

## Creative Accounting – Some Aspects of Knowledge and Implementation in Albania

**Mirela UJKANI MITI**

PhD., Lecture on Accounting Department, Faculty of Economics University of Tirana Albanian, Tirana, Albania

**Elena MYFTARAJ (TOMORI)**

Prof. Assoc. PhD., Lecture in Applied Statistics and Informatic Department, Faculty of Economy, University of Tirana, Tirana, Albania

**Brisejda RAMAJ ZENUNI**

Msc., PhD Candidate at the Department of Accounting, University of Tirana, Faculty of Economy, Lecture in Financial and Accounting Department, University of Vlora "Ismail Qemali", Faculty of Economy, Vlore, Albania

### Abstract

This paper comes as a result of exploring the creative accounting level of recognition and its use by accounting professionals during the preparation of the financial statements of the entities (SMEs) in Albania. In our country the financial reporting is based on national accounting standards which are in accordance with international accounting standards (IFRS for SME). So, based on the literature review, we will give some definitions of creative accounting as well as aspects of its use in different countries. Starting from those practices, we will identify the main factors why managers and accounting professionals exercise creative accounting. Through an analysis based on questionnaire's data addressed to accounting professionals, we want to show if such practice is implemented in our country and how it is visualized by accounting professionals. In conclusion of this paper we will give some recommendations on the recognition and use of creative accounting by accountants in our country.

**Keywords:** accounting standards, creative accounting, financial reporting, management, accountant professional

### Introduction

Creative accounting is often considered as art of accounting information, because the accounting information will be reflected in the financial statements in such a way as to show the positive aspects of the financial position and performance of the entity, thus avoiding the possible negative aspects of it. The current accounting principles and rules under IFRS and NAS allow managers to choose different methods to apply when preparing the financial statements, providing flexibility and thus allowing them to apply creative accounting. Frequent cases of occurrence of this practice in reality, such as cases where the entities do not recognize bad debts in the current year but defer them in the following years or when they reassessment of inventory stocks, delay over time of recognition of income, recognition and measurement of provisions, etc. These cases are also due to interpretations of both accounting standards and tax legislation and especially in cases where, there is basic and alternative treatment for an element or issue. In this context, creative accounting has its benefits, always if there is no abusive purpose. But in most cases, creative accounting is identified as a negative phenomenon. As soon as the word "Creative Accounting" is mentioned, what comes up in the mind is something dishonest, a form of manipulation or fraud of accounting information. But they differ from each other. Popescu L.M and Nişulescu I. (2014) in their study have clearly identified often does not reflect what is said to be "a true and fair view" for an entity - because we think it has there have been many cases when the entities have benefited greatly using creative accounting techniques and this has led them to continue their economic activities during these difficult times. Accounting and financial reporting standards, whether international or national, have been continuously improved, and among other reasons we may also mention the fact that they aim to reduce the implementation of accounting practices by accountant professionals including and applying the creative accounting practices.

Precisely these reasons led us to explore whether it is recognized creative accounting, whether it is used and whether it is perceived as a good/bad practice for entities or professional accountants in Albania.

## Literature review

The concept of creative accounting has existed early. One of the early researchers Copeland (1968) defined the concept of manipulating the accounting. But its term has emerged in the Anglo-Saxon literature in 1970 as an accounting practice that can (or can not) follow the accounting principles or standards but deviates from what these principles or standards are intended to achieve, in order to show a desired image of the company to the interested parties. On the other hand, creative accounting is the transformation of financial accounting amounts (numbers) in order to "actually provide a financial reporting they wish to benefit from existing rules and (or) ignore some (or all) of them" Kamal Naser (1993).

Thus, through creative accounting, different "space / Absences" are used in the accounting principles or standards for the accounting treatment of various issues, in order to show the desired results for the interested parties. Jawad and Xia (2015) have highlighted new aspects of creative accounting in manners with accounting numbers (amounts) and argue that "Innovation is an essential part of the creative accounting in accounting practices. Naturally, they have been asked "creative accounting is good or bad practice?" Or is it "use or abuse?"

Answers to questions will certainly depend on the purpose for which the creative accounting itself is used, and based on accounting standards the responsibility for preparing the financial statements is management, then the fact of "abuse / bad" through creative accounting techniques, it will be management. This attitude also supports Bhasin, (2013) in his own study.<sup>1</sup>

Arthur Levitt (Chairman, SEC) in 1998 drew attention to creative accounting practices, pointing out that accounting principles are not intended to be a "tight jacket", and therefore the degree of flexibility is needed for allowing financial reporting to keep pace with business innovations. The problem arises when companies use this flexibility to create illusions in their financial reports, illusions that are not the true and fair view of the entity (Mulford and Comiskey, 2002). According to Jones (2011) the definition of creative accounting is: "Using flexibility in accounting within the conceptual framework to manage the measurement and presentation of elements of financial statements / events, so that they give the private interests of the developer rather than the user." The authors Syed Zulfiqar Ali Shah, Safdar Butt and Yasir Bin Tariq (2011) in their work of creative accounting have considered it as a "tool" more than a "weapon".<sup>2</sup>

According to Michael Jameson (1988) "The accounting process consists of many issues related to conflict judgment and conflict between presentation of financial results and financial transactions. This flexibility provides opportunities for manipulation, fraud and distortion. These activities practiced by unscrupulous accounting people are known as creative accounting". And listening to the latest scandals Enroll etc., it is noticed that creative accounting has begun to be directed towards fraud, thus satisfying the interests of only the preparers of the financial statements and not of other interested parties. To get benefits from senior executives, managers are often tempted to show higher profits, which lead to adoption of creative accounting techniques (Vyas et al., 2015). There is no doubt that these accounting scandals have reduced the confidence of interest groups in financial reporting around the world.

By Peter A, Eddie M, (2008) changes facing accounting are:

The increasing sophistication of customers.

The development of a global economy where national frontiers become less important.

Rapid changes in technology.

The deregulation of domestic markets (For example, electricity, water, gas).

Increased pressure from owners (shareholders) for competitive economic returns.

The increasing volatility of financial markets.

Conflict of interest among different interest groups is the true cause of creative accounting (Diana, B., Victoria, B. and Alina, V 2009). In his study David Schiff, (1993) has mentioned six of the many ways companies can change their earnings:

---

<sup>1</sup> Bhasin, M.L.(2013),*Corporate governance and forensic accountant: an exploratory study*, *Journal of Accounting, Business and Management*, October, 20(2), 55-75.

<sup>2</sup> "Use or Abuse of Creative Accounting Technique" *International Journal of Trade, Economics and Finance*, Vol. 2, No. 6, December 2011

Capitalizing expenses instead of writing them off.

Receivables or inventories growing faster than sales.

Hiding pension liabilities.

Negative cash flow.

Consolidating owned subsidiary's income and net worth, with the impossibility of receiving the same.

Following seemingly conservative practice in a situation of reverse direction [e. g., if layers of lower priced LIFO (last-in, first-out) - cost inventory are "inflated" and sold at current prices, current earnings power is overstated.

In some countries (such as Greece) creative accounting is considerate to extend on the law (Baralexis S 2004), while in some states it is considered illegal (Healy and Wahlen, 1999). There are no normative acts for creative accounting in Albania. What we can say with certainty is that accountant professionals generally help companies operate more efficiently, keep accurate and up to date financial records, ensure that taxes are paid in time, analyze financial records and prepare financial statements. In this regard, the main group of accountants and accounting techniques used are exactly the accountants and as a result the focus of our work is based on this target group.

### **Methodology**

The methodology of our work is based on the descriptive analysis of the national accounting standards (NAS) in Albania, with the aim of identifying the opportunities existing on the use of creative accounting by accountant professionals during the preparation of the financial statements. Based on the full set of NASs, we tried to present the spaces through which an accountant professional can use creative accounting techniques. But also through the statistical analysis of the data collected by the questionnaire addressed to the accountant professionals who according to Law no. 10091, dated 05.03.2009 "On Statutory audit and organization of professions of registered accounting expert and approved accountant", are responsible for the preparation of the financial statements, we tried to give an overview on the recognition and use of the creative accounting. The questionnaire were distributed to about 170 email accountant professionals and we received responses from 87 of them, more focused in the Tirana city, because this city is the main center of development both economically and professionally. Data processing was carried out with SPSS 20. In addition to the descriptive statistics extracted from the processing of questionnaires data, the independence test was applied to test for the independence of two variables.

In conclusion, based on the study of the literature and the findings of the study, besides giving a general overview of the recognition and use of creative accounting we will also give our opinion as recommendations to be followed by accountant professionals and other organizations involved in the correct implementation of this accounting.

### **Main factors of using creative accounting**

The use of creative accounting, among other things, is also due to the high competition in the current conditions of economic development. This is because the entities are increasingly seeking to present to third parties with good financial results through financial statements. In such an environment, entities usually start using creative accounting practices, especially in an inappropriate situation with a view to increasing income / revenue, or manipulating assets and liabilities to report a financial position that is most better than the current situation. There are many factors that are considered as reasons for implementing creative accounting techniques; where some of them are presented below;<sup>1</sup>

The highest share price

Increase the value of the company

Lower capital cost

Lower borrowing costs, or lower financial constraints and constraints (borrowing cost effects)

Efforts to evaluate performance by increasing profit-based rewards

Effects in avoiding high taxes / taxes.

---

<sup>1</sup> The financial number game by Charles W.Mulford & Eugene E.Comiskey, 2002 (J.Wiley & Sons)

As noted above, the reasons for using creative accounting imply concealing the essence of transactions, resulting in "distorted" financial statements and, at the same time, the failure of entities. But this phenomenon is due to the fact that accounting standards cannot cover all aspects or cases of transactions carried out by an entity, but there are many instances when it is left to management to decide on the application of accounting policies or methods accounting estimates, such as in the case of inventory valuation, amortization methods, or asset valuation methods (at historical cost or fair value methods), or estimate of the provisions; etc.

Consequently, the direction/top management of the entity "plays" within the legal framework, misusing the accounting policies, making it possible to submit to financial statements what they want to present. Numerous discussions come about the above reason, especially in the recognition of revenues. These discussions are among standard preparers, policy makers in the accounting or fiscal field, and accountant professionals in the role of standard implementers in the entities.

**The moment when the revenue or expense should be recognized** identifies many cases of entities factors that misuse the accounting standard for revenue and in their cases or realize delay in time of revenue or expense, or the contrary in depending if they wish to record a higher or lower profit. These reasons of timely deleveraging among the interested parties have led to constant variations in the accounting standards. This phenomenon is also known in Albania, for example, the recognition of revenues in the construction contracts where in the first set of national accounting standards, revenues in the construction contracts was not specifically identified, while with the changes made in 2015 in complete set of NAS they are clearly evidenced the case of construction contracts, but again the space exists for the judgment of the direction/top managements.

**The change in accounting policies** is another widely used phenomenon, because it is also possible to change the accounting policy accordingly, and as a result it can "play" with this "space" that allows standards.

The above mentioned cases of course have to be said to apply in Albania as well, because of the fact that their space or misinterpretation brings the use of "creation" over the applicability of accounting standards; where by studying the complete set of NASs we are presenting the following possible spaces as is following:

**Table no 1 "Spaces to use creative accounting, according NAS"**

No	NAS	Description
1	NAS 1 "Conceptual framework"	<i>Paragraph 9; allows direction to use its own judgment.</i> "If NAS 1 does not specifically address a transaction, event or circumstance, the management of an entity should use its judgment in developing and implementing an accounting policy ..."
2	NAS 4 "Inventory"	Paragraph 14; allows direction to determine not only the method but also the formulas. "However, for inventories of a different nature or use, the calculation of the cost may justify the use of formulas other than those mentioned above" Paragraph 19-22; allows the direction to allocate the overhead factory, based on different methods. "Production costs that have been incurred before this moment should be allocated to individual products on the basis of a reasonable and appropriate method ..." or ... "An entity may use techniques such as the standard cost method, the retail price method or the latest purchase price to measure the cost of inventories if the result from the use of these methods approximates the cost"
3	NAS 5 "Property, plant and equipment; and Intangible Assets"	Paragraphs 31-32; 36-37 identify the fact that an entity is allowed to choose the amortization method; but also of its change, if there is any necessary information ... "Factors such as a change in how an asset is used, premature consumption, technological progress, and changes in market prices may indicate that the value of the remaining or useful life of an asset has changed since the last reporting date. If such indicators are present, an entity will review its previous estimates and if expectations change, then the entity will change the residual value, amortization method or useful life <i>Paragraphs 85 to 88; impairment tests</i> - allows the entity to recognize impairment based on information sources.
4	NAS 6" Provisions, contingent liabilities and contingent assets"	The conditions and measurement methods in knowing of a provision, allow direction to use the necessary spaces for their recognition.
5	NAS 8 "The revenue"	Paragraphs 24-34; Recognition of such incomes/expenses at the right time, or delaying the timely may be; Paragraphs. 24-27 construction contract "Reliable assessment of the result requires reliable estimates of the completion phase, future costs and receivables of invoices" Paragraph 45. "Methods of recognition of interest income" is left to their choice.

*Source; by authors based on NAS;<sup>1</sup>*

Based on these reasons and in Albania the complete set of NASs is in accordance with IFRS for SMEs, as well as the necessary spaces some of which were underwritten (See further on Annex), we decided to give on the basis of a questionnaire the knowledge of creative accounting and how much is the level of its implementation. One more reason is the fact that the implementation of standards in Albania has started from January 1, 2008, and now has been past nine years, enough time to apply the space for use of creative accounting.

### **Data Analysis of the aspects of knowledge and implementation of creative accounting in Albania**

Initially understand the level of knowledge of creative accounting and then to test professionals on the knowledge and use of creative accounting techniques and tools, we developed a questionnaire. The questionnaire contained closed and open questions (in answer Yes / No / N/A) especially when they should be expressed on the financial reporting legislation in Albania and what opinions could yield on the continuous improvement. Likert level is also used to test the knowledge and use of accounting techniques. The questionnaires were distributed to 170 professionals in the field of accounting, mainly in the Tirana city.

The target group consisted of accountants, approved accountants and auditor because the three professionals according to Albanian law no. 10091, dated 05.03.2009 "On Statutory audit and organization of professions of registered accounting expert and approved accountant", they have obligation to prepare financial statements. The questionnaire was distributed via email and received an answer from 87 professionals. Knowing that the purpose of the questionnaire would be the level of recognition of creative accounting and if he used who would be the factors and arguments for its use, the questionnaire was prepared in the first section with closed questions to create a group knowledge respondents and its level, while the second section of the questionnaire was designed to respond to the implementation and the factors that led to it, or they think it will lead to the use of creative accounting during the preparation of the financial statements. This section was prepared using the Likert scale with five levels. For the above, the main questions of our research are; How well known the creative accounting; Are creative accounting techniques used; What are the factors that lead to the use of creative accounting; How ethical do they think its use?.

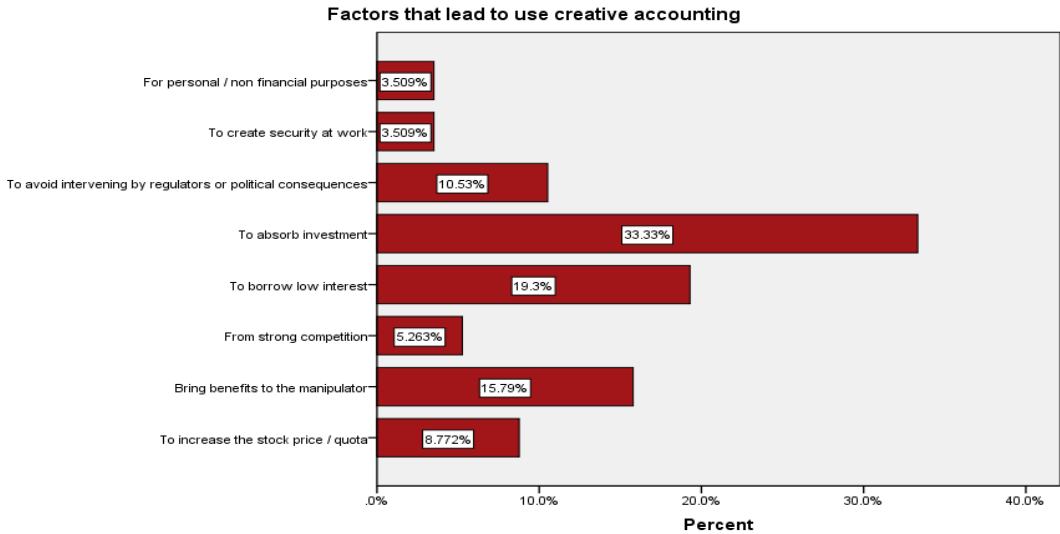
According to the data analysis collected, it was found that the target group consisted of 70.2% accountant professionals have a working experience of over 5 years in the field of financial statements preparation (Graph No 1 - Appendix II).

The level of knowledge of creative accounting resulted that 71.9% of respondents know creative accounting, while 28.2% of them did not know it. And then we went to the test to see how this knowledge level was, using the Likert scale with 5 levels (up to a lot) from where the average level of "3" know of this accounting resulted with about 43.9 % of respondents who answered that they know it and only 22.8% resulted in level 4 of knowledge. In this regard, we judge that the concept of creative accounting is known in our country, by the accountant professionals.

Regarding the use of this accounting data analysis technique, it was found that 45.6% of them had previously used the techniques and the concrete results (see Annex II-graphs 2 and 3) that the technique of cost capitalization was the technique the most used by most respondents (by about 42.1%), followed by the use of variation techniques in the use of different methods, when permitted by the standards of use of alternative methods or free judgement of direction allowed (31.6 %). While the techniques of revenue recognition or timely recognition of their costs or expenses were the least widely used techniques by professionals (about 12-15% of them, as shown in Chart 4). Regarding the factors that led to the use of data analysis techniques, it was found that the greatest weight was attributed to investment absorption (33.3%) or low-interest borrowing (by 19.3% see chart no. 1). Meanwhile, in realistically significant levels, there was also the behavior of benefits for those who wanted to manipulate by 15.8% and to avoid intervening by regulators or political consequences by 10.5%. This latter factor is related to the fact of using tax legislation in the preparation of financial statements for avoiding tax liabilities for not recording unknown costs for calculating the profit on the period. Graphically, these factors are expressed in graph 1 as follows;

<sup>1</sup> <http://www.kkk.gov.al/page.php?id=1&l2=136&gj=sh>

Graphic no 1 "The factors that lead to use creative accounting"



Source: The authors

Also a question addressed to professionals was the fact that who are more inclined to use creative accounting, managers, accountants, or stakeholders and interested third parties. Responses resulted that the stakeholders / owners and interested third parties were more likely to manipulate the financial statements through the use of creative accounting (by 78.9%), while managers and accountants were of equal weight in terms of the motive of using creative accounting with 10.5%. As a result, we asked their opinion on how reliable the financial statements would be when they thought that creative accounting techniques could be used. Responses were 80.7% in the moderately reliable range and only 1.8% thought they were completely reliable.

But our analysis of the data went further to test the existence of relation between the use of creative accounting with the legal form of the entity (as a limited liability company, shareholder, etc.) and constructed hypotheses:

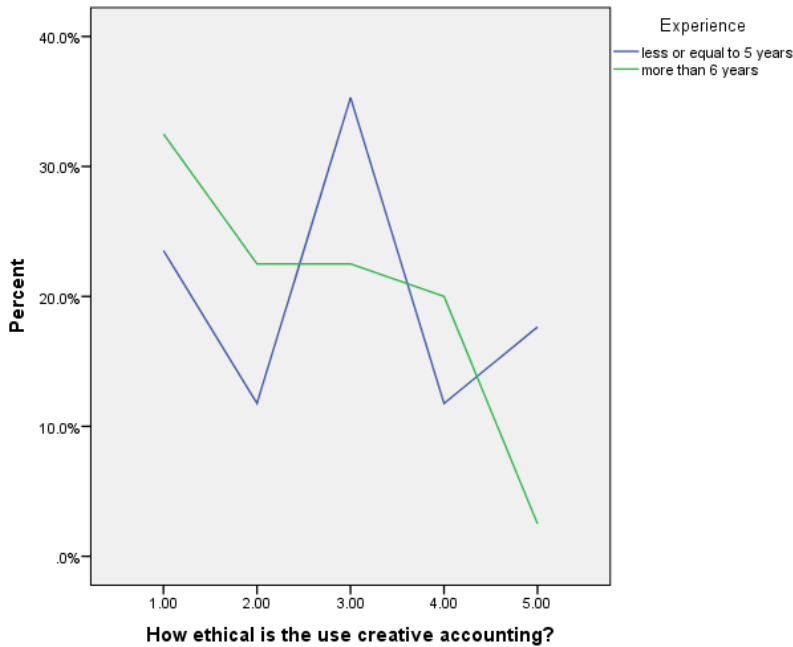
H0; There is no relation between the use of creative accounting technique and legal form of the entity.

H1; There is a relation between the use of creative accounting technique and legal form the entity.

The results of the statistical test test used indicated that the use of techniques was not dependent on the entity's legal form (p-value > 0.05) (see table no.1 -Apendix II).

The focus of the analysis could not remain beyond testing how ethical the use of creative accounting was, depending on the experience that they had in their work as an accountant professional, resulted that professionals over 6 years of experience considered the use of creative accounting more unethical (the value is 1-Likert scales) while professionals with less than 5 years of experience considered ethically(values 5 by Likert scale)) using creative accounting. See Chart No. 2.

**Graphic no 2"According to experience, how ethical it is considered creative Accounting"**



**Source:** the authors

But open questions where accountant professionals could express themselves on using creative accounting, legal space and their impact on the preparation of financial statements found that most respondents felt themselves under the pressure of shareholders/owners while exercising their profession, to "satisfaction" shareholder benefits. And some of them thought that there was a need for even more enforcement of correctly applying accounting standards for the purpose of their fair use rather than abusive when available. This was because the space allowed the same event or transaction due to alternative treatments where the judgment of the management was used, bringing about the identification of this event in financial statements in different ways - especially in recognition of revenues or capitalization of expenditures. On the one hand, although in our country exists in the law for accountant professionals, the Ethic Code to apply and is in accordance with the IFAC Ethics Code, even this profession is also overseen by the relevant bodies such as the Public Supervision Board the accountant professionals said that using creative accounting techniques is an unethical phenomenon and professionals using these techniques are to maintain their workplace.

### Conclusions and Recommendations

In conclusion we can say that creative accounting as we see in accordance with the literature we have considered that is a flexible method of exercising the accountant profession in the preparation of the financial statements, this always to give the true and fair view of the activities of the entity. The complete set of NASs created in our country in accordance with IFRS for SMEs requires correct implementation using professional judgment and this means recognition and proper application of accounting rules and principles but also of creative accounting techniques and not their abusive use, even if the argument of use. Also, the practice of a profession can not be understood without proper and ethical behavior in accordance with the relevant codes.

In Albania, the level of knowledge of creative accounting resulted medium and at the same time used techniques of this accounting, mainly capitalization of costs and the use of different methods in cases where the standard allows basic and alternative treatments for the identification of an event or transaction. At the same time, the main factors that led to their use were the absorption of investments and the receipt of low interest loans, ie the increase of unit financing resources and also because accountant professionals in the preparation of financial statements are more inclined to financial reporting tax purposes. Another conclusion of the study was the fact that the use of creative accounting techniques was more than

enough to satisfy the shareholder or owner's benefits and they were not dependent on the legal form of the entity. In this regard, most accountant professionals felt that this accounting was not ethical, and at the same time its use would count in the untrustworthy financial statements, since it itself related to the abusive and incorrect use of creative accounting.

In this regard, we believe that strengthening the role of the bodies on the correct implementation of their accounting standards and their flexibility needs to be further intensified, through the interaction of key stakeholders such as accountant professionals, professional associations and Public Supervisor Bord of the profession, tax authorities, etc. On the other hand, this would further strengthen the belief that the financial statements provide the reality of the entity's activity.

Although within the NAS set-up set, there are spaces that allow the use of creative accounting, we see creative accounting as a tool to increase the financial and economic position of the entity if used fairly, as opposed to a growth of today because of abuse, will be a future failure for it.

## Literature and References

- [1] Dr. Sayed Zulfiqar Ali Shah, Dr. Safdar Butt and Yasir Bin Tariq, (2011) *Use or Abuse of Creative Accounting Techniques*, International Journal of Trade, Economics and Finance, Vol. 2, No. 6,
- [2] Firas Aziz M. Jawad, Xiping Xia (2015) *International Financial Reporting Standards and Moral Hazard of Creative Accounting on Hedging* International Journal of Finance and Accounting 2015, 4(1): 60-70
- [3] Bhasin, M.L.(2013), *Corporate governance and forensic accountant: an exploratory study*, Journal of Accounting, Business and Management, October, 20(2), 55-75.
- [4] Copeland, R.M. (1968), *Income Smoothing*, journal of accounting research, VVI, Supplement, 101-116
- [5] Oriol Amat, John Blake and Jack Dowds, (1999) *"The Ethics of Creative Accounting"*, Economic Working Papers 1999,
- [6] Naser, K. (1993) *"Creative Financial Accounting: its nature and use"* Prentice Hall, London.
- [7] Griffiths, I. (1986) *"Creative accounting"* Sidgwick & Jackson, London.
- [8] IFAC (International Federation of Accountant), (2011), [Online], Available: <http://www.ifac.org/>
- [9] Dr. Sayed Zulfiqar Ali Shah, Dr. Safdar Butt, *Creative Accounting: A Tool to Help Companies in a Crisis or a Practice to Land Them into Crises*, International Conference on Business and Economics Research, Singapore, 2011
- [10] Laura, M.P. and Ileana, A. (2013), *"Detecting creative accounting practices and their impact on the quality of information presented in financial statements"* journal of knowledge management, economics and information technology, vol, 3, issue 6, dec. pp.1
- [11] POPESCU Laura – Maria; NIȘULESCU Ileana (2014) *"Creative Accounting Versus Fraud"* SEA - Practical Application of Science Volume II, Issue 3 (5)
- [12] Baralexis Syros (2004) *"creative accounting in small advancing countries; the Greek case"*; Managerial auditing journal, Vol. 19, issue 3 pp 440-461
- [13] Law no. 10091, dated 05.03.2009 *"On Statutory audit and organization of professions of registered accounting expert and approved accountant"*
- [14] Complete set of improved NAS.

## Websites

- [1] [www.kkk.gov.al](http://www.kkk.gov.al)
- [2] [www.ieka.org.al](http://www.ieka.org.al)

## Appendix I- "NAS Accounting Spaces, allowing the application of creative accounting"

### NAS no 1

Paragraph 97 "... If NAS 1 does not specifically address a transaction, event or circumstance, the management of an entity shall use its judgment in the development and implementation of an accounting policy that results in information: (a) suitable for the needs of users' economic decision-making; and (b) Reliable, for the fact that the financial statements: (i) faithfully represent the financial position, financial performance and cash flows of the entity; (ii) represent the economic essence of transactions, events and other conditions, and not merely the legal form; (iii) are neutral, is free from prejudice; (iv) measured; and (v) complete in all material respects



#### **NAS no 4**

Paragraph 14 ".... For those goods that are not interchangeable in ordinary markets or that are specific to specific projects, the cost shall be determined on the basis of the specific identification method. The cost-based method of specific identification is not suitable for homogeneous products such as raw materials used in production and purchased parts frequently and at different prices. To determine the cost of such an inventory, the weighted average or "first entry, exit" method (FIFO) should be used. To calculate the cost of inventories that have the same nature and use for the entity, the same formula should be used. However, for inventories of a different nature or use, the calculation of the cost may justify the use of formulas other than those mentioned above"

Paragraph 19 ".... Those production costs that are made from the moment when these products become individually identifiable can be easily and directly linked to the product and can therefore be distributed directly to individual products. Production costs that have been made before this moment should be distributed through individual products on the basis of a reasonable and appropriate method. "

Paragraph 22"...An entity may use techniques such as the standard cost method, the retail price method or the latest purchase price to measure the cost of inventories if the outcome of using these methods approximates the cost.

#### **NAS no 5**

Paragraph 31; "an entity shall take into account all of the following factors in determining the useful life of an asset: (a) the expected use of the asset. The use is estimated by reference to expected assets or expected outputs. (b) Expected physical consumption, which depends on the factors of use, such as the number of tours during which the asset is used, repair and maintenance plans, as well as the care and maintenance of the asset when the asset is not in use. (c) Technical or commercial obsolescence arising from changes or improvements in production, or from a change in the requirements for the product or service provided by the asset. (d) Legal or similar restrictions on the use of assets, such as the expiration date of lease contracts.

Paragraph 32; the chosen amortization method should systematically reflect the way the entity will realize the future economic benefits of the long-term asset acquired during its useful life. The most common methods of amortization include the straight-line method, the residual value method and the use-based method such as the method of the units produced

Paragraph 36 -37 change of depreciation method, residual value or useful life (... Factors such as a change in how an asset is used, premature consumption, technological progress, and changes in prices the market may indicate that the residual value or useful life of an asset has changed since the last reporting date. If such indicators are present, an entity will review its previous estimates and if the expectations change, the entity will change the residual value, amortization method or useful life as a change in an accounting estimate in accordance with NAS 1 General Framework for the preparation of financial statements)

#### **NAS no 6,**

Conditions in the recognition of passive provisions / conditional assets

#### **NAS no 8**

Revenue-Recognition at the right time or delay in recognition of the income / expense that may arise may be;

Paragraphs 24-27; construction contract ... (A reliable outcome estimate requires reliable estimates of the completion phase, future costs and invoice receivables.

Paragraphs 24-27; construction contract ... (A reliable outcome estimate requires reliable estimates of the completion phase, future costs and invoice receivables.

Paragraphs 28 -34 provide guidance on the method of completion percentage. Methods of Phase of Completion ... (problems in recognizing the respective revenues and expenditures)

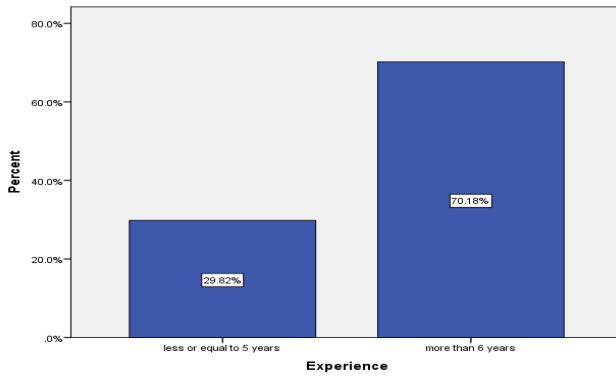
Paragraph 34"... If it is not possible to collect an amount already recognized as an income, the entity will recognize the uncollectable amount as an expense instead of adjusting the amount of contract revenue".

Paragraph 45 "Interest income is recognized on the basis of the straight-line method on the Internal Interest Rate (IRR) and effective interest rate"

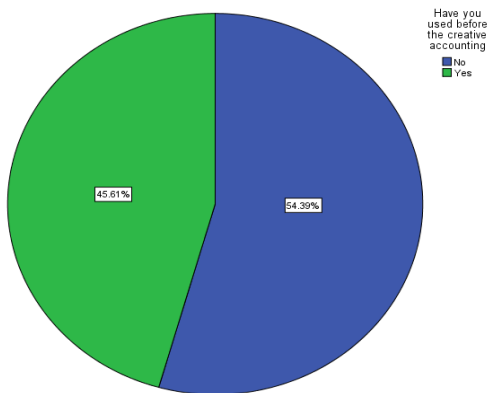
**Appendix II- DATA ANALYSIS**

**Source: the Authors**

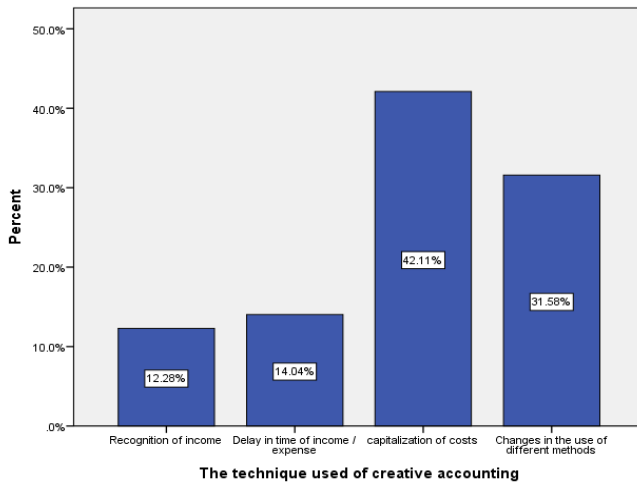
**Graphic no 1**



**Graphic no 2**



**Graphic no 3**



**Table no 1 Chi-Square Tests**

Chi-Square Tests					
	Value	df	Asymp. Sig. (2-sided)	Exact Sig. (2-sided)	Exact Sig. (1-sided)
Pearson Chi-Square	1.521 <sup>a</sup>	1	.217		
Continuity Correction <sup>b</sup>	.935	1	.333		
Likelihood Ratio	1.530	1	.216		
Fisher's Exact Test				.289	.167
Linear-by-Linear Association	1.495	1	.222		
N of Valid Cases	87				

- [1] <http://www.who.int/mediacentre/factsheets/fs381/en/2016>.
- [2] Karel, M. J., Gatz, M., Smyer, M. (2012). Aging and mental health in the decade ahead: What psychologists need to know? *American Psychologist*. Vol. 67 (184-198).
- [3] World Health Organization (2001). *The World Health Report 2001. Mental Health: New Understanding, New Hope*. Geneva: WHO.
- [4] Goldberg, D. & Huxley, P. (1992). *Common Mental Disorders: A Biosocial Model*. London: Tavistock/Routledge.
- [5] American Psychiatric Association. (2013). DSM-5 diagnostic classification. In: *Diagnostic and Statistical Manual of Mental Disorders DSM-5*. 5th ed. Arlington, Va.: <http://www.psychiatryonline.org>. 2015.
- [6] World Health Organization (WHO). *The ICD-10 Classification of Mental and Behavioral Disorders: Clinical Descriptions and Diagnostic Guidelines*. Geneva: World Health Organization; 1992.
- [7] Royal Royal College of Psychiatrists (2014). Depression in Older Adults. [online] Available at: <http://www.rcpsych.ac.uk/healthadvice/problemsdisorders/depressioninolderadults.aspx> [Accessed Aug. 2015].
- [8] Health and Social Care Information Centre, (2007). Health Survey for England, 2005: Health of Older People. [online] Available at: <http://www.hscic.gov.uk/pubs/hse05olderpeople> [Accessed 14 Sep. 2015].
- [9] Smyth, C, (2014). Depression in old age 'is the next big health crisis'. *The Times*. [online] Available at: <http://www.thetimes.co.uk/tto/health/news/article4057224.ece> [Accessed 15 Sep. 2015].
- [10] Inouye SK. (1999) Predisposing and precipitating factors for delirium in hospitalized older patients. *Dementia & Geriatric Cognitive Disorders*, 10, pp. 393–400.
- [11] Siddiqi N., House, A.O., Holmes J.D. (2006). Occurrence and outcome of delirium in medical in-patients: a systematic literature review. *Age Ageing*, 35(4), pp. 350-364.
- [12] Beaumont, J., Loft, H. (2013). *Measuring National Well-being: Health, 2013*. London: Office for National Statistics.
- [13] Prince M, Albanese E, Guerchet M, Prina M. (2014). *World Alzheimer's Report, Dementia and Risk Reduction - An analysis of protective and modifiable factors*. London, England: Alzheimer's Disease International.
- [14] Prince M, Albanese E, Guerchet M, Prina M. (2014). *World Alzheimer's Report, Dementia and Risk Reduction - An analysis of protective and modifiable factors*. London, England: Alzheimer's disease International.

- [15] Prince M, Knapp M, Guerchet M, McCrone P, Prina M, Comas-Herrera A, Wittenberg R, Adelaja B, Hu B, King D, Rehill A, Salimkumar D . (2014). *Dementia UK: The Second Edition*. London: Alzheimer's Society.
- [16] U.S. Department of Health and Human Services (1999). *Older Adults and Mental Health*. In: *Mental Health: A Report of the Surgeon General*. Available at: <http://www.surgeongeneral.gov/library/mentalhealth/chapter5/sec1.html> (accessed June 10, 2008).
- [17] *Web-based Injury Statistics and Query Reporting System (WISQARS)* (Online). National Center for Injury Prevention and Control, Centers for Disease Control and Prevention (producer). Available at: <http://www.cdc.gov/ncipc/wisqars/> (accessed June 10, 2008).
- [18] Maria Carmen Viana; Laura Helena Andrade. Lifetime Prevalence, age and gender distribution and age-of-onset of psychiatric disorders in the São Paulo Metropolitan Area, Brazil: results from the São Paulo Megacity Mental Health survey. *Revista Brasileira de Psiquiatria*. vol. 34 no. 3 Oct. 2012. ISSN 1516-4446. <http://dx.doi.org/10.1016/j.rbp.2012.03.001>
- [19] [www.who.int/healthinfo/global.../GHE\\_DALY\\_Global\\_2000\\_2012](http://www.who.int/healthinfo/global.../GHE_DALY_Global_2000_2012). Përlogaritjet Globale të Shëndetit (2014). Tabela Përmbledhëse: DALY sipas shkakut, moshës dhe gjinisë, nga Rajoni i OBSH-së, 2000-2012.
- [20] Patel, V., Kirkwood, B. R., Pednekar, S., *et al* (2006). Gender disadvantage and reproductive health risk factors for common mental disorder in women: a community survey in India. *Archives of General Psychiatry*, 63, 404–413.
- [21] Hollingshead, A. B. & Redlich, F. C. (1958). *Social Class and Mental Illness: A Community Study*. New York: John Wiley.

Appendix II- QUESTIONNAIRE FORMAT

<p>Q1 How many years of experience do you have? &lt; 3; 3-5; 6-10; over 10 N/A</p>	<p>Capitalization of costs Changes in the use of different methods Other</p>
<p>Q2 You work in: Collective company command company limited liability company joint stock company banking institution N/A Other</p>	<p>Q7 How much do you think is uses Creative Accounting in Albania from 1 (not applicable) to 5 (very applicable)</p> <p>To increase share price / quota To bring benefits to the manipulator From strong competition to borrow low interest loans</p>
<p>Q3 Do you know the concept of Creative Accounting? Yes No N/a</p>	<p>Q8 Which of the reasons would you appreciate more</p> <p>To increase the stock price / quota bring benefits to the manipulator from strong competition to borrow low interest to absorb investment to avoid intervening by regulators or political consequences to create security at work for personal / non financial purposes</p>
<p>Q4 Have you used creative accounting techniques before? Yes No N/A</p>	<p>Q9 How much do you think creative accounting is used in</p> <p>Off-balance financing Extreme events Changes in amortization methods Changes in the value of money</p>
<p>Q5 From one to five, how you appreciate your knowledge of creative accounting?</p> <p>1 2 3 4 5</p>	<p>Q10 Do you think creative accounting affects us definition of income in the performance statement in the statement of financial position</p>
<p>Q6 If you answered Yes, question 4, specify which techniques you have used?</p> <p>Recognition of income Delay in time of income / expense</p>	<p>Q11 How much legal do you think is creative</p> <p>1 2 3 4 5</p>

Q12 Who do you think have the greatest motivation to  
manipulate financial statements

managers

Accountant

Auditors

owner / shareholder / interested party

Q13

How much do you think are FS credible when you think they  
can be used creative bookkeeping techniques

1

2

3

4

5

P14

How ethical is the use of creative accounting?

Do you think that CA is a disturbing  
phenomenon?

Do you think that CA is a good phenomenon?

How much do you think you are abusing the use  
of creative technicians?