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Influence of Creative Accounting on Fraudulent Financial Reporting: Artificial Intelligence as a Moderator Role.
An applied analytical study in the Kurdistan Region of Iraq

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Abstract: This study aims to investigate the impact of creative accounting practices on fraudulent financial reporting, with a particular focus on the mediating role of artificial intelligence. The significance of this research stems from the persistent challenges in detecting and preventing fraudulent activities in financial statements, despite the advancement of modern accounting techniques. A quantitative approach was adopted, involving the distribution of 150 questionnaires to professionals working in the financial and accounting sectors of companies operating in the Kurdistan Region of Iraq. A total of 135 valid responses were collected from executive managers, accountants, and academic practitioners. The findings reveal a statistically significant relationship between the application of creative accounting and an increase in the risk of financial statement fraud. Furthermore, the results highlight that artificial intelligence can serve as an effective mediator by facilitating early detection of irregularities and enhancing the transparency of financial information. The study concludes with an urgent call to strengthen financial control systems through the integration of advanced technological solutions—particularly AI—to minimize manipulation and improve the reliability of accounting information.

Keywords: Artificial Intelligence, Creative Accounting, Fraudulent Financial Reporting, manipulation.

تأثير المحاسبة الإبداعية على التقارير المالية الاحتيالية: الذكاء الاصطناعي كدور وسيط
دراسة تحليلية تطبيقية في إقليم كردستان العراق

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المستخلص: تهدف هذه الدراسة إلى استقصاء أثر ممارسات المحاسبة الإبداعية في تضليل التقارير المالية، مع التركيز على الدور الوسيط الذي يمكن أن يؤديه الذكاء الاصطناعي في هذا السياق. وتنبع أهمية البحث من التحديات المستمرة في رصد ومنع الأنشطة الاحتيالية في البيانات المالية، رغم التقدم الملحوظ في تقنيات وأساليب المحاسبة الحديثة. تم اعتماد منهج كمي شمل توزيع ١٥٠ استبيانًا على العاملين في القطاعين المالي والمحاسبي

ضمن الشركات العاملة في إقليم كردستان العراق، حيث تم تحليل ردود ١٣٥ مشاركاً من بينهم مديرون تنفيذيون، محاسبون، وأكاديميون متخصصون. أظهرت النتائج وجود علاقة دالة إحصائيًا بين تبني المحاسبة الإبداعية وارتفاع مستوى الاحتيال في التقارير المالية. كما كشفت النتائج أن الذكاء الاصطناعي يمكن أن يسهم بدور وسيط فاعل من خلال تمكين الكشف المبكر عن الانحرافات وتعزيز شفافية البيانات المالية. وتخلص الدراسة إلى ضرورة تعزيز نظم الرقابة المالية بالاعتماد على الحلول التقنية المتقدمة، لاسيما تقنيات الذكاء الاصطناعي، وذلك بهدف الحد من التلاعب وتحقيق درجة أعلى من مصداقية المعلومات المحاسبية.

الكلمات المفتاحية: الذكاء الاصطناعي، المحاسبة الإبداعية، التقارير المالية الاحتيالية، التلاعب

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Introduction

Financial reports are a company's mirror in the business world. All of the company's operating information and operations are included in the financial report. Users or users of information will be able to evaluate a company's performance via these financial reports. Thus, in order to prevent any party from feeling disadvantaged when making decisions, businesspeople are required to be able to deliver correct and pertinent information without engaging in any illegal activity, such as fraud (Bawekes, et al., 2018). As a result, to avoid deceiving consumers of financial statements, firms using financial statements as a medium for information sharing must ensure that there are no major misstatements resulting from fraud or mistakes. The carelessness or deliberate substance of believe they have the power to affect the choices made by stakeholders (Meidijati and Amin, 2022). Because of this, businesses that prepare financial statements have to adhere to the reporting framework or appropriate accounting standards that have been published by institutions or state-recognized organizations (Abed et al., 2022).

In contrast, artificial intelligence's primary goal is to demonstrate how computer technologies may function like people by progressively and strategically figuring out how to carry out complicated human tasks (Chukwudi, Odoh., 2018: Oberoi et al., 2021). The intelligence, adaptability, and complexity of technologies and system objects have more promise than the source of their power (Oberoi et al., 2021: Hasan, 2021). For many years, technology has been used by practicing accountants to boost productivity and make well-thought-out judgments.

Artificial intelligence-driven technology advances accounting significantly across the board, giving accountants access to powerful new tools and the ability to automate a wide range of jobs and solutions. Furthermore, continual development is made possible by the nature of artificial intelligence systems and their quick ability to adapt (Kovalenko et al., 2021). Furthermore, traditional accounting professionals would leave the accounting software to do a few more difficult jobs throughout the age of artificial intelligence. These would help the accounting industry to further revolutionize the accounting profession while also greatly improving working performance, minimizing mistakes, and increasing company efficiency (Berdiyeva et al., 2021). In contrast, there has been a lengthy history of using artificial intelligence (AI) in accounting, extending back 25 years, mostly for financial reporting and auditing (Giudici, 2018). The growth of artificial intelligence and the advancement of accounting software have completely transformed accounting systems (Berdiyeva et al., 2021).

In order to better understand how artificial intelligence influences the relationship between the effects of creative accounting and fraudulent financial reporting; the researchers in this study are attempting to concentrate on this new moderating variable.

In Iraq, as the country integrates into global markets and adjusts to new economic challenges, the application of innovative accounting practices is becoming more prevalent. However, this trend has brought to the forefront serious issues related to financial transparency and corporate accountability. Therefore, the supervisory role of this research is to scrutinize the effects of creative accounting on the reliability of financial reporting within Iraqi companies, considering the local economic context, regulatory limitations, and potential ethical concerns.

1. Research Problem

In an economic environment characterized by institutional instability and regulatory consolidation, such as Iraq's, the dissemination of reliable financial information poses a significant challenge to market transparency and investor confidence. The rise of "creative accounting" practices, often presented under the guise of legitimate technicalities, such as early revenue recognition, asset overvaluation, or even liabilities avoidance through off-balance sheet mechanisms, seriously jeopardizes the quality and integrity of financial reporting. These practices are likely to mislead stakeholders, obscure economic facts, and, in more serious cases, facilitate fraudulent financial reporting.

The situation is even more alarming in the Iraqi context, where corporate governance arrangements, accounting standards, and internal control mechanisms remain insufficiently developed (Al-Khazaali, 2022; Jassim and Abbas, 2021). In light of this observation, this research proposes to examine the extent to which creative accounting methods influence the production of fraudulent reports within Iraqi companies. It is part of an applied analytical approach that incorporates artificial intelligence as a mediating variable. The latter is viewed as a technological lever capable of enhancing the ability to detect accounting anomalies and unify financial control mechanisms (Hassan and Karim, 2023; Abdullah and Rahim, 2023).

Accordingly, this study aims to provide an in-depth understanding of the links between accounting manipulation, financial fraud, and emerging technologies in the Iraqi context. The conference also aims to formulate practical recommendations to strengthen financial regulation, improve the quality of accounting reports, and foster a culture of compliance and transparency within companies.

2. Main Research Question

Does creative accounting influence the occurrence of fraudulent financial reporting in Iraqi companies, and to what extent can artificial intelligence mitigate this relationship?

3. Secondary Research Questions

Q1: Is there a measurable relationship between creative accounting and fraudulent financial reporting?

Q2: Does artificial intelligence play a mediating role in the relationship between creative accounting and fraudulent financial reporting?

Q3: To what extent can the use of AI help limit the effects of creative accounting practices in Iraqi companies?

4. Research Objectives

A. To study the potential impact of creative accounting on the production of fraudulent financial reporting in the Iraqi context.

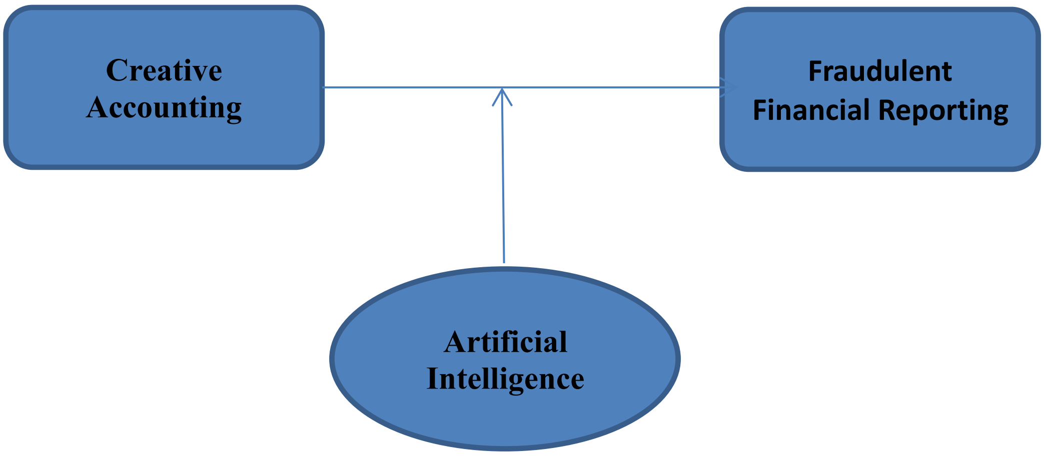
B. To analyze the mediating role of artificial intelligence in this relationship.

C. To propose recommendations based on the findings to improve financial transparency and reduce accounting fraud using advanced technologies.

5. Research Hypotheses

$H0_1$: There is no significant relationship between creative accounting and fraudulent financial reporting in Iraqi companies.

$H0_2$: Artificial intelligence does not play a significant mediating role between creative accounting and fraudulent financial reporting.



Model of the Impact of Creative Accounting on Fraudulent Financial Reporting with AI as a Mediating Variable

6. Determination of the Study Variables

To ensure scientific rigor in the design and analysis of the research model, it is essential to identify and classify the variables studied according to their functional role within the theoretical framework. This research is based on a causal model integrating three types of variables, each playing a distinct analytical role in explaining fraudulent financial reporting in Iraqi companies.

7. Independent Variable: (Creative Accounting)

Represents the set of accounting practices deliberately implemented to alter financial statements in order to present a financial image consistent with management's interests, sometimes to the detriment of the transparency and reliability of accounting information.

8. Dependent Variable: (Fraudulent Financial Reporting)

Constitutes the phenomenon to be explained. This refers to the accounting outcome affected by the application of creative accounting methods, resulting in the publication of inaccurate, misleading, or manipulated financial statements, likely to mislead users of financial information.

9. Moderate Variable: (Artificial Intelligence)

Plays a potential Moderate role in the relationship between creative accounting and fraudulent financial reporting. It is considered a technological mechanism capable of detecting, mitigating, or preventing the harmful effects of accounting manipulation through its predictive analytics and automated financial data processing capabilities.
Clarifying the variables not only allows for a more coherent organization of the research hypotheses, but also for an effective structure of the statistical analysis methodology. It thus guarantees the rigor of the adopted conceptual model and ensures its internal validity. Furthermore, this precise identification of variables facilitates the interpretation of the results by providing clear benchmarks for the evaluation of their causal relationships. Finally, it helps guide future studies by identifying the key factors that influence fraudulent financial reporting in the specific context of Iraqi companies.

10. Literature Review

A. Background

The literature on creative accounting and deceptive financial reporting is extensive and covers many topics. A summary is necessary to showcase the research's contribution to this field of investigation without undertaking an exhaustive analysis. This is achieved using a novel variable known as the moderation variable, symbolized by artificial intelligence.

B. Creative accounting

De Jesus et al. (2020) “Creative Accounting or Fraud? Ethical Perceptions Among Accountants” The purpose of this research is to examine the connection between ethics and creative accounting. Out of 168 surveys, the researcher gathered 100 questionnaires. As a result, accountants are less uncomfortable with inventive accounting techniques farther away from fraud than they are with those closer to fraud restrictions. Innovative accounting procedures typically encompass tasks aimed at reducing volatile revenue, managerial behaviors that do not yield monetary advantages over time and may damage the business, picking of constant metrics affecting revenue sources, manipulation and choosing of strategies to alter reports and organized transaction processes, and intervention activities in the financial report preparation process (Akpanuko and Umoren, 2018). Creative Accounting refers to the deliberate use of accounting methods that may or may not comply with established accounting principles or standards but intentionally diverge from the intended goals of these rules and regulations to project an optimal business appearance (Bhasin, 2016).

C. Fraudulent report

According to Sudirman (2023) “Detection of Fraudulent Financial Statements Through Pressure, la Opportunity, Rationalization in Bank” seeks to objectively ascertain the impact of opportunity, pressure, and rationalists on the fabrication of financial statements in banking institutions. About 65 questionnaires were gathered by the researcher from various firms. Encourage the investigation of variables impacting false financial reporting, such as audit quality and auditor industry specialty, and make use of alternative data analysis techniques. The company's decision to implement FFR is driven by its underwhelming financial performance, the objective of meeting analyst projections, and the need to secure external finance (Zhang et al., 2022).

Hence, engaging in deceptive financial reporting is seen as a significant obstacle to an organization's economic progress, resulting in diminished confidence. Several researches have proposed several methods by which fraudulent operations are carried out. Achmad et al. (2022) defined fraudulent financial reporting as the deliberate manipulation, falsification, or alteration of evidence and accounting data to generate financial reports. It also entails the intentional omission, error, or obstruction of transactions, events, or information that affects the presentation of financial statements.

D. Artificial intelligence

The objective of "Determinants of Artificial Intelligence Systems and Its Impact on the Performance of Accounting Firms" by Helly et al. (2022) is to ascertain the characteristics of AI that influence the operational effectiveness of accounting firms. According to the findings of the study, which analyzed 176 questionnaires, artificial intelligence (AI) facilitated accountants' work by increasing productivity and efficiency while decreasing time requirements. Meiryani (2023), "Analysis of Accounting Information Systems via Fraudulent Financial Reporting Based on Artificial Intelligence," 2023.This study aims to determine whether the use of an artificial intelligence (AI)-based (AIS) system has any impact on detecting and reversing the trend toward fraudulent financial reporting. A thirty-one-item study sample has been collected. An accounting information system powered by artificial intelligence can be used to prevent financial reporting deception. Artificial intelligence (AI) integration commenced an extended period of time ago and gained widespread acceptance when businesses began integrating computer systems. The quality of accounting services is deemed to be improved by artificial intelligence by the research. This is accomplished through the capability of intelligent systems to exceed human responsibilities and generate independent decisions (Stancheva, 2018). Official recognition of the field of artificial intelligence came in 1956 during a conference held at Dartmouth College in Hanover, New Hampshire. The initial usage of the term "artificial intelligence" occurred at this occasion. The scientists conveyed a sense of optimism regarding the swift progression of Artificial Intelligence throughout the meeting. Significantly, Marvin Minsky, a renowned author of an AI book, expressed this sanguine perspective, Rosario et al. (2016).

Finally, this study differs from previous research by incorporating artificial intelligence (AI) as a mediating variable to examine the impact of creative accounting on fraudulent financial reporting, a dimension that has not been extensively addressed in the existing literature. Unlike previous studies that have focused primarily on creative accounting and financial fraud, this research specifically explores how AI can mitigate this relationship, particularly in the particular context of Iraqi firms, where accounting practices and regulation are still developing. Thus, the study makes an original contribution by combining the analysis of creative accounting, financial fraud, and artificial intelligence in a regionally specific setting.

11. Methodology

Based on the contemporary post-posit academic institutions of thought, the present research utilizes the deductive method to validate the suggested theory. The study uses primary data that was gathered by administering a questionnaire to track various variables. The research population includes companies in the Kurdistan Region of Iraq, while the study sample consists of 150 individuals. The sample includes accountants, auditors, and firm managers who have firsthand knowledge and experience in the topic of research.

12. Result

The study used Cronbach's alpha coefficient to assess the internal consistency of items measuring key variables, including the impact of creative accounting on fraudulent financial reporting and the moderating role of artificial intelligence. A coefficient of 0.735 was obtained for a total of 19 items. This value indicates an acceptable level of internal consistency, according to generally accepted limits in the social sciences (≥ 0.7). This indicates that the items used measure the intended concepts relatively consistently. When the research is exploratory or the construct is complex, a slightly lower coefficient can be tolerated, although a value of 0.735 falls within the moderate to

Table 1. Cronbach's alpha for the study items

Reliability Statistics	
Cronbach's Alpha	N of Items
.735	19

Source: Data from author's analysis

Table 2. Distribution of Participants by Educational Level

Variable		**Frequency**	**%**
Educational Background	Diploma	12	9.2
	Bachelor	101	77.7
	Master	16	12.3
	PhD	1	.8

Source: Data from the author's questionnaire

The data shows what kind of education everyone in the group has. It breaks it down into four categories: "diploma," "bachelor," "master," and "PhD." Most people have bachelor's degrees, about 78% of the 130 surveyed. Then, there are some with master's degrees, about 12%, and a few with diplomas or PhDs. Overall, it gives us a good idea of the different education levels in the population.

Table3. Distribution of participants by current occupation

Variable		Frequency	Percent
Current occupation	Accountant	35	26.9
	Teacher	18	13.8
	Manager	4	3.1
	Auditor	5	3.8
	Other	3	2.3
	Student	65	50.0

Source: Data from author's questionnaire

The available data illustrates the current occupations within the surveyed group. Occupations are categorized as accountant, teacher, "manager," "auditor," "other," and "student." Among these, the most prevalent occupation is "student," constituting half of the surveyed individuals, followed by "accountant" with 26.9%. "Teacher," "manager," "auditor," and "other" make up smaller percentages. The cumulative percentages track the combined representation of each occupation category, reaching 100% collectively. This data provides valuable insights into the occupational diversity within the surveyed cohort, prominently featuring students as the largest occupational segment.

Table 4. Distribution of Respondents by Years of Professional Experience

Variable		Frequency	Percent
Years of work	1-10	104	80.0
	11-20	18	13.8
	21-30	8	6.2

Source: Data from author's questionnaire

the data presents the distribution of work experience among respondents, categorized into "1-10 years," "11-20 years," and "21-30 years." The majority, 80% of the sample, falls within the "1-10 years" range, suggesting a prevalence of early to mid-career professionals. "11-20 years" and "21-30 years" categories account for 13.8% and 6.2%, respectively. This data provides insights into the prevalent distribution of work experience levels among respondents, with a notable concentration in the early to mid-career range.

Table 5. Perception of the Impact of Creative Accounting Knowledge on Business Efficiency

Variable		Frequency	Percent
How does familiarity with creative accounting practices impact the effectiveness of the firm?	Ineffective	8	6.2
	Somewhat effective	14	10.8
	Moderately effective	19	14.6
	Effective	48	36.9
	Extremely effective	41	31.5

Source: Data from author's questionnaire

The data outlines the perceived impact of familiarity with creative accounting practices on firm effectiveness. Respondents' perceptions are categorized into five levels: "Ineffective," "Somewhat effective," "Moderately effective," "Effective," and "Extremely effective." Among these, the majority perceive creative accounting familiarity as either "effective" (36.9%) or "extremely effective" (31.5%), comprising a cumulative total of 68.5% and 100%, respectively. Notably, smaller proportions consider it "somewhat effective" (10.8%), "moderately effective" (14.6%), or "ineffective" (6.2%). This data suggests a prevalent positive perception regarding the influence of familiarity with creative accounting practices on firm effectiveness, with a significant proportion deeming it as effective or extremely effective.

Table 6. Perception of Effectiveness of Expertise and Participation in Seminars on Financial Fraud

Variable		Frequency	Percent
Is it effective to gain experience or engage in discussions, seminars, and workshops on fraudulent financial reporting within companies or academia	Ineffective	5	3.8
	Somewhat effective	12	9.2
	Moderately effective	21	16.2
	Effective	58	44.6
	Extremely effective	34	26.2

Source: Data from author's questionnaire

The data also outlines perceptions regarding the effectiveness of gaining experience or participating in discussions, seminars, and workshops on fraudulent financial reporting within companies or academia. A notable proportion of respondents perceive such engagement as either "effective" (44.6%) or "extremely effective" (26.2%), comprising a cumulative total of 73.8% and 100%, respectively. Smaller proportions consider it "somewhat effective" (9.2%), "moderately effective" (16.2%), or "ineffective" (3.8%). This data suggests a prevalent positive perception regarding the effectiveness of gaining experience or participating in discussions, seminars, and workshops on fraudulent financial reporting, with a significant proportion deeming it as effective or extremely effective.

Table 7. Perceived Contribution of Innovative Accounting Practices to the Dissemination of Misleading or Fraudulent Financial Information

Variable		Frequency	Percent
To what extent do innovative accounting practices contribute to misleading or fraudulent financial reporting	Ineffective	5	3.8
	Somewhat effective	12	9.2
	Moderately effective	21	16.2
	Effective	58	44.6
	Extremely effective	34	26.2
	Ineffective	5	3.8

Source: Data from author's questionnaire

The available data presents perceptions regarding the extent to which innovative accounting practices contribute to misleading or fraudulent financial reporting. The majority of respondents perceive innovative accounting practices as either "effective" (42.3%) or "extremely effective" (29.2%), accounting for a cumulative total of 70% and 99.2%, respectively. Smaller proportions view them as "somewhat effective" (5.4%), "moderately effective" (18.5%), or "ineffective" (3.8%). This data suggests a prevailing positive perception regarding the contribution of innovative accounting practices to misleading or fraudulent financial reporting, with a significant proportion considering them effective or extremely effective in this regard.

Table 8. Perceived Impact of Innovative Accounting Practices on Financial Information Users

Variable		Frequency	Percent
Do innovative accounting practices impact the users of financial information?	Ineffective	5	3.8
	Somewhat effective	8	6.2
	Moderately effective	16	12.3
	Effective	64	49.2
	Extremely effective	37	28.5

Source: Data from author's questionnaire

The current data presents perspectives on how innovative accounting practices affect users of financial information. The majority of respondents perceive these practices as either "effective" (49.2%) or "extremely effective" (28.5%), amounting to a cumulative total of 71.5% and 100%, respectively. Smaller proportions view them as "somewhat effective" (6.2%), "moderately effective" (12.3%), or "ineffective" (3.8%). This data suggests a predominant positive perception regarding the impact of innovative accounting practices on users of financial information, with a significant proportion considering them effective or extremely effective in this context.

Table 9. Perceived Negative Impact of Innovative Accounting Practices on Financial Statements

Variable		Frequency	Percent
Do innovative accounting methods and practices negatively impact financial statements	Ineffective	10	7.7
	Somewhat effective	13	10.0
	Moderately effective	23	17.7
	Effective	45	34.6
	Extremely effective	39	30.0

Source: Data from author's questionnaire

The data illustrates viewpoints concerning the detrimental influence of innovative accounting methods and practices on financial statements. A significant proportion of respondents perceive these practices as either "effective" (34.6%) or "extremely effective" (30.0%), amounting to a cumulative total of 70.0% and 100%, respectively. Smaller proportions view them as "somewhat effective" (10.0%), "moderately effective" (17.7%), or "ineffective" (7.7%). This data suggests a predominant positive perception regarding the effectiveness of innovative accounting methods and practices in negatively impacting financial statements, with a significant proportion considering them effective or extremely effective in this context.

Table 10. Perceived Effectiveness of Creative Accounting in Hiding Business Failure

Variable		Frequency	Percent
Is creative accounting a successful and often effective method of concealing a company's failure	Ineffective	6	4.6
	Somewhat effective	8	6.2
	Moderately effective	26	20.0
	Effective	45	34.6
	Extremely effective	45	34.6

Source: Data from author's questionnaire

The data indicates a prevalent perception that creative accounting is often effective in concealing a company's failure, with 34.6% considering it "effective" and another 34.6% deeming it "extremely effective." Combined, these responses constitute 65.4% of the total, suggesting a significant consensus on the efficacy of creative accounting for this purpose. Smaller proportions view it as "somewhat effective" (6.2%) or "moderately effective" (20.0%), while only 4.6% perceive it as "ineffective." This data underscores the prevalent belief in the success and effectiveness of creative accounting in masking a company's failure.

Table 11. Perceived Impact of Innovative Accounting Methods on Company Credibility and Market Position

Variable		Frequency	Percent
When an innovative accounting method appears in a financial statement, does it lead to loss of credibility for the company and its exit from the competitive marke	Ineffective	7	5.4
	Somewhat effective	15	11.5
	Moderately effective	21	16.2
	Effective	48	36.9
	Extremely effective	39	30.0

Source: Data from author's questionnaire

the data reveals that a substantial portion of respondents perceive innovative accounting methods as effective or extremely effective in potentially leading to a loss of credibility for the company and its eventual exit from the competitive market. Specifically, 36.9% find them effective, while 30.0% consider them extremely effective. Combined, these responses account for 66.9% of the total, suggesting a significant consensus on the negative repercussions of employing innovative accounting methods in financial statements. Smaller proportions view them as "somewhat effective" (11.5%) or "moderately effective" (16.2%), while only 5.4% perceive them as "ineffective" in this context. This data underscores the prevailing belief in the adverse effects of innovative accounting methods on a company's credibility and market competitiveness.

Table 12. Perceived Impact of Financial Mistakes Related to Innovative Accounting Methods on Institutional Corruption

Variable		Frequency	Percent
Do false financial reporting regarding innovative accounting methods affect corruption in business	Ineffective	4	3.1
	Somewhat effective	6	4.6
	Moderately effective	19	14.6
	Effective	51	39.2
	Extremely effective	50	38.5

Source: Data from author's questionnaire

In addition, the data suggests a prevailing belief that false financial reporting regarding innovative accounting methods has a significant effect on corruption in business. Specifically, 39.2% perceive it as "effective," while another 38.5% consider it "extremely effective." Combined, these responses constitute 77.7% of the total, indicating a strong consensus on the detrimental impact of false financial reporting on corruption. Smaller proportions view it as "somewhat effective" (4.6%) or "moderately effective" (14.6%), while only 3.1% perceive it as "ineffective" in this context. This data underscores the widespread belief in the effectiveness of false financial reporting in exacerbating corruption within business environments.

Table 13. Perceived Impact of Innovative Accounting Methods on the Preparation of False Financial Statements to Improve a Company's Reputation

Variable		Frequency	Percent
Do innovative accounting techniques lead companies to create false financial	Ineffective	4	3.1
	Somewhat effective	5	3.8
	Moderately effective	25	19.2
statements in an effort to enhance the company's reputation	Effective	51	39.2
	Extremely effective	45	34.6

Source: Data from author's questionnaire

The analyzed data indicates a prevalent belief that innovative accounting techniques are effective or extremely effective in prompting companies to create false financial statements for reputation enhancement. Specifically, 39.2% perceive them as effective, while 34.6% consider them extremely effective. Combined, these responses account for 73.8% of the total, indicating a strong consensus on the effectiveness of innovative accounting techniques in this regard. Smaller proportions view them as "somewhat effective" (3.8%) or "moderately effective" (19.2%), while only 3.1% perceive them as "ineffective" in this context. This data underscores the widespread belief in the efficacy of innovative accounting techniques in incentivizing false financial reporting for reputation enhancement.

Table 14. The Impact of Creative Accounting on the Accuracy of Accounting Information Due to Practices Such as Improper Financial Statement Adjustment

Variable		Frequency	Percent
Does creative accounting impact the accuracy of accounting information due to its procedures (such as alteration and misuse of financial data, creation of inappropriate documents)	Ineffective	1	.8
	Somewhat effective	3	2.3
	Moderately effective	18	13.8
	Effective	58	44.6
	Extremely effective	50	38.5

Source: Data from author's questionnaire

the data suggests a prevailing belief that creative accounting significantly impacts the accuracy of accounting information. Specifically, 44.6% perceive it as effective, while 38.5% consider it extremely effective. Combined, these responses account for 83.1% of the total, indicating a strong consensus on the effectiveness of creative accounting in compromising the accuracy of accounting information. Smaller proportions view it as "somewhat effective" (2.3%) or "moderately effective" (13.8%), while only 0.8% perceive it as "ineffective" in this context. This data underscores the widespread belief in the efficacy of creative accounting procedures in undermining the accuracy of accounting information.

Table 15. The Role of Artificial Intelligence in Financial Reporting and Analysis

Variable		Frequency	Percent
Does artificial intelligence (AI) play a role in financial reporting and analysis	Ineffective	1	.8
	Somewhat effective	4	3.1
	Moderately effective	19	14.6
	Effective	50	38.5
	Extremely effective	56	43.1

Source: Data from author's questionnaire

The data suggests a prevalent belief that AI significantly impacts financial reporting and analysis. Specifically, 38.5% perceive it as effective, while 43.1% consider it extremely effective. Combined, these responses account for 81.6% of the total, indicating a strong consensus on the effectiveness of AI in this domain. Smaller proportions view it as "somewhat effective" (3.1%) or "moderately effective" (14.6%), while only 0.8% perceive it as "ineffective" in this context. This data underscores the widespread belief in the efficacy of AI in enhancing financial reporting and analysis.

Table 16. Use of AI to Identify and Combat Financial Misinformation

Variable		Frequency	Percent
What is your perspective on the use of AI in identifying and combating false financial reporting	Ineffective	2	1.5
	Somewhat effective	7	5.4
	Moderately effective	18	13.8
	Effective	50	38.5
	Extremely effective	53	40.8

Source: Data from author's questionnaire

From the data provided, there seems to be a prevailing belief in the effectiveness of artificial intelligence (AI) in identifying and combating false financial reporting. A significant portion of respondents perceive AI as either effective (38.5%) or extremely effective (40.8%) in this regard. Combined, these responses account for 79.3% of the total, indicating a strong consensus on the potential of AI to address false financial reporting. Smaller proportions view it as somewhat effective (5.4%) or moderately effective (13.8%), while only 1.5% perceive it as ineffective in this context. This data suggests that AI holds promise as a tool for enhancing the detection and prevention of false financial reporting, with the majority of respondents acknowledging its efficacy in this critical area of financial governance.

Table 17. Integrating Artificial Intelligence to Mitigate the Impact of Creative Accounting on Misleading Financial Reporting

Variable		Frequency	Percent
Can the integration of AI help mitigate the influence of creative accounting on misleading financial reporting	Ineffective	1	.8
	Somewhat effective	3	2.3
	Moderately effective	20	15.4
	Effective	48	36.9
	Extremely effective	58	44.6

Source: Data from author's questionnaire

Based on the data, there appears to be a general consensus regarding the potential benefits of incorporating artificial intelligence (AI) as a means to reduce the impact of inventive accounting on deceptive financial reporting. In particular, a substantial majority of participants hold the perception that AI is effective (36.9%) or extremely effective (44.6%) with respect to this matter. As a collective, these responses constitute 81.5% of the entire set, signifying a robust agreement regarding the effectiveness of integrating AI. A minority of respondents consider it to be moderately effective (15.4%) or somewhat effective (2.3%), whereas a mere 0.8% consider it to be ineffective within this particular framework. The data highlights the general consensus that the incorporation of AI has the capacity to reduce the impact of fraudulent financial reporting caused by creative accounting. The majority of respondents agree that AI is an effective solution to this problem.

Table 18. Effectiveness of AI Technologies in Improving the Identification of Creative Accounting Practices and Fraudulent Financial Reporting

variable		Frequency	Percent
Are artificial intelligence (AI) techniques effective in enhancing the identification of creative accounting and fraudulent financial reporting	Ineffective	3	2.3
	Somewhat effective	4	3.1
	Moderately effective	16	12.3
	Effective	49	37.7
	Extremely effective	58	44.6

Source: Data from author's questionnaire

The data suggests that there is a general consensus regarding the efficacy of artificial intelligence (AI) methods in improving the detection of fraudulent financial reporting and inventive accounting. In this regard, an overwhelming majority of participants (44.6%) consider AI techniques to be either effective (37.7%) or exceedingly effective. As a collective, these responses constitute 82.3% of the entire sample, signifying a robust agreement regarding the effectiveness of AI methodologies. A minority of respondents (12.3%) consider them to be somewhat effective (3.1%) or moderately effective (13%) in this regard, whereas a mere 2.3% consider them to be ineffective. The data highlights the widespread conviction that AI techniques have the capacity to improve the detection of fraudulent financial reporting and inventive accounting. The majority of respondents have acknowledged the efficacy of these techniques in tackling these obstacles.

Table 19. KMO and Bartlett's Factor Analysis Test

KMO and Bartlett's Test		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.734
Bartlett's Test of Sphericity	**Approx. Chi-Square**	1067.381
	df	171
	Sig.	0.000

Source: Data from author's questionnaire

If the variables in your dataset are suitable for factor analysis, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy evaluates them. Variables are deemed more appropriate for factor analysis when their KMO values approach 1. The variables are moderately suitable for factor analysis, as indicated by the KMO value of 0.734 in our case. The identification of whether a correlation matrix is an identity matrix, signifying that the variables are unrelated and inappropriate for factor analysis, is accomplished by Bartlett's Test of Sphericity. The Bartlett's Test statistic obtained from our results is 1067.381, which has a significance level (Sig.) of 0.000 (essentially zero) and 171 degrees of freedom. This finding suggests the presence of substantial correlations among variables, thereby corroborating the data's appropriateness for factor analysis.

Table 20: Factor Analysis Results (Factor Loadings and Explained Variance)

1	5.152	27.117	27.117	5.152	27.117	27.117
2	2.558	13.463	40.579	2.558	13.463	40.579
3	2.044	10.757	51.336	2.044	10.757	51.336
4	1.284	6.759	58.096	1.284	6.759	58.096
5	**1.118**	5.884	63.979	1.118	5.884	63.979

Source: Data from author's questionnaire

The factor analysis results are displayed in the table, where each row corresponds to a distinct variable and each column signifies factor loadings or correlations with particular factors.

Identifiers or designations for each variable under consideration are listed in the first column. These identifiers facilitate the differentiation of various variables under investigation in the research.

As one proceeds to the following columns, it can be observed that each set of three columns symbolizes the loadings or correlations between specific factors and the variables. For example, the loadings associated with the first factor are represented in the second column set, followed by the loadings associated with the second factor in the third column set, and so forth. Greater values in these columns indicate more robust correlations between the variables and the factors that correspond to them.

The consistency of values across the corresponding columns for each variable is a noteworthy feature of the table. This consistency suggests that the variables exhibit comparable patterns of association with the various factors.

Additionally, it appears that each additional factor contributes progressively less to the total explained variance when examining the cumulative variance explained columns, which is a common pattern in factor analysis.

In general, this table offers significant insights regarding the interrelationships between the variables under consideration and the underlying factors, as well as the amount of variance accounted for by each factor. As a result, it facilitates the understanding of the data's factor structure.

The results of a factor analysis are presented in the table, with an emphasis on the correlation between five accounting practices-related variables and their foundational components or factors. In this dataset, an individual query or statement is represented in each row, while distinct components or factors extracted from the data are depicted in each column.
The descriptor for the components is provided in the first row, which is designated Component 1 through Component 5. These constituent elements symbolize latent factors that account for the variance that is shared among the variables.
The factor loadings or correlations between each variable and the identified components are presented in the following rows. A greater magnitude of the absolute values in the factor loadings signifies a more robust correlation between the variable and its corresponding component.
Examining the values in the table, for instance, it becomes clear that the first variable, which concerns the influence of novel accounting techniques on the credibility and market competitiveness of a company, possesses a comparatively substantial weighting on Component 1 (0.762). This implies that Component 1 is affected predominantly by the aforementioned variable. On the contrary, the existence of empty spaces or zeros in specific cells signifies that the corresponding variable does not contribute substantially to that component's burden. As an illustration, the loading of the fourth variable is significantly higher on Component 1 (0.700), whereas it is not substantially heavier on Components 2, 3, 4, or 5.
In order to interpret these results, loading patterns across variables and components must be identified; doing so can yield valuable insights into the data's underlying structure or dimensions. Furthermore, by scrutinizing the substance of the variables, one can decipher the significance of every constituent in relation to the aims of the research, including comprehending perspectives on innovative accounting methodologies and their ramifications.

Table 21: Factor Loadings Table from Principal Component Analysis

	Component				
	1	2	3	4	5
When an innovative accounting method appears in a financial statement, does it lead to loss of credibility for the company and its exit from the competitive marke	.762	.116	-.189		-.232
Does creative accounting impact the accuracy of accounting information due to its procedures (such as alteration and misuse of financial data, creation of inappropriate documents)	.735		-.160	.110	-.120
Do innovative accounting methods and practices negatively impact financial statements	.730		-.170	-.113	
Is creative accounting a successful and often effective method of concealing a company’s failure	.700				
Do innovative accounting techniques lead companies to create false financial statements in an effort to enhance the company's reputation	.696		-.323	.350	

Source: Data from author's questionnaire

The comprehensive results of a study examining the effects of novel accounting practices on various facets of financial management and corporate behavior are presented in the table below. The impact of innovative accounting methods is represented by five variables, each of which represents a different aspect of the impact. Let us dissect the constituent elements comprising each variable.
Impact on Organizational Credibility and Competitive Positioning: Variable 1. This variable investigates the potential impact of employing innovative accounting methods on the credibility and competitive position of a company. The components evaluate the degree to which the inclusion of such methods in financial statements affects credibility and the likelihood of withdrawing from the market. An intercept of 0.762 indicates a robust positive correlation, suggesting that the implementation of innovative accounting methods is significantly correlated with a decline in

reputation and the possibility of withdrawal from a competitive market. On the contrary, values of -0.189, -0.232, and 0.116 signify less robust positive and negative correlations, respectively.

The accuracy of financial information is the subject of investigation for variable 3, which pertains to the potential impact of innovative accounting practices. The components assess the degree to which these practices compromise the veracity of accounting information, such as through the modification and misuse of financial data. A correlation coefficient of 0.735 signifies a robust positive association, implying that the utilization of innovative accounting methods substantially undermines the precision of financial data. The negative and positive values -0.120, -0.110, and -0.160, respectively, signify weaker relationships.

The influence of variable 3 on financial statements: The impact of innovative accounting methods on financial statements is evaluated by this variable. The components assess the degree to which the integrity and dependability of financial statements are compromised by these methods. Innovative accounting practices have a significant negative impact on financial statements, as indicated by a value of 0.730, indicating a strong positive relationship. The negative values -0.170 and -0.113 are indicative of weakened associations.

Variable 4 Company Failure Concealment: This variable investigates the efficacy of inventive accounting as a means of obfuscating the failure of a company. A positive relationship is indicated by the single component value of 0.700, which suggests that inventive accounting is frequently effective at concealing a company's failure.

Variable 5 Financial Statement Falsification with the Intent of Enhancing Reputation: This variable examines whether companies are compelled to falsify financial statements in an effort to improve their reputation as a result of innovative accounting techniques. The elements assess the likelihood that businesses are involved in such fraudulent activities. A correlation coefficient of 0.696 indicates a robust positive association between the use of innovative accounting techniques and the propensity to manipulate financial statements with the intention of enhancing one's reputation. The values -0.323 and 0.350, respectively, denote less pronounced negative and positive relationships.

An analysis of the intensity and direction of the relationships between the variables and their corresponding components is presented in each entry of the table. This provides valuable insights into the consequences that may arise from the implementation of innovative accounting methods within the financial sector.

Conclusion and Discussion

The study employed a rigorous quantitative research methodology, focusing on the collection and analysis of primary data through the dissemination of meticulously designed questionnaires. The questionnaires were carefully crafted to elicit perspectives from a diverse group of individuals working in the finance and accounting sectors. This included practitioners with varying educational backgrounds, professionals holding advanced degrees, and employees of company institutions, including managers and accountants. By yielding 130 valid responses out of 150, the distribution method established that novel accounting techniques significantly and statistically significantly affect the reliability of financial reports. Complementing and building upon previous research findings in this field (Giudici, 2018; Hasan, 2021), this conclusion emphasizes the critical role that inventive accounting plays in ensuring the quality and dependability of financial information. The information for this study was obtained from a variety of publicly accessible sources as part of the multidimensional data collection process. The sources consulted for this study comprised financial reports, academic literature, and industry reports, thereby generating a comprehensive and varied dataset. Based on predetermined criteria like data accessibility and disclosure standards, the sample population for this study was comprised of publicly traded corporations from a range of sectors. Critical variables including fraudulent financial reporting, inventive accounting, and the use of artificial intelligence (AI) in auditing and financial analysis were the focus of the study. A comprehensive examination was conducted on these factors, employing descriptive statistics, regression analysis, and moderation analysis in order to ascertain their potential moderating effects and interrelationships. (Gramlich et al., 2001; Bawekes et al., 2018; Lukman & Irisha, 2020). The implications of the study's findings are wide-ranging, as they significantly contribute to the body of knowledge on accounting ethics and offer valuable insights for individuals engaged in financial reporting. The results underscore the pivotal function that artificial intelligence (AI) performs in moderating the connection between fraudulent financial reporting and innovative accounting. This indicates that AI has the potential to be a useful instrument in detecting and preventing fraudulent activity, thereby enhancing the precision and reliability of financial data. Abed et al. (2022); Zhang et al. (2022). Additional insights were provided by the study regarding the impact of innovative accounting practices, including aggressive revenue recognition and income normalization, on the reliability of financial statements. Although not inherently illicit, these methods have the potential to manipulate the authentic financial condition of a company and mislead its stakeholders. The results emphasize the critical importance of ethical behavior in the realm of financial reporting, in addition to the necessity for robust regulatory oversight to safeguard against the misuse of accounting principles. This study makes a substantial contribution to the body of knowledge regarding dishonest financial reporting, inventive accounting, and the application of artificial intelligence in financial analysis. It highlights the revolutionary potential of AI in enhancing the quality and dependability of financial information and the significance of ethical conduct in financial reporting. Further investigation is required to comprehensively comprehend the ramifications of artificial intelligence in financial reporting, in addition to its wider ramifications on corporate governance and accountability.

Key Recommendations and Implementation Mechanisms

The study recommends strengthening accounting regulations, integrating artificial intelligence to detect financial anomalies, and promoting continuing education in accounting ethics. This requires adopting standards aligned with international standards, using advanced technological tools in audits, and organizing professional seminars. Finally, the implementation of internal whistleblowing mechanisms is also suggested to improve transparency.

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