2	1

C. Research Method: The answers to the questionnaire statistically analyzed and hypotheses were tested.

D. Research Community and Sample: The search community can be classified into three categories:

1. The category of auditors, whether they are from the private sector or from the Board of Financial Supervision, as they are responsible for expressing a neutral technical opinion on the financial statements of companies.
2. The category of investors represented by financial intermediation companies that engage in their activity by trading shares in the Iraqi Stock Exchange because they are one of the categories of users of financial statements whose decisions are affected by the existence of practices of manipulating accounting numbers.
3. The category of accountants and CFO's for companies whose shares trade in the Iraq Stock Exchange, because these companies are subject to market controls and all laws apply to them and are obligated to follow accounting standards, whether international or local.

The questionnaire form distributed with one form for each auditor, one form for each investor represented in the financial brokerage company, and one form for each accountant or account manager.

1.7 Research Limits

1. The reasons for the management motives in implementing the practices of adapting the accounting numbers covered by the research are limited to the motives that achieve the direct interest of the management and do not include the reasons that do not achieve the direct interests of the management, such as tax and regulatory motives and others.
2. The research sample is limited to auditors, investors, accountants or CFO for companies listed in the Iraq Stock Exchange.

1.8 Previous Studies ([6])

1- Introduction:

Since the seventies of the twentieth century until now the accounting thought has been noticeably concerned with the issue of adapting accounting numbers in its various kinds. As many studies indicate (such as Al-Sadiq 1988, Al-Desiti 2001, and Ibrahim 2002) that the adaptation of accounting numbers is a process used by the management for the purpose of influencing the accounting numbers contained in the financial statements. These studies vary in their objectives, tools and the environments they covered, even though most of the studies focused according to the researcher's knowledge in developed countries.

The researcher caused this to several reasons, perhaps the most prominent of which is the high transparency in those countries and the ease of providing information and data, which gives its researchers the leadership in studying phenomena that Arab studies may not address until a long period of time pass and after the effects of the phenomenon have affected Arab societies.

Throw careful reading we can classify these studies into four groups:

1. Studies deal with the means of adapting the accounting numbers.
2. Studies deal with the reasons for the management motives to the practice of adapting accounting numbers.
3. Studies deal with the ethical effects of the practice of adapting accounting numbers.
4. Studies deal with economic entities that practice adapting accounting numbers.

Below is a quick overview of each group of those studies.

2- Studies deal with the means of adapting accounting numbers:

Some studies have sought to know the means used in adapting accounting numbers, and these studies have concluded that there are three means: smoothing income, managing profits and accounting conservatism. The following is a brief presentation of a number of those studies.

[6] It is not one the objectives of the current research are to make a comprehensive inventory of those studies, so the researcher is satisfied with a number of studies related to the topic of research.

A. Studies deal with income smoothing as a mean of adapting accounting numbers:

This group of studies believes that adjusting the accounting numbers is done through income smoothing practices. Among these studies is the study of Beattie et al. (1994), which found a positive relationship between income smoothing motives and the volume of exceptional and unusual items in relation to the level of expected profits by applying to 23 British companies. The results of this study show the possibility of using the income smoothing mechanism to reduce fluctuations in profits over several years or within one year so that the declared profits are reached to the expected level, through using exceptional and extraordinary items.

B. Studies deal with profit management as one of the ways to adapt accounting numbers:

Accounting thought abounds with many studies that see that the adaptation of accounting numbers is done through profit management. Among these studies is the study of Degeorge et al. (1999), which included the Malaysian and Singaporean companies listed on the Singapore Stock Exchange. The study indicated that profit management takes a hierarchical form consisting of three levels; the first and most important level is for the company to disclose positive profits, meaning that its profits are more than zero. The second level is to maintain the last performance, meaning achieving at least the same profits as the previous year. The third level is the interview access to analysts' predictions.

Al-Qathami study (2010) aimed to reveal the existence of profit management practices in Saudi joint stock companies and to test the impact of some factors on the direction of those companies in practicing profit management by applying to 18 companies whose shares are traded in the Saudi stock market representing the industry, services and agriculture sectors. The results of the study confirmed the existence of profit management practices in Saudi joint stock companies. And that the profitable companies practice profit management in a negative way, and the losing companies practice profit management in a positive way, and the results also indicated that the practice of profit management in Saudi Arabia is affected by both the factor of indebtedness and profitability.

C. Studies deal with accounting conservatism as a means of adapting accounting numbers:

Watts is considered one of the most prominent researchers who dealt with accounting conservatism at the end of the twentieth century as a means of adapting accounting numbers. Where he emphasized in the study (Watts (1993) that accounting conservatism is the mechanism through which the estimates used in determining profits are made reliable values, and that the demand for accounting conservatism appeared due to the asymmetry of information between management and stakeholders). The theory of contracts, specifically Watts focused on contracts, the management incentives, and he emphasized that the accounting conservatism had been strengthened in the twentieth century through the role of professional organizations, as well as the increasing cases of litigation. Devine (1963) and Sterling (1967) indicate that most companies in industrial countries tended in the early twentieth century to adopt accounting alternatives that inflate assets and profits, and this amplification of financial positions and business results led to the bankruptcy of many business projects and caused substantial losses to investors, lenders and other users of financial statements. In response to that, conservative accounting practices emerged that were adopted by the accounting profession and the business community since the thirties of the twentieth century.

3- Studies that deal with the reasons for the management motives to the practices of adapting accounting numbers:

Accounting thought abounds with many studies that have tried to find the reasons that drive corporate management to use the practices of adapting accounting numbers with their different names, and they are many reasons. Perhaps the study of Al-Sadiq (1988), which aimed to analyze, interpret and predict the behavior of the particular management in choosing accounting policies in public, private and investment sector units in Egypt, in addition to identifying and analyzing the determinants that affect the behavior of higher management in choosing accounting policies, using the positive model, and using agency cost theory as a research tool from the leading Arab studies that confirmed in their results that one of the most important reasons is the inability of accountants to reach the accounting policies that achieve the best match between expenses and revenues. The economic effects of accounting policies on the decisions of higher management and on the decisions of current and prospective investors in the capital market. A careful reading of the studies that fall into the field of analyzing the reasons for the management motives to the practices of adapting the accounting numbers and the focus of the current study can be divided into two groups:

First: Studies that looked at management incentives as a motive for the practice of adapting accounting numbers.

Second: Studies that looked at management ownership as a motive for the practice of adapting accounting numbers.

Below is a quick review of a number of those studies.

First: Studies that looked at management incentives as a motive for the practice of adapting accounting numbers:

Several studies that have linked management incentives to the practices of adapting accounting numbers have confirmed that one of the most important situations in which adapting accounting numbers is used is the size of incentives that management receives([7]). The higher management is linked with the economic unit by contracts under which the management is granted the right to perform its work as an agent on behalf of the shareholders in return for obtaining compensation. These compensations are in the form of wages, bonuses or incentives, some of which are in the form of a fixed amount and some of which constitute a percentage of the company's profits. In this context, Lambert (1984) indicates that the management, when it becomes clear to it the high profits that result in the high reward, it begins to give greater relative importance to the non-material aspects.

[7] Al-Sadiq (1984: 124-125) indicates that the management's bonuses or incentives may be cash bonuses calculated on the basis of specific accounting rules, or they may be in-kind incentives in the form of Stock Options calculated on the basis of the market value of the economic unit, in order to motivate managers to increase the value of the company and the interests of the owners.

It increases, which prompts it to take steps to influence profits upwards. At the time when the management performs its work in the facility, it seeks to achieve its own benefits. Shehata (1990) divides these benefits into pecuniary benefits and non-pecuniary benefits. And the impact of management on the accounting numbers is either by maximizing the net distributable profits and obtaining the largest amount of incentives, or intervening to achieve the targeted profits that achieve the maximum incentives for managers or interfering by reducing profits and postponing.

From a careful reading to the relevant previous studies, we find that the management use more than one mean of adapting the accounting numbers, and therefore these studies can be divided into three groups:

A. Studiesthat linked management incentives to income smoothing, such as the study (Gordon (1964), Beidleman (1973), Healy (1989), Defende and Park (1997), Dechow and Sloan (1991) all emphasized that management seeks to obtain a constant or stable level of incentives that's why they use income smoothing to adapt accounting numbers.

B. Studies that linked management incentives to accounting conservatism, including Kwon (2005), LaFond and Watts (2008), Gotti (2008) and Lubberink and Huijgen (2001). Where this group of studies sees that accounting conservatism limits the ability of management to increase the volume of the incentives they get.

C. Studies that linked management incentives to profit management, including Healy (1985), Gaver et al. (1995), Holthausen (1995), and Matar (2005). These studies see that management in order to increase its incentives, use profit management; by increasing profits sometimes and declining them at other times, depending on the situation. Where they choose measures that raise the level of income when the level of income before applying those measures does not achieve for them the minimum required rewards and vice versa, meaning that they choose measures that reduce the level of income when the level of income before applying those measures makes their rewards at their maximum level.

Second: Studies link management ownership and practices of adapting accounting numbers:

Some studies linked the management's ownership of shares or stocks in the company and the practices of adapting accounting numbers in its various forms, such as Smith (1976), Muharram (1989), Lafond and Roychowdhury (2008), Shuto and Takada (2008).

Smith (1976) showed empirical evidence support the hypothesis that economic units under the control of managers are more likely to make accounting policy decisions that smooth income than economic units controlled by owners. While Muharram (1989), concluded that management ownership is one of the main reasons for smoothing income and the degree of smoothing varies according to the size and nature of the enterprise and its share of the market, as well as the nature of the relationship between management and owners, the extent of management's contribution to the ownership of the enterprise. In addition to the extent of stability Income and the firm's management belief in its conformity with the expectations of users of the financial statements.

While Lafond and Roychowdhury (2008) proved that the degree of accounting conservatism decreases when the management ownership increases in American companies.

Shuto and Takada (2008) conducted on Japanese companies, it has proven that there is a positive relationship between management ownership and the preservation of profits when the management ownership is medium, but when the management ownership is high or low, the relationship between management ownership and the preservation of profits is negative.

4- Studies deal with the ethical effects of adapting accounting numbers practices:

Numerous studies compound that all forms of adapting accounting numbers practices are hateful manipulations and morally forbidden; It includes unfair usage of authority and works to weaken the authority of the regulators of the profession. At the same time, the systems and laws are violated without penalty, which results in a lack of respect for the accounting profession and its procedures. Studies such as Sterling (1967), Rosenzweig and Fischer (1994), Dechow et al (1995), Penman and

Zhang (2002, (2003) Rosner, Amat and Gowthorpe (2004), Naser and Pendlebury (1992), compound that these practices are immoral, but they differ in the criteria for judging them.

Dechow et al. (1995) sees that the agreement or disagreement of those practices with generally accepted accounting principles (GAAP) is what makes them legal or illegal. While Rosner (2003) sees that the separation point between the ethical and unethical practices of adapting accounting numbers lies in the extent of the fundamental distortion caused by these practices. As the increase in the volume of manipulation turns the profit management into fraudulent practices in preparing financial statement, the result is the company's exposure to a financial crisis and then bankruptcy.

While some studies see that the practice of adapting accounting numbers is not wrong in the sense that it is morally acceptable to them, such as the study of Bruns and Merchant (1990) ([8]).

In an attempt to find a justification of using the practices of adapting accounting numbers, Al-Khashawi and Al-Dosari (2008) indicate that; there can be a defense of the behavior of what the study called creative accounting based on agency theory and positive accounting theory. Despite the study's acknowledgment of the immorality of these practices and the need to expose and limit them. The study also recognized that combating creative accounting practices is a difficult and complex matter. The study identified several ways for this, including corporate governance and audit committees, accounting policies not changing, in addition to the role of auditors and their vigilance, which plays an important role in the success of the task of detecting these practices. The study also refers to the role of ethics that rule the accounting profession. The study of Al-Shehadeh and Humaidan (2006), mentioned to the ability of the international accounting standards to solve the problem of ethical imbalance between the management and shareholders about earnings management.

[8] These results amazed the researchers themselves, as they believed that these practices could be misleading to the users of the financial statements and over time limit the credibility of the accounting numbers and thus harm the reputation of the accounting profession. However, the results came according to a questionnaire that included a group of managers.

5- Studies deal with economic entities that practice adapting accounting numbers:

In an attempt to identify the economic entities that practice adapting accounting numbers, the Trussel (2003) study finds that the practices of adapting accounting numbers do not depend on the entity being profit-oriented or non-profit- oriented companies. The study concluded that philanthropic organizations and nonprofit institutions in the USA seek to improve their financial image in order to obtain additional donations through manipulation of spending ratios. After analyzing the financial characteristics of organizations that practice manipulation, the study concluded that they are large organizations with high expenses.

Also, these practices not related to the size of the company's profitability nor to the type of industry which the company belongs, as the applied results of the study of Ashari et al. (1994) confirmed that the companies that practice income smoothing are mostly the least profitable companies and the companies operating in the most dangerous industries. These are the same findings as the Al-Qathami study (2010), reached and it confirmed that the existence of profit management practices appears regardless of the company's size and the type of sector to which the company belongs.

Chen and Sennetti (2005) find that the practices of adapting accounting numbers are not exclusive to the traditional economic sectors, but they rather exist even in modern industries, where the study proved the existence of misleading practices in preparing financial statements for computer manufacturing companies. The study found that some of these companies increased their profit margin, return on assets, and reduce its cash flow despite the significant decrease in its forward sales by using some creative accounting methods, although these companies did not realize the danger of using these methods.

In addition, the practices of adapting accounting numbers are not restricted to a particular society without another. As they exist in America, they exist in other countries such as Japan, Bangladesh, Saudi Arabia, Malaysia, and Egypt (for example).

Shuto and Takada (2008) find these practices in Japanese companies, Habib (2005) gives evidence of income smoothing in 46 Bangladeshi companies out of 107 companies surveyed in Bangladesh. It is also present in Saudi Arabia, according to the results of the Al-Qathami study (2010), and it is present in Malaysia, according to the applied results of the Ashari et al. (1994). Its existent also approved in the construction sector companies in Egypt, by Shehata's (1990), and he approved that these practices exist in the private business sectors, in the companies listed in the stock market and also in the public sector companies which is owned to the government who change its higher management. The study confirm that these fluctuations are intentional fluctuations and not random.

6- Studies deal with the existence of adapting accounting numbers practices in Iraq:

Many studies prove the existence of adapting accounting numbers practices in Iraq in its various forms. Among these studies is the study of Ismail (2014), which demonstrated the existence of creative accounting practices, which is one of adapting accounting numbers practices, in one of the Iraqi public sector banks through the years 2004 to 2008, and the study attributed the presence of these practices to a weakness in the bank's internal control system. While Al-Jubouri's (2014), proves the existence of accounting conservatism practices in most of the joint stock companies listed in the Iraq Stock Exchange Market, during the years 2007 to 2011, and there is a discrepancy in the degree of accounting conservatism among the economic sectors under study, which included the banking, investment, insurance, industry, agriculture and tourism and hotels sectors. On the other hand, Al-Kaabi (2016) uses the Basu scale confirmed the existence of an acceptable level of accounting conservatism in the accounting policies of the banks listed in the Iraq Stock Exchange and the existence of a varying level between the rise and fall of the accounting conservatism in the insurance companies listed in the Iraq Stock Exchange. In an attempt to prove the existence of profit management practices, AlFatlawi (2011) uses the modified Jones model to do this, on a sample of companies listed on the Iraqi Stock Exchange from all economic sectors. It improve the existence of profit management practices in most of the sample companies in a manner that differs from one sector to another, and the order of the sectors was Hotels and tourism, banking, industry, services, insurance, agriculture and investment. This is similar to the result of Al-Tamimi and Al-Saadi (2013), which demonstrated, using Benford Law, that there are profit management practices in 21% of the study sample, which included 61 companies listed on the Iraq Stock Exchange in 2010, and that the practices of adapting accounting numbers included 5 sectors. Out of the 7, which are banks, investment, services, industry and agriculture, but all industrial companies included in the sample practiced profit management.

7- Conclusions:

From the review and analysis of previous studies, the researcher fined the following:

1. The studies prove the existence of many practices through which management can adapt accounting numbers, some of them seek to maintain a constant level of profits, others try to inflate profits so that they appear larger than they are, and some of them work to reduce profits from what they are.
2. The studies prove that the practices of adapting accounting numbers is done by using advantage of the flexibility that exists in the accounting standards so that the management chooses the policy that fits with the situation it is in.
3. The studies prove that the practices of adapting accounting numbers are not restricted to particular environment, nor to industrial sector.
4. The relatively small number of Arab studies in general and Iraqi studies in particular that dealt with the phenomenon of adapting accounting numbers.
5. Studies that dealt with the Iraqi environment have proven the existence of many forms of accounting practices that varied between creative accounting and income smoothing, accounting reservation and profit management.

However, according to the researcher's knowledge and readings in previous studies, there is no one study tests the ethical acceptance of using adapting accounting numbers practices in the Iraqi environment.

2.Theoretical framework of the research:

2-1 Introduction:

During performing their work, accountants use personal judgments and choose between the accepted accounting alternatives to measure the items of accounts; each alternative leads to different result from other alternatives, especially in the short term. For example, assessment of the inventory can computed in several ways, as well as calculating the depreciation on the fixed assets, also the cost of borrowing is treated in more than one way, and all of these methods are approved by local and international accounting standards and approved by the unified accounting system used in Iraq. Ijiri & Robert 1966 indicates that what limits the efficiency of accounting as a measurement system is the presence of many alternatives to measurement methods, which accountants have been trying for many years to search for a way to choose the best alternatives, but they did not reach the best method.

In addition to this diversity, we must not forget that there are fundamental differences between accountants about the point of verification of revenue, they also differ in interpreting and answering a set of questions related to; determining the best accounting policy that achieve the best possible match between expenses and revenues, defining the level of disclosure that must be followed in preparing the financial statements, and also what is the proper standard by which the accrual basis policy can be applied. Al-Shehadeh and Humaidan (2006) confirm that all these and other questions led to; number of procedural and intellectual problems, and to the presence of a set of gaps deficiencies and defects in the intellectual framework of the accounting process on the one hand, and to the existence of a moral imbalance between the management that manages the accounting process in the accounting unit and the shareholders or the stakeholders of the accounting unit, in addition to the existence of a conflict and a decrease between the management and the shareholders, which is that each of them tries to achieve a goal function and maximize its wealth by following behaviors that it considers to be the best behaviors and procedures that achieve those goals.

In this chapter, the concept of accounting policy, the factors affecting its choice, the reasons for the emergence of practices of adapting accounting numbers, the different names for those practices, their historical roots and other related topics will be presented.

2-2 The concept of accounting policy and the factors affecting management's choice of accounting policies:

Al-Shirazi (1990) defines the accounting policy as a set of application tools used by the enterprise in the production and communication of financial information.

Bastawisi (2002) states that Ball and Foster (1982) identify six factors that lead to management's choice of a particular accounting policy:

A. Because it is in line with accounting theory.

B. Because it reflects the economic realities of the company.

C. Because it achieves a comparison between the establishment and other establishments or between the results of the same establishment for several years.

D. Because of its economic effects, values related to achieving the interests of shareholders and related to achieving the largest return.

E. Because it is imposed on the management by the state authority.

F. Because it is an innovative and new method, and it is chosen to encourage innovation.

Abu Musa (1993) indicates that many accountants believe that the multiplicity of accounting alternatives does not constitute a problem in itself, and that the real problem is how to achieve the optimal choice among those alternatives. The American Financial Accounting Standards Board (FASB), indicates in SFAC (2) that the selection process takes place on two levels:

-The first level is the board or other agencies; that have the ability to formulate the issuance of accounting standards and recommendations, and which have the right to request the establishments, may report in a certain way or prevent them from applying a method that the Board deems undesirable.

-The second level is the establishments, as most of the standards issued include more than one alternative or method of application, the establishments must choose from among them, and the choice is also between alternatives and accounting methods for which a specific standard has not yet been issued.

2-3 The Economic Effects of Accounting Policies:

The application of accounting policies has several economic effects, which Al-Sadiq (1988) divides into two groups of variables:

-The first group consists of one variable called the information variable, and it refers to the economic effects of applying any accounting policy to the elements of the financial statements.

-The second group consists of one set of variables called decision variables and they mean the economic effects that affect three different levels of decision makers. They are the decisions of higher management, current and prospective investors, creditors, and at the national level.

2-4 The Different Terms Used to Describe the Practices Of Adapting Accounting Numbers:

Accounting thought uses many terms to express the practices of adapting accounting numbers, or what Mulford and Comiskey (2009) called the Financial Numbers Game. It takes many names and forms depending on the type and scope of the methods used. Some of them are characterized by exaggerating the accounting profits from their reality, others work to reduce the accounting profits from their reality, while the third ones seek to maintain a constant level of those profits over the years. Some of these practices are legitimate and others are illegal.

The following is a brief explanation of the most important of these practices. In figure No. (1) we show the general framework for the practices of adapting accounting numbers and their different names. These practices according to the researcher's opinion is the main problem resulting from the use of the accrual basis of accounting. Rather, it is almost the only problem of using this basis in measuring accounting profit.

First: Creative Accounting:

Balaciu et al (2009) indicates that the term creative accounting is the term used in Europe to express the practice of adapting accounting numbers. Which is sometimes called smart accounting or cute accounting. Marazaqa and Bohren (2010) define creative accounting as the use of new, unfamiliar methods, methods, procedures, concepts, standards or theories that can be used to explain, analyze or solve an accounting problem facing management, where the creative accountant has distinctive abilities. Ama (1999) et al. Amat, they define creative accounting as the process by which accountants use their knowledge of accounting rules to process the numbers recorded in the accounts of business entities. Naser and Pendlebury (1992) define creative accounting from an academic point of view as a transformation of financial accounting numbers from what they actually are to what the preparers desire by exploiting or taking advantage of existing laws and/or ignoring some and/or all of them.

From all of the above; we find that creative accounting includes modern, complex and innovative processes or practices through which accountants use their knowledge of accounting rules and laws and take advantage from the flexibility that these principles and rules allow. Especially with regard to personal estimates and taking advantage of existing laws and ignoring some of them to treat, the numbers recorded in the accounts of the establishment or manipulation them in order to achieve specific goals.

The areas of creative accounting are represented in: the accounting information system, accounting measurement, methods of distributing or charging various expenses, methods of displaying financial and accounting lists and reports, methods of financial analysis, as well as the development of automated accounting programs.

Second: Income Smoothing

Copeland (1968: 102) points out that income smoothing, or what some call stable growth of earnings flow, is a measure that smooths out annual fluctuations in income by shifting earnings from peak years to less successful periods. Abu Musa (1993) express this as the deliberate restraint (dwindling) or reduction of fluctuations around a certain level of income that can considered as normal income of the enterprise. We can look to the income smoothing process as reducing the teeth of serrated scissors. That means showing profit with a steady growth line instead of showing unstable profits with a series of dramatic rises and falls. This is achieved by arranging an unnecessary large reserve for financial obligations and against asset values in good years so that this reserve can be reduced and thus improve profits established in bad years. Thus, fluctuations or declines that may affect income disappear. Shtewi (2009) points out that income smoothing practices often go hand in hand with practices that seek to avoid diminishing small profits and losses.

Income smoothing used in order to show a continuous pattern of small increase in profits. In order to smooth the income, the management postpones the recognition of the revenues that are realized at the end of the current fiscal year to the next fiscal year, especially if it is certain that the profits of the current period are sufficient to be reported. As well as postpone some of the planned expenses if the current profits are not enough to escape from them. The management can also expand the reservation of provisions in order to postpone Report on a part of the current year's profits if those profits exceed what the management wants to report about in order to make the profits of the different years appear close and not witness many sharp fluctuations.

Al-Duwairi (2015) asserts that income smoothing is a special case of profit management. We summarize from the above that income smoothing is a deliberate process performed by management using certain accounting tools to make income appear normal in order to reach a desired trend or level in an attempt to show income that appears to be growing in a balanced manner over time without fluctuations. Fudenberg and Tirole (1995) classify income smoothing as a fraudulent practice.

Third: Earnings management

Balaciu et al (2009) points out that earnings management is the preferred and most common term in America for the customization of accounting numbers. Profits are managed according to Dye (1988: 198) through managers who seek to achieve the advantage of asymmetry of information between them and the shareholders, by artificially improving the market value of the company to achieve two objectives.

- The first is to increase their remuneration, and
- The second is to achieve the desire of the old shareholders to benefit from attracting new shareholders.

Belkaoui (2004: 57) points out that profit management is the ability of management to manipulate the available options and make the right choice that can bring about the desired level of profit.

Fourth: Manipulation

Copeland and Wojdak (1969: 189) define manipulation as the ability to increase or decrease net profit if desired. Manipulation takes place through all accounting numbers, whether revenue and expenditure numbers or assets and liabilities. Ghaith (2005) indicates that the manipulation process can extend to include journal entries and incorrect inventory valuation, in addition to manipulating supplier discounts, contracts, or asset accounts. And manipulation is performed by the junior staff as well as by the higher staff.

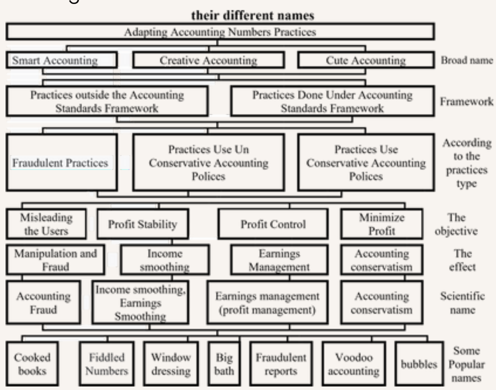

Figure 1
The general framework for the practices of adapting accounting numbers and
Source: Figure prepared by the researcher.

Fifth: Accounting Conservatism

Traditional accounting conservatism in its extreme form includes, as previously indicated (Bliss (1924) and was quoted by many, including Watts (1993: 1)), the proverb “Do not expect any profits, but anticipate all losses.” Watts and Zimmerman (1986: 205) indicate that conservatism Accounting means that accountants must include in their reports the lowest possible values of assets among the available alternative values and the highest possible values of liabilities, and that the revenue recognition should be delayed rather than early, and expenses should be made early without delaying them.

Penman and Zhang (1999:2) indicate that accounting conservatism is “the consistently applied accounting practice that keeps the book values of net assets relatively low. Givoly and Hayan (2000: 292) define accounting conservatism as finding a criterion for choosing among the accounting principles.

It reduces accumulated profits by recognizing expenses faster than revenues, undervaluing assets and overstating liabilities. Many studies have agreed that the presence of accounting conservatism causes bias in the results of the accounting statements, and the American Accounting Association at its annual meeting of the year 1993 recognized this ([9]).

[9] For details, see Basu (1999).

Sixth: Big Bath

The big bath is a process take place either in the years in which the company achieves very few profits or losses that cannot be absorbed and converted into profits, based on the idea that the situation will not be worse than it is. Big bath adopted when the management changed; As Stolowy and Breton (2000) point out, the new management justifies this by saying that the old management had lot of secret provisions for expenses that affected profits and that the new manager was taking advantage of his access to clean up the budget. Belkaoui (2004: 57) asserts that the new management, by doing this procedure, guarantees itself a good evaluation in the coming years, and the management undertakes this process through the steps it takes to reduce the current value of the share in order to maximize its future returns.

It simply means that the management of a company changes the accounting policies in order to Beautifying the income picture in some cases, in order to distract investors or observers from bad news. Al-Gindi (2005) believes that this purification process performed through the management's transfer of all expenses and losses that can be carried over from future periods to the current period so that those years are purified of their potential for losses. This simply means that big bath is a strategy to manipulate the income statement to make poor results appear worse.

Seventh: Window Dressing (cosmetic accounting)

Window dressing or Cosmetic accounting is a set of practices or manipulation of financial or other information in company documents (financial statements, reports, etc.) to make this information appear more attractive to its users. Although cosmetic accounting practices can be done at any time, they are often done at the end of the financial year, that is, when preparing the financial statements in order to improve the image of liquidity or profitability in the company. By doing these practices management gets some benefit.

Eighth: Accounting Fraud

The AICPA defines accounting fraud in 2003 as the intentional misrepresentation of facts in the financial statements or misappropriation of assets through manipulation of records and the deliberate misapplication of generally accepted accounting principles. Al-Sakka and Radi (2000: 38) define accounting fraud as "the deliberate deception to achieve personal benefits in an unfair manner, which results in harm to the interests of others." Belkaoui (2004) explains that fraud brings personal benefits to the perpetrator, and these benefits may be social, political or economic. Mustafa (2000) indicates that fraud and fraud cases in America cost the American economy annually the equivalent of 5% of the gross national product. Ghaith (2005) indicates that the Commission for the Sponsorship of Organizations of the Trudy Authority confirmed in its report that fraud in the financial results of companies is involved in the top management in 13% of cases, and that the chief executive officer or chief financial officer closely and directly linked to fraud. Also, it turned out that these cases were linked to a clear weakness of boards of directors and internal audit committees, and that the existing fraud cases were large and extended for several years. Al-Jundi (2005: 30) explains that accounting fraud is the result of three elements: motives, opportunity and justifications. Which is called the cheat triangle.

Ninth: Cooked Books

Cooked books is simply an expression of the fraudulent activity of management to provide incorrect information about its business results, by cooking or grilling its books. Griffiths (1986: 1) describes this deception as being very tasty (as a metaphor for the ingenuity and choice of its operators). Singletary (1993) explains that they are the operations of arranging numbers in the books by adding paragraphs and excluding other, and in this type of operations management focus on whether certain operations have occurred or not and/ or what are the right numbers that should be. He add that in these operations management can use two sets of records.

From the above, it can be said that the process of book-cooking is a falsification of the accounting records to give a misleading picture of the company's financial position or the results of its operations, and therefore it is without a doubt an illegal practice.

2-4 Factors causing the emergence of adapting accounting numbers practices:

The circumstances that caused the emergence of adapting accounting numbers practices can be summarized as follows:

1. Separation of ownership from management and giving the management to non-owning managers.
2. Relating the benefit obtained by management to the income that is disclosed in the financial statements.
3. There is some control over the timing of real operations; Meaning that the management can implement these operations at the time it deems appropriate, which allows the management to expedite or postpone their implementation in accordance with the goals it seeks to implement.
4. The existence of a degree of freedom provided by accounting standards for management in choosing the accounting methods and policies that suit them; Meaning that it fits with the goals and desires of management and achieves the best image of the company's performance.
5. The presence of a degree of discretion, personal judgment and expectation in preparing some accounting operations, which allows the management to manipulate these estimates. Including, for example, estimating the useful life of fixed assets.

2-5 The historical roots of the practice of adapting accounting numbers:

Bendish (2002) traces the historical roots of the process of adapting accounting numbers to the sixteenth century AD, where he mentions that the sources refer to the sharp rise in the shares of the British South Sea Company at the beginning of the year 1720, and the company's business was not free from fraud.

While Al-Agha (2004) returns the beginnings of the adaptation of accounting numbers to the beginnings of the industrial revolution.

Where the process of adapting accounting numbers was done through cost accounts, and the degree of independence of the accounting work at that time was weak and that the accountant's behavior was limited to responding to the goals and desires of managers, who according to his expression owns of the right to assess assets and estimate income. This opinion found also in Buto (2002), who explains that the history of manipulating the accounting values of enterprises within the framework of recognized accounting principles, standards and rules dates back to the beginnings of the industrial revolution. When the manipulation process performed during cost calculations, because manufacturing and the development of its methods created the need for the presence of what is now called Industrial Accounting, and therefore the necessity of having specialized employees in it. At that time, each facility was completely free to choose the accounting principles it saw fit to its needs. However, the degree of independence of the accounting work is weak, and therefore the degree of influence of the accountant in preparing financial reports is also weak, as the professional accountant's behavior was limited to responding to the goals and desires of managers who had the right to assess assets and estimate income. In the eighteenth century, many facilities began to merge with each other, to form large and huge facilities, which led to the necessity of having and using an accounting system to avoid and control accounting errors, prevent theft, and have the ability to determine wealth at any time. At this stage, the process of estimating fixed assets and their depreciation, maintenance and replacement costs became one of the most common problems facing accountants, and the process of issuing reports and accounting statements moved from the end of the project to the end of the financial period.

Chatfield (1997: 33-37) confirms that the diversity and opposition of asset valuation methods that were used in the nineteenth century, is one of the most important characteristics of accounting in that century, as he used two basic methods, the first relied on the method of replacement costs for assets, and the second relied on discounted assets. Including depreciation.

However, Watts and Zimmerman (1978) point out that the beginnings of talk about accounting manipulation practices in the Anglo-Saxon literature were in the 1970s and mostly in studies related to bankruptcy. It escalated after that and in the early 1990s when Robert Maxwell, the owner of The British Mirror Group, went so far as to withdraw money from the pension fund to bolster his faltering empire ([10]).

At the beginning of the third millennium, the global business and financial community witnessed the collapse of many giant companies and their disappearance in no time because of adapting accounting numbers practices. Since that time, studies and research have increased that analyze these practices and give them different names.

[10] Wikipedia reports that Maxwell diverted more than £700m from pension funds into the publicly held Mirror Group, which he ran, to cover the losses of his own companies and help his media empire. After his death, it was found that he had fraud a Swiss financial institution to obtain a loan of $100 million, and that he had used the same assets to guarantee more than one loan.

2-6 The different classifications of adapting accounting numbers practices:

Adapting accounting numbers practices have many different classifications. They classified according to the extent of their agreement with accounting principles, as well as to the type of their impact on the financial statements, and in terms of the nature of the methods they use and other considerations that can summarized as follows:

First: In terms of their compatibility with accounting principles:

The practices of adapting accounting numbers are divided in terms of their agreement with accounting principles into two types of practices:

-The first type are practices that are consistent with generally accepted accounting principles and accounting and auditing standards, either through the application of those principles and standards in terms of form only without substance, or it may be done intentionally with the aim of misleading and manipulation or as a result of a misunderstanding of the standards.

-The second type of practices are artificial methods that have nothing to do with accounting principles or standards, such as: establishing companies or institutions with a special purpose, or manipulation resulting from dealings with sister companies and related parties, or deliberate falsification of records and documents, and the latter falls within the illegal practices punishable by law. It involves fraud and deliberate forgery.

Second: In terms of the type of impact on the financial statements:

The practices of adapting accounting numbers are divided in terms of the type of impact on the financial statements into two types of practices:

-The first type is the practices affecting the content of the financial statements, which is represented in the set of accounting information contained in the financial statements, which expresses the summary of financial operations and the flow of resources inside and outside the project. This content is linked to a set of principles, standards and rules according to which the financial statements are prepared. Accounting rules that lead to maximizing or decreasing profits according to its strategy without considering the most efficient or appropriate alternative, and management does so from the perspective of the impact of what is included in the lists on the behavior of its users when making a decision or on the contractual relationship of the facility.

The second type is the practices affecting the form that complements the content. In order for the content of the financial statements to achieve its purpose, the elements of these lists must be presented in proportion to the needs of their users, and by reclassifying the elements contained in the financial statements and displaying them in a certain way that can affect the real performance of the company. Although the change in the location of some items does not affect the final result, it does have an impact on the user's ability to understand the company's financial performance.

This is in addition to the use of off-balance sheet items, which represent hidden financing that is motives to and does not appear in the budget.

Third: In terms of the nature of the methods:

The practices of adapting accounting numbers are divided in terms of the nature of the methods into two types:

-The first type is the real methods, and

- The second type is the illusory methods.

The real methods of manipulating the accounting numbers are through management decisions. Bartov et al, (2001) have identified investment decisions in which the profit figure can be manipulated by:

- Operations
- Sales
- Sale of some fixed assets.
- Reducing some optional expenses such as research and development expenses, advertising, selling expenses, and general and management expenses.

The timing of the implementation of these decisions is one of the important points to achieve the desired goals in influencing the volume of cash inflows and outflows. It should be noted that the real methods of adapting the accounting numbers must have two important elements:

-The first element is the effect on the numbers of the financial statements, whether by increase or decrease, and

-The second element is premeditation, whereby the management deliberately resorting to these real methods to achieve specific goals.

In addition to the real methods, accounting numbers may be adapted using practical or fictitious methods, which are called accounting methods because they depend on a set of accounting methods and variables in influencing the numbers of the financial statements. These methods take the books direction, as they are translated into accounting treatments and settlements reflected on the components and the items that are recorded, where they are re-allocated and classified according to different concepts. These fictitious methods include a number of means, the most important of which are: voluntary accrual, accounting estimates, voluntary accounting changes, choosing between alternative accounting, and disclosure management. They also called formalistic methods.

Demski et al (1984) indicates that management often chooses or changes accounting methods at the end of the accounting period and after most or the most important decisions have been implemented.

Fourth: In terms of its objectives:

The practices of adapting accounting numbers divided in terms of their purpose into two types:

The first is practices aim to find solutions and unfamiliar accounting procedures that help in making decisions, Francis et al., (1996) indicates that accounting manipulation practices are desirable if they aim to prepare more accurate reports on the economic performance of the company. Schipper (1989) considers that the practices of adapting accounting numbers take place within the framework of the media perspective. Al-Baroudi (2002) uses the term methods that use accounting decisions on such practices that relate to accounting decisions related to management choices among the accounting methods and policies to influence the results of the financial period by reclassifying and displaying the financial statements. Therefore, these methods do not affect the cash flow.

As for the second, there are practices whose objective is to follow tricks and methods of confusion and manipulation of numbers in order to show a certain situation that serves the interests of certain parties or to hide certain facts. Healy and Wahlen 1999 indicate that accounting manipulation practices are undesirable if they aim to mislead stakeholders about the company's economic performance or affect the outputs associated with the contract, which depends on the announced accounting numbers, and these practices can be called opportunistic practices. Al-Baroudi (2002) indicates that this type of methods is called “the methods with objective or real influence”, as the accountant use them based on the directives of management, and they ultimately lead to a real change in the results, financial positions and cash flows.

2-7 Reasons for using adapting accounting numbers practices:

Since the separation between the management and ownership, professionals manage the companies; some problems have emerged that called agency cost problems. The management, like all parties to the agency contract, seeks to achieve the maximum self-benefit, and this benefit is not just a single benefit, but is a combination of material and immaterial benefits ([11]). Perhaps the most prominent goals that the management seeks to achieve through using accounting numbers adaptation practices are the following:

[11] Watts, in his series of studies, attributes management's desire to maximize its own benefits to two reasons. The first reason he called the problem of the “limited horizon”. That means the director’s association with the facility will end either due to retirement, leaving work or due to the expiration of the contract period. This means that the decision-making authority is available to the management in the short term only, but in the medium and long term, it will move to another management. Which drives the current management to increase the current net assets of the facility at the expense of its increase in the future, so that they can benefit from it during the period of their association with the facility. The second reason is the problem of asymmetry of the returns they obtained, the incentives they obtained in the case of strong performance differs from the case of poor performance.

1. **Inflating profits with a view to:** Maximizing the monetary incentives obtained by the management, or for the director and members of the board of directors to be able to dispose their shares at high prices, or to encourage another facility to buy the company, or for managers to retain in their positions.
2. **Reducing profits with the aim of:** Buying the company's shares in the stock exchange by the company itself, or to form secret reserves and sometimes it is used for tax evasion.
3. **Consolidating and strengthening the financial position, contrary to the truth, with the aim of:** Ease of obtaining loans, or encouraging new investors to invest in the company, or in order to sell the company at a high value if the sale based on the net asset value shown in the balance sheet.
4. **Hiding some accounting and economic information that harms the economic unit or delaying the exit of such information to the market ([12]). With the aim of:** Either to maintain the company's stock prices in the market or maintain the company's reputation.

[12] Al-Sadiq (1984) indicates that some studies have shown that the management discloses only positive information, while negative information can hide it or at least postpone its announcement.

2-8 Chapter Summary:

In this chapter, the researcher reviewed the concept of accounting policy and determined the factors affecting management's choice of accounting policies. She also reviewed the different terms used to name the practices of adapting accounting numbers and the factors causing the emergence of those practices. She also presented the historical roots of these practices and the different classifications of those practices.

3.Application Study:

3-1 Introduction:

In the previous two chapters, the researcher reviewed previous studies related to the topic of the research. She also reviewed the concept of accounting policy and the factors affecting management’s choice of accounting policies. It also reviewed the various terms for naming the practices of adapting accounting numbers and the factors causing the emergence of those practices. It also presented the historical roots of these practices and the various classifications of those practices, as well as the mechanisms. The various uses used in adapting the accounting numbers, as well as the reasons for the management motives to the use of these practices, and finally the effects of those practices at its different levels were presented. In this chapter, the researcher deals with the applied study.

3-2 Questionnaire Form:

The questionnaire was designed to verify the validity of the research hypotheses, as follows ([13]):

1. To know the relationship between the accounting policies used and the practices of adapting accounting numbers in achieving the interests of the management in the Iraqi environment.
2. To know the relationship between the accounting policies used and the practices of adapting the accounting numbers in achieving the interests of the owners in the Iraqi environment.
3. To find out how ethical the practices of adapting accounting numbers are.
4. To know the point of view of auditors and users of financial statements on the role of generally accepted accounting principles in adapting accounting numbers.

The questionnaire distributed to 100 participants dealing with the Iraqi Stock market: 14 auditors, 70 accountant and CFO, and 16 Investor.

([13]) The questionnaire submitted to Prof. Dr. Al-Baldawi, Nizar; Head of the Accounting Department and Professor of Accounting at Al-Rafidain Private University College, and Prof. Dr. Al-Mashhadani, Bushra Professor of Accounting at the College of management and Economics, University of Baghdad, for the purpose of evaluation and guidance for their opinions. I would like to thank them for their efforts.

3-3 Analysis of general information questions:

First - years of experience:

Table (3-1) shows the years of experience of the sample members, 100% of the auditors included in the sample have more than 5 years of practical experience, 90% of the financial managers and 100% of the investors. These results indicate that the participants in the sample have a sufficient ability to understand the study problem and answer its variables with all objectivity.

Table (3-1)
Distribution of the study sample according to years of experience

Statement	Auditors		Accountants and financial managers		Investors	
	No.	%	No.	%	No.	%
less than 5 years	0		7	10%	0	
5 to 15 years	0		28	40%	8	50%
More than 15 years	14	100%	35	50%	8	50%
Total	14	100%	70	100%	16	100%

Second: The Qualification:

Table (3-2) shows that 78.6% of the study sample have BSc. degree, and the rest have of post-university degrees. These results indicate that the entire sample have an appropriate level of scientific qualification and has the ability to answer the questions of the special questionnaire.

Table (3-2)
Shows the distribution of the sample by educational qualification

Statement	Auditors		Accountants and financial managers		Investors	
	No.	%	No.	%	No.	%
BSc.	0		63	90%	16	100%
Master's	0					
Higher Diploma	7	50%	7	10%		
PhD.	7	50%				
Total	14	100%	70	100%	16	100%

Third: Scientific Specialization:

Table (3-3) shows that 100% of the auditors are audit specialists, and 70% of the accountants and financial managers are accounting specialists, and this indicates the consistency of the scientific specialization of the sample members with the subject of the research.

Table (3-3)
The distribution of the sample by scientific specialization

Statement	Auditors		Accountants and financial managers		Investors	
	No.	%	No.	%	No.	%
accounting	14		49	70%		
Audit		100%				
management			14	20%		
other			7	10%	16	100%
Total	14	100%	70	100%	16	100%

3-4 Hypothesis Testing:

The researcher adopted the arithmetic mean 3 as a reference to assess the degree of approval, as is the case in a number of similar previous studies.

Table (3-4)
The evaluation of the approval degree

approval	Weak	medium	weak
Arithmetic average	less than 3	3-4	more than 4

First hypothesis: There is a statistical significant relationship between the management desire to achieve its own interests and the practices of adapting accounting numbers in the Iraqi environment.

Table (3-5) shows an analysis of the opinions of the participants in the study as a single category on the questions of the first hypothesis and the existence of a statistical significant relationship between the management desire to achieve its own interests and the practices of using accounting numbers in the Iraqi environment. From it, we notice:

1. There is a weak degree of approval among all the participants in the study on questions 1, 4 and 5. This indicates that the sample members did not accept the management practices of adapting the accounting numbers in order to achieve special interests for the management, whether it was to increase their job security or to increase the incentives and rewards they get.
2. There is an average degree of agreement among all the participants in the study on question 14, which indicates that the sample members stood at the cut-off threshold regarding the management practices of adjusting the accounting numbers in order not to terminate their service with the company.

Table (3-5)
Shows an analysis of the opinions of the participants in the study as a single category on the questions of the first hypothesis

No.	Questions	The Mean	Degree of Approval
1	If income smoothing used to increase the degree of job security, this is morally acceptable.	2.393	Weak
4	If the management use profit management (by increasing profits sometimes and decreasing them at other times, depending on the situation) to increase its incentives, this is morally acceptable.	2.929	Weak
5	If managers apply accounting methods that increase income and thus increase their rewards, it is ethically acceptable practice.	2.964	Weak
14	If the managers increase the reported earnings (from their reality) in the last years of their contract with the company, this is justified to reduce the likelihood of their termination with the company.	3.357	Medium

The results above means that the first hypotheses is refused

The second hypothesis: There is a statistical significant relationship between realizing the interests of the owners and the practices of adapting accounting numbers in the Iraqi environment.

Table (3-6)
Shows an analysis of the opinions of the participants in the study as a single category on the questions of the second hypothesis

NO	Questions	The Mean	Degree of Approval
2	If the income smoothing policy used to increase the degree of shareholder satisfaction with an entity's performance, is ethically acceptable.	2.750	Weak
3	If the income smoothing policy used to achieve a stable stream of income for the shareholders, which leads to an increase in the market value of the company in the long term, and thus achieve the interest of the owners, then this practice is morally acceptable.	2.929	Weak
15	The existence and continuous growth of exceptional and extraordinary items is a positive thing for the company.	2.643	Weak
17	If the management quest to maintain the company's recent performance; In the sense of achieving the same profits as the previous year, by adapting accounting numbers than these practices are morally acceptable.	2.893	Weak

The results above means that the second hypotheses is refused

The third hypothesis: There is a statistical significant relationship between the acceptance of CFO, auditors and investors for the practices of adapting accounting numbers in their various forms and the morality of those practices in the Iraqi environment.

Table (3-7)
Shows an analysis of the opinions of the participants in the study as a single category on the questions of the third hypothesis

No.	Questions	The mean	Degree of Approval
6	The use of creative accounting is an ethically acceptable practice.	2.857	Weak
7	Profit management is not wrong and ethically acceptable.	2.643	Weak
8	Accounting conservatism is desirable by all stakeholders and ethically acceptable.	4.179	Strong
9	Adapting accounting numbers through operational decisions is ethically acceptable.	3.214	Medium
10	Adapting accounting numbers Profit management is ethically acceptable.	2.857	Weak
11	Adapting accounting numbers is a process that can be misleading to users of financial statements and over time limits the credibility of accounting numbers and thus harms the reputation of the accounting profession.	4.107	Strong
13	The practices of adapting accounting numbers are legitimate if the amount of distortion caused by these practices is limited, but if the size of the distortion is large or substantial, it is illegal	4.071	Strong
16	Less profitable companies have the right to adjust the accounting numbers.	3.214	Medium

Table (3-7) shows an analysis of the opinions of the participants in the study as a single category on the questions of the third hypothesis, which is related to the sample members' acceptance of some forms of the practices of applying accounting numbers and the ethics of those practices in the Iraqi environment. From it, we notice that:

1. There is a weak degree of agreement among all participants in the study on questions 6, 7 and 10, which indicates that the sample members do not accept some practices of adapting accounting numbers, specifically creative accounting and profit management. They are not acceptable even if they are done through operational decisions.
2. There is a medium degree of agreement among all participants in the study on questions 9 and 16, which indicates that the sample members stood at the cut-off threshold regarding the use of operational decisions in adapting accounting numbers, as well as in accepting the practices of adapting accounting numbers that are performed by companies that achieve weak profits.
3. There is a strong degree of agreement among all participants in the study on questions 8, 11 and 13, which indicates the acceptance of the sample members to:
   - One form of the practices of adapting accounting numbers, which is accounting conservatism.
   - For the practices of adapting accounting numbers, if the extent of distortion caused by these practices was limited, but if the distortion was significant or substantial, it is illegal.
   - The process of adapting the accounting numbers misleads the users of the financial statements and over time limits, the credibility of the accounting numbers and thus harms the reputation of the accounting profession.

The results above means that the third hypotheses is partly accepted.

The fourth hypothesis: There is a statistical significant relationship between the use of accounting standards when performing the practices of adapting accounting numbers and the ethics of those practices in the Iraqi environment.

Table (3-8) shows an analysis of the opinions of the participants in the study as a single category on the questions of the fourth hypothesis regarding the relationship of adapting accounting numbers practices to accounting standards. From it, we notice that:

1. There is a strong degree of agreement among all participants in the study on questions 18 and 19. This indicates the approval of the sample members that the practices of adapting accounting numbers emerged because of the flexibility in accounting standards and

that scaling down and deterring these practices requires the concerted efforts of practitioners of the accounting profession as individuals and their organizations and concerned authorities.

2.The presence of a weak degree of agreement among all participants in the study on question 12, which indicates the lack of approval of the sample members on the legitimacy of adapting accounting numbers practices, whether they take place within the framework of the generally accepted accounting principles GAAP or outside the scope of those principles.

Table (3-8)
Shows an analysis of the opinions of the participants in the study as a single category on the questions of the fourth hypothesis

No.	Questions	The Mean	Degree of Approval
12	The practices of adapting accounting numbers are legitimate if they are performed within the framework of generally accepted accounting principles (GAAP), but if they are done outside the scope of those principles, they are fraudulent and illegal practices.	2.714	Weak
18	The flexibility in the accounting standards allows the practice of customizing the accounting numbers.	4.071	Strong
19	The practitioners of the accounting profession as individuals, their organizations and the concerned authorities should take the necessary steps to identify and deter the practices of adapting accounting numbers.	4.214	Strong

The results above means that the fourth hypotheses is partly accepted.

4.Conclusions and Recommendations

4.1Conclusions:

- Many motives push the management to perform the practices of adopting accounting numbers, some of these motives pertain to the short term and others pertain to the long term.
- The practices of adapting accounting numbers are not restricted to a particular environment, nor to a particular industrial sector, and these practices exist in the Iraqi environment in many forms, ranging from income smoothing, accounting conservatism, profit management and fraud and manipulation.
- The Iraqi environment rejects the existence of adapting accounting numbers practices in order to achieve the special interests of the management, whether it is to increase the degree of their job security or to increase the incentives and rewards they receive.
- The Iraqi environment rejects the existence of adapting accounting numbers practices that work to achieve the interests of the owners. Whether the aim is to increase the degree of shareholders satisfaction with the performance of the facility or to achieve a stable stream of income for shareholders, which leads to an increase in the market value of the facility in the long term and to maintain the recent performance of the company (the same profits as the previous year).
- The Iraqi environment rejects the existence of some forms of adapting accounting numbers practices, specifically creative accounting and profit management. It is not acceptable even if they performed through operational decisions.
- The Iraqi environment does not have a conclusive opinion on the existence of practices to adapt accounting numbers that use operational decisions, nor practices that performed by companies that achieve weak profits, which indicates a lack of full awareness of the sample members of the seriousness of these practices.
- The Iraqi environment agrees with the existence of practices to adapt the accounting numbers if they are under the name of accounting conservatism.
- The Iraqi environment agrees with the existence of practices to adapt the accounting numbers if the distortion caused by these practices is limited, but if the distortion is large or substantial, it is illegal.
- The Iraqi environment considers that practices of adapting accounting numbers mislead users of financial statements. Over the time, they will limit the credibility of accounting numbers and harm the reputation of the accounting profession.
- The practices of adapting accounting numbers emerged because of the flexibility that exists in accounting standards and that scaling and deterring them requires concerted efforts of accountancy practitioners as individuals and their organizations and concerned authorities.
- The Iraqi environment considers that the practices of adapting accounting numbers are unethical, whether they performed within the framework of the generally accepted accounting principles GAAP or outside the scope of those principles.

4.2 Recommendations:

- We recommend the standards issuing bodies to reconsider the accounting standards with alternative treatments that are used to perform the practices of adapting accounting numbers.
- We recommend the economic entities not to link the managerial incentives to the amount of the annual profits achieved, because it may push the management to perform the practices of adapting the accounting numbers.
- We recommend the economic entities not to link the management's renewal decision to the amount of the annual profits achieved, because it may push the management to perform the practices of adapting the accounting numbers.
- We recommend the concerned authorities to make the entities commit to follow a specific accounting treatment through which their image is produced and to continue using the same treatment in the future when exposed to similar circumstances, regardless of the numerical results achieved about them.
- We recommend the concerned authorities to increase awareness among practitioners of the profession and the beneficiaries of its outputs about the harms of the practices of adapting accounting numbers in its various forms, and that these harms do not affect individuals and companies individually but affect the profession and entire societies.

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