

ISA (700) “Forming an opinion and reporting on financial statements” and its role in reducing creative accounting practices in financial statements (A field study on some audit offices in the state of Khartoum)

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DOI: 10.26821/IJSRC.10.7.2022.100704

ABSTRACT

The study aimed to know the relationship between the application of the ISA (700) and the reducing creative accounting practices in the financial statements. The study found several results, the most important of it is that, Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry, Applying audit standard (700) reducing the practicing of not including the installments due during 7.4 the current year from long-term obligations within the current obligations. The study recommended that, Encouraging Sudanese audit offices to adopt international auditing standards in the nature of their work and specially ISA (700).

Key word: ISA (700), creative accounting practices, financial statements.

1. MYTHOLOGICAL FRAMEWORK

1.1 Introduction

The use of creative accounting to influence the information of the financial statements for various purposes is one of the contemporary issues that occupy the minds of professionals, including auditors and accountants and those interested in the financial and accounting affairs in general. Also, users of financial statements rely on the data contained in them to rationalize their decisions, especially income statements and financial position statement, which considered as the most important financial statements for the users of financial statements, as they highlight the results of the company's business for the ended fiscal year. In order to find a solution to this problem or reduce its impacts, audit offices applying international auditing standards. And because the business and audit environment in Sudan is not immune to these developments, this study will investigate the role of International Auditing Standard (700) “Forming an opinion and reporting on financial statements” in reducing creative accounting practices in the financial statements.

1.2 The study Problem: The problem of the study represented in the spread of the phenomenon of the practicing creative accounting to influence the financial statements' data, especially the income and financial statements through the distortion that leads to loss its value and misleading its users. Therefore, the study problem can be summarized in the following two questions:

Q1. Is there any significance statistical relationship between the applications of ISA (700) and reducing creative accounting practices in the income statement?

Q2. Is there any significance statistical relationship between the applications of ISA (700) and reducing creative accounting practices in the statement of financial position?

1.3 The importance of study: The scientific importance of this study represented in the scarcity of the studies that investigates the relationship between applications of ISA No. (700), and reducing practicing of creative accounting in the financial statements in Sudan, (according to the researcher's knowledge), the study is a rich addition to the scientific library with what it offers to students and researchers about its variables. The practical importance of the study represented in explaining how to practice creative accounting in the financial statements and its impacts, clarify how to apply the ISA (700), to reduce the practices of creative accounting in the financial statements.

1.4 Objectives of the study: The study aimed to achieve the following:

1.4.1 To know the relationship between the application of the ISA (700) and the reducing creative accounting practices in the financial statements.

1.4.2 To know the extent to which creative accounting practiced in the Sudanese business environment.

1.4.3 Encourage audit offices in Sudan to apply international auditing standards so as to reduce creative accounting practices.

1.4.4 To find results and obtain recommendations that may help in achieving the objectives of the study.

1.5 Hypotheses of the Study: To achieve the objectives of the study, the following hypotheses were tested:

H1. There is a significance statistical relationship between the applications of ISA No. (700), and reducing creative accounting practices in the income statement.

H2. There is a significance statistical relationship between the applications of ISA No. (700), and reducing creative accounting practices in the statement of financial position.

1.6 Methodology of the Study: The study relied on the inductive approach to formulate the study problem and its hypotheses, the historical approach in reviewing previous studies related to the subject of the study, and the descriptive analytical approach in the theoretical framework of the study, data analysis and hypothesis testing.

1.7 Sources of data collection: The primary source of the study is the questionnaire, while the secondary sources are references, periodicals, previous studies related to the subject of the study and the Internet.

1.8 The limits of the study:

1.8.1 The objectivity limits: The study examined the role of ISA (700) in reducing creative accounting practices.

1.8.2 Human limits: Represented in the auditors in some auditing offices in the state of Khartoum.

1.8.3 Spatial limits: Some audit offices in the state of Khartoum.

1.8.4 Time limits: Year 2022.

2. PREVIOUS STUDIES

The researcher will review the previous studies that investigated the international standards on auditing and that instigated the creative accounting practices as follows:

The study of (Shawar and Qaisar, 2015) [1]. Aimed to understand the concept of creative accounting well, to differentiate between earnings management and fraud. And the study found several results, the most important of which is that **suggests** that Manipulations can be controlled by the effective implementation of Corporates' internal control systems, Compliance with codes of corporate governance and meeting the financial reporting regulatory requirements. Also the study of (Abulhikair, 2018) [2]. Tested the relationship between the international auditing standards and creative accounting, stand over the commitment of audit firms in Yemen and how standards outlined. And it found several results, the most important of it is that, that accounting information from financial statements prepared in accordance with the requirements of the audit standard number (500) of evidence results in financial statements prepared and tabulated fairly, as the study proved that the auditor has the knowledge and expertise that whenever high risk used more evidence. While the study of (Haapamaki and Sihvonen, 2019), [3]. Aimed to review synthesized extant research on ISAs, highlights institutional factors and their associations with the process of ISA adoption, to stimulate research in this field to improve knowledge of the adoption, implementation, and economic consequences of ISAs. And the study found that citation analysis involves the statistical treatment of scientific publications and provides data on the level of activity in a certain research field, allowing the outcomes to be used to evaluate the performance of research streams, researchers, and journals. While the study of (Goicoechea, Gómez, and Vicente, 2021) [4]. Aimed to study the value of audit reports and ways to improve their format and content and analysis of the responses suggests that adding information on audits (such as auditor's responsibility about fraud) and on annual accounts and client's information systems, the study conclude that auditors and financial report users do not want significant changes to the audit report format.

The researcher noticed that some of the previous studies investigated the concepts creative accounting and the impacts of its practices on the financial statements, while another study discussed the role of international auditing standards in reducing creative accounting practices in financial statements, also another study investigated research

on international standards on auditing: literature synthesis and opportunities for future research, while there a study discussed a consensus between auditors and users in the context of improving audit reports. And the different between the current study and previous study is that, this stud concentrated on investigating the role of ISA (700) "Forming an opinion and reporting on financial statements" in reducing creative accounting practices in financial statements.

3. INTERNATIONAL STANDARD ON AUDITING (700) "FORMING AN OPINION AND REPORTING ON FINANCIAL STATEMENTS"

In order to make the external auditors able to prepare their reports to the fullest extent, the International Auditing Standards Committee issued standards to help them in this context, including ISA (700), "Forming an opinion and reporting on financial statements", which will be addressed by the researcher for the purposes of this study.

3.1 Objective of the international standard on auditing (700):

The standard aims to provide guidance on the form and content of the independent auditor's report on the result of the audit process carried out to the institution's data through the evidence obtained, which forms the basis for expressing an opinion on the financial statements [5].

In addition to the above, the researcher believes that the objective of (700) is to assist the auditor in preparing a report that contains a written and clear opinion on the financial statements under auditing.

3.2 The main elements of the auditor's report:

The auditor's report includes the following essential elements, listed in their familiar manner [6]:

3.2.1 Title of the report: The report should contain an appropriate title. It is more appropriate to use the term "independent auditor's report".

The researcher believes that the title of the report should clearly indicate the extent of the

independence of the external auditor in performing his duties.

3.2.2 To whom is the report addressed: The report must be addressed to the appropriate body according to the terms of auditing assignments and local regulations. The auditor's report is usually addressed to the shareholders or to the board of directors of the audited institution [5].

The researcher believes that addressing the auditor's report to specific parties does not necessarily mean that these parties represent all the beneficiaries of the auditor's report, as there are many parties to whom the auditor's report is not addressed, but they get advantages of the auditor's report such as the tax authority, lenders, creditors and other users of financial reports in rationalizing their decisions.

3.2.3 The introductory paragraph: In which the audited financial statements are defined, including the date and period in which the financial statements were prepared, the management's responsibility in preparing the financial statements and the auditor's responsibility to express an opinion based on the audit task he has undertaken [6].

It becomes clear to the researcher that the introductory paragraph is an important paragraph because it accurately describes the responsibilities of each of the auditors and the management of the institution towards the process of preparing the financial statements that subjected to auditing and the auditing of the statements by the auditor.

3.2.4 The paragraph of the scope: In this paragraph the reference is made to the applicable international standards, local standards and a description of the task done by the auditor in terms of planning and carrying out the audit in order to obtain reasonable confidence that the financial statements are free from errors or not. The paragraph of the scope should also include a description of the examination on the basis of the test carried out on the evidence and a description of the assessment of accounting principles, significant estimates and the method of presentation adopted in the financial statements [5].

It becomes clear to the researcher that the paragraph of the scope expresses the scope of task carried out by the auditor and an explanation of the procedures used in preparing the financial statements under auditing.

3.2.5 The paragraph of opinion: Expressing an opinion on the financial statements. The report must clearly state the auditor's opinion as to whether the financial statements express true and fair (or represent fairly in all material respects) in accordance with the framework of the financial statements and comply with legal requirements. The expressions used to express the auditor's opinion are "true and fair" or "represent fairly in all material respects", and they are synonymous, and both indicate that the auditor considers only those matters that are of material importance to the financial statements[7].

The researcher believes that the opinion of the internal auditor on the fairness of the financial statements and the credibility of the information and financial data contained therein is very important for the users of the financial statements, as they depend on it in rationalizing their decisions, and therefore the auditor's opinion should be clear, accurate and honestly expressing that information.

3.2.6 Report's date: The auditor should report the date of the completion of the auditing process [8].

The researcher believes that the date of the report refers to the period during which the auditor completed his examination of the financial statements of the institution under auditing, and not the date of preparing the financial statements.

3.2.7 Address of the auditor: The report should include the name of a specific location, which is usually the city in which the auditor runs his office responsible for the auditing process.

3.2.8 Signature of the auditor: The report must be signed in the name of the audit office or the personal name of the auditor, or both, as appropriate [7].

It becomes clear to the researcher that the paragraphs of the auditor's address and signature confirm the auditor's responsibility for preparing the audit report.

4. CREATIVE ACCOUNTING PRACTICES

4.1. Concept of creative accounting:

Creative accounting is defined as the wrong and deliberate (choice/application) of the accounting policies used in the accounting process, which leads to a negative impact on the fairness of the financial statements [9]. It's also defined as a process of converting the financial accounting numbers from what they are to what the preparer's desire [10].

The researcher can define creative accounting as an erroneous practices or manipulation methods carried out by accountants to misleads the users of financial statements and not to disclose the actual performance of the company or any of the goals, whether to enhance the company's stock value in the market or to maximize the rewards of the board of directors and some employees or to achieve beneficial results for the company or any something else.

4.2 Definition of creative accounting practices [11]:

Explained that creative accounting practices are the process of manipulating financial numbers through the deliberate manipulation and deceptive application of accounting principles for the purpose of manipulating income and managing profits. Also creative accounting practices means the use of accounting methods to improve the company's financial position, through manipulation of financial reports, with a consideration to the factors that impacts the use of creative accounting for the purpose of manipulating accounting information [2].

The researcher believes that creative accounting practices are legal practices used by accountants who have high professional capabilities that enable them to manipulate financial figures, mislead users of financial statements and not disclose the actual performance of the establishment, taking advantage of flexibility in choices for accounting alternatives and benefiting from their understanding of generally accepted accounting principles to achieve personal advantages for them or for management.

4.3 Creative accounting practices used in financial statements:

Practitioners of creative accounting often have high accounting capabilities that enable them to manipulate, transform and modify values in the manner they desire [12]. In the following, the researcher will show the most important creative accounting practices in financial statements:

4.3.1 Creative accounting practices in the income statement

The objective of creative accounting practices on the income statement elements is to improve profit by showing profits in an inauthentic form, by inflating sales or reducing expenses, or both, in order to improve the financial ratios that enter sales figures, their cost and net income in their calculation as profitability and establishment efficiency ratios. Among the most important practices that management uses to manipulate the income statement are the following [13]:

4.3.1.1 Revenue manipulation: Creative accounting aims to manipulate revenues to improve the sales number in the income statement by increasing fictitious sales. Among these indicators of this procedure is the unusual increase in the volume of sales over previous years. These practices are as follows [14]:

- Making real sales deals, but on easy terms.
- Recording the consignment goods sent to the agents as sales.
- Recording sales revenue early and before shipment or recording it before the customer is obligated to pay for it.
- Transfer of current revenues to a later accounting period.
- Recording cash received from borrowing operations as revenue.
- Sales include uncertain sales contracts, which lead to inflating sales and profits.

4.3.1.2 Manipulation of cost of goods sold:

Creative accounting aims to manipulate the cost of goods sold to reduce the cost of goods sold in the

income statement to increase profits, through the following [15]:

- Unjustified change in the method used for inventory valuation.
 - Include items of the stagnant merchandise into inventory lists.
 - Postponing the proving of special purchase invoices values at the end of the current year to the next year.
- Not charging the period with losses in inventory that resulted from damage in the quantity of inventory or as a decrease in its market value.

4.3.1.3 Operating expenses manipulation:

Management practices creative accounting to manipulate operating expenses so as to increase operational profits, through the following [14]:

- Capitalizing revenue expenditures that do not meet the conditions of capitalization.
- Making unjustified changes in depreciation and amortization methods.
- Using depreciation rates that are lower than the rate accepted in the industry.

The researcher notes that the practice of creative accounting in the income statement directly impacts the value of net profits in the income statement by showing it at a value different from the true value of the profits, which in turn impacts the value of the tax that should be paid by the establishment, and this is considered tax evasion.

4.3.2 Creative accounting practices in the financial position statement

The management's objective of creative accounting practices on the elements of the statement of financial position is to improve the financial position by inflating the values of assets or reducing the values of liabilities, in order to improve the presentation of ratios derived from it as ratios of liquidity, profitability ratios, or others, and one of the most important practices that management resort to manipulate the financial position statement is the following [16]:

4.3.2.1 Manipulation of fixed assets: Creative accounting aims to manipulate fixed assets to improve the profits of establishment by including the surplus revaluation of assets or by reducing the depreciation expense, through the following:

- Non-compliance with the historical cost principle in determining the carrying value of these assets in the balance sheet.
- Manipulating the customary depreciation rates for assets by reducing them below those customary rates (that used in the market).
- Unjustified change in depreciation methods.
- Valuating fixed assets greater than the book value.

4.3.2.2 Manipulation of Stock: Creative accounting aims to manipulate the commodity stock to increase its value by increasing the value of current assets and affecting the liquidity ratios, through the following [15]:

- Unjustified change in the method of pricing inventory, for example, the shift from the weighted average method to FIFO
- Choosing the inventory valuation methods that would show it less or more than its real value.
- Inaccuracy in evaluating inventory by exaggerating the evaluation to improve the financial situation.

4.3.2.3 Manipulation of debtors: Creative accounting aims at manipulating debtors to maintain or increase the value of debtors (receivables) in order to improve the liquidity ratio. This is done through the following [17]:

- Include the number of debtors of receivables to related parties or to subsidiaries or associates.
- Making intentional errors in classifying debtors' accounts.
- Calculating the allowance for doubtful debts in a way that leads to its reduction or exaggeration.

4.3.2.4 Manipulating long-term commitments: The classification of current and long-term liabilities is manipulated and management repays

short-term loans through long-term loans, in addition to borrowing to cover any losses in the share price [18].

4.3.2.5 *Manipulating short-term obligations:*

This is by not including the installments due during the current year from long-term obligations within the current obligations.

The researcher concludes from the above that the practice of creative accounting in the financial position statement through manipulation of most of its items leads to changing the values of the items of the statement and shows them with values other than their real values, which gives misleading information to users of the financial statements and leads to wrong decisions as a result of this misinformation.

5. THE ROLE OF ISA (700) IN REDUCING CREATIVE ACCOUNTING PRACTICES IN THE INCOME AND FINANCIAL POSITION STATEMENTS

ISA (700) reduces creative accounting practices in the income and financial position statements when the auditor [16]:

5.1 Describing management responsibility for the preparation of the financial statements in auditor's report.

5.2 Expressing an unmodified opinion that financial statements are prepared, in all material respects, in accordance with the applicable financial reporting framework in auditor's report.

5.3 Stating that the financial statements are prepared in accordance with a fair presentation framework in auditor's report.

5.4 Stating that the responsibility of the auditor is to express an opinion on the financial statements based on the audit in author's report.

It's clear for the researcher that when the auditor states that the terminology used in the financial statements, including the title of each financial statement, is appropriate in auditor's report, the creative accounting practices in the financial statements will be reduced.

6. FIELD STUDY

The researchers discuss the method and procedures followed in the implementation of the study. This includes a description of the study population, the sample of the study, the method of preparing its tools, and the statistical methods used to test the hypothesis of the study. The study community is the total group of elements that the researchers seek to generalize the results related to the problem. The study community consists of a sample of Sudanese audit offices in Khartoum state.

6.1 The study sample: The sample of the study was determined according to its scientific specifications that achieve the objectives of the study from the owner of the audit office, the partner of the audit office, the director of the auditing office, the head of the audit team, the main auditor, the assistant auditor.

6.2 Data collection: A total of (50) forms were distributed on the pre-defined and targeted sample to verify the hypotheses of the study. A total of (50) forms were collected for analysis, (100%), To produce accurate results and disseminate them to the study community, the researcher is keen to vary the sample of the study in terms of its coverage on the following:

- Individuals with different ages (Less than 30 years, 30 and less than 35 years, 35 and less than 40 years, 40 years and more).
- Individuals with different qualifications (BSc, High Diploma, Master, PhD, Other).
- Individuals from different scientific disciplines (accounting, management, economics, information systems, financial and banking studies, etc.).
- Individuals of Professional qualification (SCA, CAA, CPA, ACCA, other, not found)
- Individuals of position (Accountant, internal auditor, external auditor, accounting inspector, head of department, other).
- Individuals of different years of experience (less than 5 years, 5 years and less than 10 years, 10 years and less than 15 years, 15 years and less than 20 years, more than 20 years).

6.3 Study tools: The study tools are the means used by the researcher to collect the necessary data on the phenomenon studied. There are many tools used in the field of scientific research to obtain the necessary information and data. The researcher

adopted the questionnaire as a main tool for collecting data from the study sample.

6.4 Stability and Virtual Honesty of the study tools: In order to ascertain the veracity of the questionnaires, the researcher presented the questionnaire to a number of academic arbitrators and specialists in the field of study. After the questionnaire was retrieved from the arbitrators, the proposed amendments were made.

6.5 Stability and statistical honesty of the study tools: The consistency of the test means that the scale gives the same results if used once under similar conditions. Stability means that if a test is applied to a group of individuals and their scores are monitored, then the same test is applied to the same group and the scores are obtained, the test is perfectly stable, also known as the accuracy and consistency of the measurements obtained from the test. The most commonly used methods for estimating the stability of a scale are

(Half-way distribution using the Spearman-Brown formula, Alpha-Cronbach method, Method of re-application of the test). Honesty is a measure used to determine the degree of honesty among respondents through their answers to a given scale.

6.6 Application of questionnaire to survey sample: The questionnaire was distributed to a sample of (5) individuals from the research community and from outside the research sample in accordance with their characteristics with the sample of the study to calculate the stability factor, to determine the degree of responses of the respondents to the questionnaire and to identify ambiguous questions and to provide preliminary testing of hypotheses and to clarify some design and methodological problems. The stability test for the questionnaire was conducted using the alpha-Cronbach coefficient and the result was 0.898. This means that the data is stable as shown in Table (1) below:

Table 1. Alpha Cronbach coefficient of the questionnaire

No.	Axis	Number of ferries	Stability(constancy)
1	First hypothesis	6	0.935
2	Second hypothesis	6	0.972
5	Total statements	12	0.961

Source: Researcher preparation, 2022.

The above table shows that the Cronbach coefficient for all the terms of the questionnaire is 0.961, which is high and the reference to the terms of the questionnaire is that the increase in the value of the Cronbach coefficient means increasing the credibility of the data. This means that the measure measures what is measured.

6.7 Used Statistical methods: To achieve the objectives of the study and to verify its hypotheses, the following statistical methods were used (Graphs, Frequency distribution of responses,

Percentages, Spearman-Brown equation to calculate the coefficient of stability, Arithmetic mean, standard deviation and variance and Chi-square test to denote hypotheses).

6.8 The first hypothesis testing

H1. There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the income statement.

Table 2. The frequency distribution of the responses of the sample members of the study for the first hypothesis terms

No	Sentences	Frequency and percentage%									
		Strongly Disagree		disagree		neutral		Agree		Strongly agree	
		f	P	f	p	f	p	f	P	f	P
1	Applying audit standard (700) reducing the practicing of recording the consignment goods sent to the agents as sales.	6	%12	6	%12	7	%14	12	%24	19	%38
2	Applying audit standard (700) reducing the practicing of transfer of current revenues to a	6	%12	5	%10	5	%10	14	%28	20	%40

	later accounting period.										
3	Applying audit standard (700) reducing the practicing of unjustified change in the method used for inventory valuation.	5	%10	2	%4	8	%16	10	%20	25	%50
4	Applying audit standard (700) reducing the practicing of including items of the stagnant merchandise into inventory lists.	3	%6	4	%8	4	%8	10	%20	29	%58
5	Applying audit standard (700) reducing the practicing of capitalizing revenue expenditures that do not meet the conditions of capitalization.	5	%10	5	%10	5	%10	13	%26	22	%44
6	Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry.	1	%2	1	%2	8	%16	14	%28	26	%51

Source: Preparation of the researcher, based on field study data, 2022.

Table (1) which explains the ratios and frequencies of the hypothesis terms which states “There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the income statement”

The researcher notes in the first sentence “Applying audit standard (700) reducing the practicing of recording the consignment goods sent to the agents as sales” that (31) person and in the rate of (62%) of the sample investigated agree with the sentence, while the neutrals (7) person of the sample and in the rate of (%14) Of the sample, While there is (12) Personal and in the rate of (24%) Disagree from the sample.

The second sentence “Applying audit standard (700) reducing the practicing of transfer of current revenues to a later accounting period” We find that (34) person and in the rate of (68%) of the sample investigated agree with the sentence, there is (5) neutral person and in the rate of (10%), While there is (11) Personal and in the rate of (22%) Disagree from the sample.

The third sentences, “Applying audit standard (700) reducing the practicing of unjustified change in the method used for inventory valuation” We find that (35) Person and in the rate of (70%) of the sample agree with the sentences, and (8) personal a neutral and in the rate of (16%), While there is (7)

Personal and in the rate of (14%) Disagree from the sample..

The fourth sentences, “Applying audit standard (700) reducing the practicing of including items of the stagnant merchandise into inventory lists” We find that (39) person and in the rate of (78%) of the sample investigated agree with the sentence, while the neutrals (4) person of the sample and in the rate of (8%) Of the sample, While there is (7) Personal and in the rate of (14%) Disagree from the sample.

The fifth sentences, which states that Applying audit standard (700) reducing the practicing of capitalizing revenue expenditures that do not meet the conditions of capitalization” We find that (35) person and in the rate of (70%) of the sample investigated agree with the sentence, while the neutrals (5) person of the sample and in the rate of (10%) Of the sample, While there is (10) Personal and in the rate of (20%) Disagree from the sample.

The sixth sentences, which states that Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry” We find that (40) person and in the rate of (80%) of the sample investigated agree with the sentence, while the neutrals (8) person of the sample and in the rate of (16%) Of the sample, While there is (2) Personal and in the rate of (4%) Disagree from the sample.

Table 3. The mean and the mode of the responses of the sample members of the study for the terms of the first hypothesis

No	Sentences	Mean	Mode	Explanation
1	Applying audit standard (700) reducing the practicing of recording the consignment goods sent to the agents as sales.	4.11	5	Strongly agree

2	Applying audit standard (700) reducing the practicing of transfer of current revenues to a later accounting period.	4.00	5	Strongly agree
3	Applying audit standard (700) reducing the practicing of unjustified change in the method used for inventory valuation.	4.36	5	Strongly agree
4	Applying audit standard (700) reducing the practicing of including items of the stagnant merchandise into inventory lists.	4.25	5	Strongly agree
5	Applying audit standard (700) reducing the practicing of capitalizing revenue expenditures that do not meet the conditions of capitalization.	4.12	5	Strongly agree
6	Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry.	4.21	5	Strongly agree

Source: Preparation of the researcher, based on field study data, 2022.

In Table (3) we note that the descriptive statistics of the first hypothesis terms, which states (There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the income statement), the Arithmetic

mean is in the range between (4.00– 4.36) and the vein is in the range between (5) According to the five-digit Likert scale, the person answers are strongly agree and agree.

Table 4. Test Chi - square first hypothesis

No	Sentences	Chi-square	Degree of freedom	Statistical significance
1	Applying audit standard (700) reducing the practicing of recording the consignment goods sent to the agents as sales.	91.45	1	.000
2	Applying audit standard (700) reducing the practicing of transfer of current revenues to a later accounting period.	93.63	1	.000
3	Applying audit standard (700) reducing the practicing of unjustified change in the method used for inventory valuation.	89.99	1	.000
4	Applying audit standard (700) reducing the practicing of including items of the stagnant merchandise into inventory lists.	101.26	1	.000
5	Applying audit standard (700) reducing the practicing of capitalizing revenue expenditures that do not meet the conditions of capitalization.	86.88	2	.000
6	Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry.	112.36	1	.000

Source: Preparation of the researcher, based on field study data, 2022.

In order to test the validity of the hypothesis, which states "There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the income statement", the Ki square test was used for the axis expressions. The values of the Ki square calculated as follows (112.36 – 86.88 – 101.26 – 89.99 93.63 – 91.45) With degrees of freedom (1-2), and with the

statistical significance for all terms (0.00), When comparing the level of statistical significance with the permissible level of significance (0.05) we find that the level of statistical significance is less than the level of morale, this means that there are differences of statistical significance of the terms of the hypothesis and the hypothesis achieved.

6.9 Second hypothesis Testing

H2. There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the financial position statement.

Table 5. The frequency distribution of the responses of the sample members of the study for the first hypothesis terms

No	Sentences	Frequency and percentage%									
		Strongly Disagree		disagree		Neutral		Agree		Strongly agree	
		f	p	f	p	F	P	f	P	F	p
1	Applying audit standard (700) reducing the practicing of unjustified change in depreciation methods.	5	10%	5	10%	7	14%	10	20%	23	26%
2	Applying audit standard (700) reducing the practicing of valuating fixed assets greater than the book value.	2	4%	3	6%	8	16%	12	24%	25	50%
3	Applying audit standard (700) reducing the practicing of choosing the inventory valuation methods that would show it less or more than its real value.	6	12%	7	14%	5	10%	11	22%	21	42%
4	Applying audit standard (700) reducing the practicing of making intentional errors in classifying debtors' accounts.	4	8%	2	4%	10	20%	10	20%	24	48%
5	Applying audit standard (700) reducing the practicing of management repays short-term loans through long-term loans.	3	6%	4	8%	11	22%	12	24%	20	40%
6	Applying audit standard (700) reducing the practicing of not including the installments due during the current year from long-term obligations within the current obligations.	1	2%	1	2%	9	18%	12	24%	27	54%

Source: Preparation of the researcher, based on field study data, 2022.

Table (5) which explains the ratios and frequencies of the hypothesis terms which states: There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the financial position statement"

The researcher notes in the first sentence "Applying audit standard (700) reducing the practicing of unjustified change in depreciation methods" that (33) Person and in the rate of (66%) of the sample agree with the sentences, and There is (7) personal a neutral and in the rate of (14%), While there is (10) Personal and in the rate of (20%) Disagree from the sample.

The second sentence, "Applying audit standard (700) reducing the practicing of valuating fixed assets greater than the book value" We find that (37) person and in the rate of (74%) of the sample investigated agree with the sentence, while the neutrals (8) person of the sample and in the rate of

(16%) Of the sample, While there is (5) Personal and in the rate of (10%) Disagree from the sample The third sentences, "Applying audit standard (700) reducing the practicing of choosing the inventory valuation methods that would show it less or more than its real value" We find that (32) Person and in the rate of (64%) of the sample agree with the sentences, and There is (5) personal a neutral and in the rate of (10%), While there is (13) Personal and in the rate of (26%) Disagree from the sample.

The fourth sentences, which states that "Applying audit standard (700) reducing the practicing of making intentional errors in classifying debtors' accounts" We find that (34) person and in the rate of (68%) of the sample investigated agree with the sentence, and (10) person and in the rate of (20%), While there is (6) Personal and in the rate of (12%) Disagree from the sample.

The fifth sentences, which states that “Applying audit standard (700) reducing the practicing of management repays short-term loans through long-term loans” We find that (32) person and in the rate of (64%) of the sample investigated agree with the sentence, and (11) person of the sample and in the rate of (22%) Of the sample, While there is (7) Personal and in the rate of (14%) Disagree from the sample.

The sixth sentences, “Applying audit standard (700) reducing the practicing of not including the installments due during the current year from long-term obligations within the current obligations” We find that (36) person and in the rate of (72%) of the sample investigated agree with the sentence, and (12) person of the sample and in the rate of (24%) of the sample, While there is (2) Personal and in the rate of (4%) Disagree from the sample.

Table 6. The mean and the mode of the responses of the sample members of the study for the terms of the second hypothesis

No	Sentences	Mean	Mode	Explanation
1	Applying audit standard (700) reducing the practicing of unjustified change in depreciation methods.	4.01	5	Strongly Agree
2	Applying audit standard (700) reducing the practicing of valuating fixed assets greater than the book value.	4.22	5	Strongly Agree
3	Applying audit standard (700) reducing the practicing of choosing the inventory valuation methods that would show it less or more than its real value.	4.11	5	Strongly Agree
4	Applying audit standard (700) reducing the practicing of making intentional errors in classifying debtors' accounts.	4.39	5	Strongly Agree
5	Applying audit standard (700) reducing the practicing of management repays short-term loans through long-term loans.	4.10	5	Strongly Agree
6	Applying audit standard (700) reducing the practicing of not including the installments due during the current year from long-term obligations within the current obligations	4.05	5	Strongly Agree

Source: Preparation of the researcher, based on field study data, 2022.

In Table (6) we note that the descriptive statistics of the first hypothesis terms, which states (There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the financial position statement), the

Arithmetic mean is in the range between (4.01 – 4.39) and the vein is in the range between (5) According to the five-digit Likert scale, the person answers are agree.

Table 7. Test Chi - square second hypothesis

No	Sentences	Chi-square	Degree of freedom	Statistical significance
1	Applying audit standard (700) reducing the practicing of unjustified change in depreciation methods.	81.33	1	.000
2	Applying audit standard (700) reducing the practicing of valuating fixed assets greater than the book value.	102.38	2	.000
3	Applying audit standard (700) reducing the practicing of choosing the inventory valuation methods that would show it less or more than its real value.	111.66	1	.000
4	Applying audit standard (700) reducing the practicing of making intentional errors in classifying debtors' accounts.	122.96	1	.000
5	Applying audit standard (700) reducing the practicing of management repays short-term loans through long-	140.56	1	.000

	term loans.			
6	Applying audit standard (700) reducing the practicing of not including the installments due during the current year from long-term obligations within the current obligations	103.96	2	.000

Source: Preparation of the researcher, based on field study data, 2022.

In order to test the validity of the hypothesis, which states "There is significant statistical relationship between audit standard (700) and reducing creative accounting practices in the financial position statement ", the Ki square test was used for the axis expressions. The values of the Ki square calculated as follows (81.33 – 102.38 – 111.66 – 122.96 – 140.56 – 103.96) With degrees of freedom (1-2), and with the statistical significance for all terms (0.00), When comparing the level of statistical significance with the permissible level of significance (0.05) we find that the level of statistical significance is less than the level of morale, which means there are differences of statistical significance of the terms of the hypothesis and the hypothesis achieved.

7. RESULTS OF THE STUDY

After completing field study and hypotheses testing, the researcher found the following results:

7.1 Applying audit standard (700) reducing the practicing of using depreciation rates that are lower than the rate accepted in the industry.

7.2 Applying audit standard (700) reducing the practicing of including items of the stagnant merchandise into inventory lists.

7.3 Applying audit standard (700) reducing the practicing of capitalizing revenue expenditures that do not meet the conditions of capitalization.

7.4 Applying audit standard (700) reducing the practicing of not including the installments due during 7.4 the current year from long-term obligations within the current obligations.

7.5 Applying audit standard (700) reducing the practicing of valuating fixed assets greater than the book value.

7.6 Applying audit standard (700) reducing the practicing of making intentional errors in classifying debtors' accounts.

7.7 Expressing an unmodified opinion that financial statements are prepared, in all material

respects, in accordance with the applicable financial reporting framework in auditor's report.

8. RECOMMENDATIONS

Based on the results of the study, the researcher recommends the following:

8.1 Increasing the awareness of auditors in audit offices on international auditing standards and its importance through workshops and seminars.

8.2 Need for training accountants and auditors practicing the profession on how to apply auditing standards through training courses.

8.3 Encouraging Sudanese audit offices to adopt international auditing standards in the nature of their work and specially ISA (700).

8.4 Conducting more studies on the role of international auditing standards (700) in detecting fraud and errors.

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