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“Colorful” approach regarding creative accounting. An introspective study based on the association technique

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Abstract: The research aims to make an introspection of the irrational behavior of the managers who, being under the pressure of sending as favorable as possible signals to different categories of users regarding the enterprise they manage, are tempted to use creative accounting techniques. The research is based on the administration of a questionnaire to Romanian managers from Bihor county. Wishing to detect as favorably as possible the way in which the managers perceive and develop their relations with auditors and accountants, we have used in making up the questionnaire, a research method from the category of projective techniques, the free association technique. We found out that more than half of sampled managers are inclined to change an accounting policy that brings major benefits to the firm's image and also there is an aversion towards risk among managers in Bihor, yet it is doubled by their tendency towards accounting manipulation. The projective techniques chosen have led us then to carry out two polar diagrams which detect the managers' perception regarding auditors and accountants.

Keywords: Creative accounting, managers, projective techniques, performance, options, animal spirits

JEL codes: M41

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1. Introduction

The financial performance of an enterprise is most of the times reflected in the level of the profit the enterprise has based on the existing results. It is well known that the possibility of managers to juggle with the result to reach a certain purpose, which most of the times, it is against the true and fair view, reflects the privilege of creative accounting. In appreciating the notion of results it occurs a lower or higher degree of subjectivity according to the accounting options and policies adopted by the enterprise in accordance with the interests showed by each category of users. The latter has a visible tendency on the enterprise communicating the information.

Modern financial mechanisms are inherently dependent on trust (Akerlof & Schiller, 2010). Accounting records and financial reports made by accountants provide the essential grounds for trust and expectations. In spite of all these, accounting is one of the most turbid creations of man. To appreciate the information accuracy, “*creativity*” must be considered and many times it is used to present a favorable image of the management or “*to sell the future of the society as advantageous as possible*”. And for “*not everything that glitters is gold*” in such conditions the users are left with learning to use accounting information.

The temptations of creative accounting can be alluring and nothing undermines more seriously the trust in a system than the occasional implosions generated by creative accounting (Akerlof & Schiller, 2010). As well know, creative accounting is not a new practical activity. It has been both a temptation and a problem since the accounting principles were used for the first time in order to draw up the financial reports on company performance. “*When a food lover craves for a cake, he gets closer to it. It has never happened the other way around in the history of humankind*” (Matt & Mikol, quoted by Feleagă 2012). Recent financial scandals have brought creative accounting to the public attention, making it more obvious the fact that for all the players involved in business: *accounting is an inexact science*. World leaders have joined this debate, clearly showing that the company management has both legal and moral responsibility when producing relevant information for the parties interested. Although, the uncertainty and grey areas in accounting have made the managers be afraid of implications and unclear aspects regarding what they can and should do to fulfill their responsibilities to the parties interested and the community.

In principle, people trust accounting figures, yet it is possible that, by breaking some of the accounting principles and rules, the accounting representation might provide a deceiving and distorted image of the economic reality of the enterprise. In other words, the behavior of the users of accounting information can be influenced by the distorted accounting image and, thus, the users might be manipulated. Just like in life, *for many times, the truth is beyond*

*appearance...*these practices are made under the endorsement of the auditors who are called in to ensure the social reliability of the accounting information by certifying the fact that the financial statements reflect the economic reality due to their conformity with a certain referential. This is why, in this article, we intend to get through the well-known meanings of the process related to the preparation of accounting information and to understand in a different manner, looking for new meanings, the position of the manager considering the pressures and circumstances in which the latter manages the company. Our approach is structured as follows: after a succinct introduction in the field of creative accounting, in the second section we intend to review some of the contributions to the literature of some known authors regarding the managers' temptation to use accounting manipulation techniques, the signalling theory and the correlation with the accounting information published and the proposal for a theoretical framework for creative accounting; then, in the third part, we delineated the purpose and main objectives of our research, in the fourth part there is the description of the research methodology; the section destined to the analysis of the results of the study applied and the processing of the answers of the respondents surveyed is the one synthesizing and shaping our ideas regarding the investigation of the managers' psychology in confronting the temptations of accounting manipulation and their inclination towards sending as favorable as possible signals regarding the performance of the company; in the last section of our approach there are the most important conclusions extracted from the analysis from the previous section, the limitations of our research are emphasized and there are suggestions regarding future research directions related to the results of the present study.

2. State of knowledge - literature reviewed

The literature in the field on the aspects related to this land full of creative accounting magic becomes richer by the day. To be blamed for this aspect are the financial scandals and the recent economic crisis that the Romanian economy still feels. And, even though this practice called creative accounting is often blamed in different negative situations, it is creative accounting that everybody expects life-saving solutions from. Thus, Salustro and Lebrun (quoted by Delesalle, 2000) stated: *“Crisis periods are actually trials for enterprises; affecting their cash flow and generating risks, that accounting doesn't deal with in a flawless manner. Therefore, managers are tempted to resort to ingenious, more often questionable procedures, for refining accounts presentation.”*

The problem of creative accounting and especially that of the motivational factors has known a global geographical evolution being a world level phenomenon. Among the research studies in this view we mention those of: Jensen and Meckling (1976); Smith and Warner (1979); Dechow *et al.* (1995, 1996); Healy and Wahlen

(1999), Buchanan and Yang (2005). All the authors identified as the main reasons for which the managers use financial engineering the following: the managers' remuneration and the costs resulted from conflicts of interests. The management of an enterprise can manage its results artificially to reach a figure corresponding to a preconceived idea of "forecast" results (Fern *et al.*, 1994). Thus, the managers make such measures to influence the way in which the investors perceive their enterprise (Degeorge *et al.*, 1999). Kellog and Kellog (1991), analyzing this situation, identify two main reasons for result manipulation: the desire to encourage the investors to buy the shares of the enterprise and the desire to increase the market value of these shares.

In a purely theoretical study, Dye (1988) presents the manipulation of results a logical consequence of a situation in which the managers take advantage from an asymmetry of information concerning the shareholders. This idea is also at the center of definition provided by Scott (1997). Yet, Dye contributes to the debate with at least two considerations. In the first place, the manipulation of results is used to increase the managers' remuneration and, therefore, it can be assumed that the investors take into consideration this possibility. Secondly, current shareholders wish that the market ascribe a higher value to the company. Therefore, there is a potential of wealth transfer from the new shareholders to the older ones and this creates an external demand for the manipulation of results (Schipper, 1989). Regarding the empirical studies, Prencipe *et al.* (2008) referring to the motivational factors of earning manipulation in the family firms, investigate the conflict of interests appeared from the agency theory and formulate hypotheses assuming that those particular firms are less sensitive to the motivations of result tabulation than the non-family firms. The research hypotheses focused on the issues related to capitalization of costs of development. The highly spread practice of the activity of strategic management of results has, according to Hadani *et al.* (2011), a contrary impact on the quality and credibility of financial reports and leads to the increase of informational asymmetries between owners and managers. Pfarer *et al.* (2008), quoted by Hadani *et al.* (2011), consider that the manipulation of results reported in the financial statements represents a current practice encountered in public companies. By misleading the investors, the manipulation of results may lead to an inaccurate allocation of temporary resources.

In the context of financial scandals, the problem of creative accounting practice is brought into discussion by Baker and Hayes (2004) authors who connect these practices to: the financing outside the budget, the admission of incomes, the information regarding the financial statements and related to its legal and illegal facets, Omurgonulsen (2009) examines a certain type of creative accounting practice in the light of a Turkish case (the ImarBank scandal).

The world financial crisis which ended up affecting Romania, too, a relatively small economic system and relatively disconnected from the world economy, does

not represent anything new according to Svasta (2009). According to this author, its signals could be seen a few years ago when the firms already mentioned Enron, Worldcom and in Europe, Parmalat, crashed due to some risky financial operations.

The responsibility that the management has regarding the accuracy of representations in the financial statements is highly correlated to the privilege of deciding on the communication of information considered to be necessary. Although the drawing up of financial statements and of the related informative notes is the management's responsibility, it is not excluded that the auditor suggests adjustments in order to reach the true and fair view. If the management insists upon presenting a financial statement which in the auditor's opinion seems unacceptable, the latter has two options: either issue an unfavorable opinion or a reticent opinion or withdraw from his audit agreement. According to McMillan (2004), the relation between the auditor and the management brings to light the inherent need to develop a strong moral structure regarding the exercise of the auditor's profession.

In a study using the idea of a several dimension managerial strategy and which examines the effects of strict reasoning and of ethical behavior of internal speculations, result management, and the managerial effort, Elitzur (2011) shows that clear reasoning plays an important role in the managers' decision making process. Moreover, Liu and Zhuang investigate in a study of 2011 whether the efficiency of the audit committees influence the correlation existing between the forecasts based on result management techniques and the quality of the financial analysts' forecasts, concluding that the efficiency of the audit committees has a moderating effect on this correlation. This influence results from the increased responsibility of the audit committees in monitoring voluntary reports. The results show that the forecasts based on result management techniques issued by those firms which have efficient audit committees are to a higher extent positively correlated with the degree of accuracy of the financial analysts' forecasts and negatively correlated with their degree of dispersion than the firms with less efficient audit committees. According to the authors, an efficient audit committee is exclusively made up of independent directors and directors specialized in accounting expertise and who meet at least four times a year.

We consider that, although difficult for an auditor to foresee the financial crash before its occurrence, they should pay more attention to the management's ability and to the evaluation of its integrity. A competent management is always preoccupied to reduce to minimum the effects of some short term problems. Regarding the doubtful integrity of the management, the cases in which key-members of the managerial team were convicted in the past for crimes are well known. Signals of integrity problems can be generated by frequent changes of the key members within financial or internal audit departments, as well as the permanent conflicts with the employees and the trade unions.

An enterprise will present to the external environment an image which most of the time is made up of a set of signals contained in accounting variables, confirmed by the auditors and which, certainly, leave place for the analysts' interpretations.

Signalling theory was born at the beginning of the 70s, based on two main researches: Arrow (1972) and Spence (1973) (cited in Bini *et al.*, 2011). Signalling theory was introduced in the research of accounting options in order to take into consideration the informational asymmetry existing between managers and shareholders (Bunea, 2006). The theory is based on the hypothesis that accounting variables are used as a signalling means in the financial communication by the enterprises whose capitalization perspectives are favorable. Agreeing with the opinions issued by authors like Healy and Palepu (2001), Verrecchia (2001), Botosan (1997), Francis and Shipper (1999), Botosan and Plumlee (2002), Bini *et al.* (2011), signalling theory was created and introduced as an alternative explanation to the field of policies of result flattening and as a ground for the financial communication policies and voluntary reporting of information.

The signalling theory can be relevant in the analysis of factors determining in choosing the accounting policies and practices. Moreover, the choice of accounting policies results from the wish to cope with the spirit of regulations or standards or to reflect the company's economic reality or to provide a true and fair view image. It is crystal clear that the choice of the accounting policies sends certain signals to the interested parties. And then, obviously, there is the question: *What does the diversity of the observed accounting choices reflect?* The managers' tendency to manipulate the result according to the interests pursued. Yet, there are other factors, too, in the managers' decision making process, among them being the governance mechanisms. To the extent to which these mechanisms are partially based on the accounting information, choosing different accounting policies, the managers can influence the efficiency of the governance mechanisms. Pooling resources and maintaining the economic indices such as the share price at a positive level are elements highly motivating the managers in voluntarily diffusing the financial and non-financial information. This is done, essentially, by implementing a signalling or warning policy (Știrbu, 2010). As it results from literature, numerous signalling models are different due to the typology of instruments used.

According to Feleagă and Feleagă (2006), there is this tendency of the managers to manage the content of accounting information in their personal interest, especially to maintain their position within the company. They might communicate or signal to the enterprise's partners a certain amount of information through some appropriate accounting policies. Thus, the signalling approach is based on the main hypothesis that the information is not distributed homogeneously among the users of financial statements. The phenomenon might lead to market disappearance in which the informational asymmetry dominates by chasing away successful

enterprises which are replaced by those with insignificant results. Yet, for the market not to disappear, it is in the best interest of the managers of lucrative companies to signal the performance to the investors. The signalling activities or actions are carried out through different instruments, especially through relevant accounting policies.

3. Purpose and objectives of the study

Analyzing the managers’ perception regarding accountants and auditors, the research aims to make an introspection of the irrational behavior of the managers who, being under the pressure of sending as favorable as possible signals to different categories of users regarding the enterprise they manage, are tempted to use creative accounting techniques.

The main objectives in order to achieve the purpose of this research are:

- ✓ to identify a possible correlation between the managers; inclination towards creative accounting practices and their personality traits (temperament, character);
- ✓ to analyze, using projective research methods, the managers’ perception regarding accountants and auditors, following the identification of some hidden meanings of this perception and, consequently, of the way in which it influences the relations among them;
- ✓ to detect the importance of the signalling theory in the analysis of determining factors in choosing accounting policies and procedures.

4. Research methodology

Our research is descriptive of transversal type, **the research method** used being the survey (poll, the instrument of the research being the questionnaire. This study represents a part extracted from a more extended research which had in view the identification of the managers’ perception regarding the usefulness of accounting information and of other factors taken into consideration when decisions are adopted and a possible tendency to use creative accounting techniques to create a better image of the enterprise.

From the managers, the universe population is made up of 53 managers to large companies whose financial statements have been audited, to which we added the managers of SMEs with more than 9 employees, which, at the level of Bihor county, when the study was carried out, meant 1,937 of a total of 18,620.

Therefore, the probably population has a volume of 1990 entities. The questionnaires were made and posted on an Internet page, preserving the anonymity of the respondent. Also, we used the possibility of direct approach, especially in the case of managers where we noticed that the electronic variant had not provided a satisfactory answer rate. Finally, the number of questionnaire received from managers is the following: 20 questionnaires from the managers of large companies, 22 from those of medium sized companies and 83 from the managers of small sized companies. The weights in the probably population are close to those established initially, therefore we can start from the premise that the representativeness of the sample is ensured.

For during our research we paid attention to the inclination towards the result manipulation, we have considered as necessary to take into consideration only the tax paying companies. One of the main criteria based on which a company can be an income tax payer is the number of employees. For this reason, we have eliminated from our study the companies with less than 9 employees because much less of them present detailed information in their financial reports.

Wishing to detect as favorably as possible the way in which the managers perceive and develop their relations with the auditors and the accountants, we have used in making up the questionnaire, a research method from the category of projective techniques, the free association technique. The projective techniques are used in research to obtain from the respondents information in which they project to a certain extent, unconsciously, their own attitudes or feelings referring to the subject studied (Kothari, 2006). This technique was chosen in designing the questionnaire destined to managers to the elaboration of questions **II.11 and II.12**, questions that request the managers to associate a color to the auditor's image and to the accountant's image. The results obtained have determined us to analyze the elements associated to each color resulted in the research and, also, based on the analysis of the characteristics, each color has been attributed a representative image which, subsequently, has been used for a more suggestive representation of data.

The association techniques represent a variant of the projective research methods, methods that the researcher uses when he wants to disguise the subject of the research. In this way, they are trying to get information from the subject without directly putting him in the center of things, but determining him to project his own thoughts, beliefs or feelings, on a generic subject (Popa, 2013). The free association requires a high degree of involvement from the part of the subject in the test: the surveyed person has to express his opinion freely regarding the stimulus presented by the researcher (an image or an object), for example, *name the first words that comes to your mind when you hear someone saying: Vodafone*.

5. Analysis and discussion of results

If the reality is dynamic, complex, uncertain, and risky, accounting has to deal with the dilemma of possible options. The accounting policies can have a direct influence on the value of the enterprise. Each piece of information sends a signal. The accounting information processed to be communicated to the users are based on accounting options and the managers' attitude regarding the signals they want to send to the third parties and which target the performance of the enterprise they manage. For, most frequently, they are stimulated by the owners of the business to get results as high as possible, they will be at least tempted to send signals as favorable as possible through the information contained in the financial statements of the enterprise. Certainly, if the accounting standards and regulations and also the financial reporting framework are observed, the managers' inclination towards the “game” with the creative accounting practices, we have considered that it is related to their tendency to take risks, generally, in their everyday life.

The incentives received by managers to improve the performance of the enterprise or to optimize the financial indices motivate them to force the transmission of favorable information which devolve upon positive signals regarding the image of the company. Thus, the managers can choose the accounting policies which lead to the increase more or less artificially of positive results and, therefore, of the performance of the enterprise, with the only objective to increase their own remuneration. The pressure of sending positive signals lies on accountants too who will feel the risks of the “game” in applying the accounting options and the creative accounting techniques, but it will be felt also on auditors who, in their intercession and mission to check the financial statements and the compliance with the financial reporting framework will be able to notice possible distortions of events and transactions compared to economic reality.

Taking into consideration what Akerlof and Schiller (2010) wrote, authors who considered that in order to understand the way in which economies work and how we can manage and develop them, we must be careful about the structure of thoughts which animate people's ideas and feelings, *their animal spirits*, we have tried to transpose this idea in the aspects which refer to the managers' decisions compared to the accounting options and information that they will publish, sending different signals to the users and to analyze their perception on creative accounting in the context of inter-relating with the accountants and the auditors. We will never truly understand the important economic events unless we realize that, in reality, their causes are to a great extent of a mental type (Akerlof & Schiller, 2010).

Akerlof and Schiller (2010) define the collocation “*animal spirits*” as that “nervous fluid” that a few centuries ago was thought that, just like a “soul blood” determines people to be able to feel and move – which today, probably, would be called

“psychological-emotional motivational factors”. In a broad sense, the authors state that the “animal spirits” refer to liveliness and animation or in other words, to the natural state of mind of a healthy animal which in the economic context determines people to make bold decisions and invest money, work and time in business initiatives (Keynes, 1973).

According to Kahneman (2011), those who study risk have rapidly seen that the idea of readiness is relevant for their preoccupations. The same author notes that the most influent studies of the readiness biases have been carried out by Slovic *et al.* (2004) and underlines that Paul Slovic probably knows more than anyone else about the eeriness of the human evaluation of risk. His work provides an image of the individual which is by far little flattering: lead by emotions rather than reason, easily influenced by meaningless details and having an inappropriate sensitivity towards the differences between the reduced and neglecting probabilities (Kahneman, 2011). The “risk” does not exist “outside us”, independent of our mind and culture, waiting to be measured. Human beings invented the concept of “risk” to help them understand and adapt to life uncertainties. Even though these dangers are real, there is not anything like “real risk” or “objective risk” (Greiffender *et al.*, 2011).

When it is about individuals and especially about organizations, the external perspective and the risk policy represent remedies against two distinct biases (influences) which affect many decisions: the exaggerated optimism of the sophistic error of planning and the exaggerated precaution induced by the aversion to loss (Kahneman, 2011). In Kahneman’s opinion (2011), the two biases (influences are opposed one to another and, as the author emphasizes, the exaggerated optimism protects the individuals and organizations against the paralyzing effects of the aversion to loss and the aversion to loss protects against the madness of overdone reliant optimism. Kahneman (2011), starting from the experiments carried out by Thaler with the top managers of the 25 divisions of a large company¹ states that an organization might eliminate both the excessive optimism as well as the excessive aversion to loss if it combined the external perspective and the risk policy.

Based on behavioral theories, we have considered that a manger’s tendency to take risks is correlated to certain psychological treats, and our approach went on with our wish to detect the extent to which their tendency towards accounting manipulation was possible. Therefore, we addressed them the following close questions whose answers, after being statistically processed, are presented in what follows:

II.14. Assuming you are behind the wheel of a car and seeing the yellow light of the traffic lights, do you choose to speed up or to slow down?

While 49.6% of the respondents would choose to speed up when they see the yellow light, 50.4% of the surveyed respondents would slow down.

II.16. Do you agree to change an accounting policy that harms the true and fair view, yet it is favorable to the performance of the enterprise?

More than half of the managers of the sample are inclined to change an accounting policy that brings major benefits to the firm’s image, while 30% would not use this method as it can be seen in the figure below:

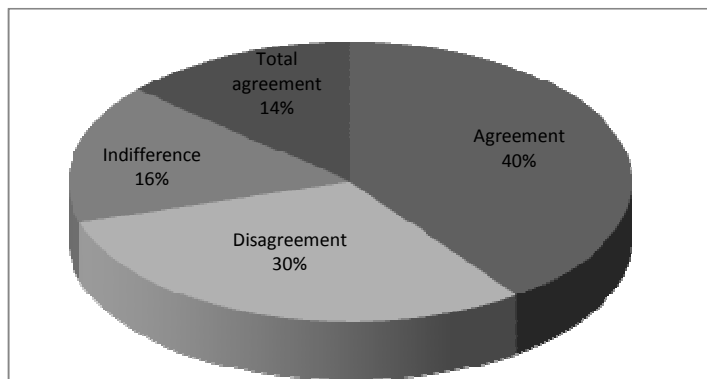
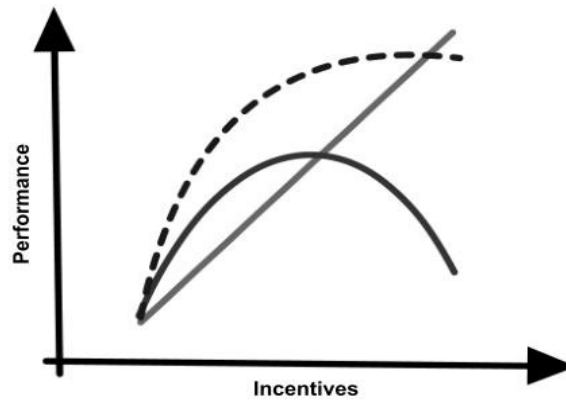


Figure 1. Managers’ opinion regarding the managers’ willingness to use accounting manipulation

From the information analyzed above and from the statistical analysis carried out, we can conclude that there is this aversion/inclination towards risk among managers in Bihor, yet it is doubled by their tendency towards accounting manipulation.

Ariely (2011) emphasized in his book “*The Upside of Irrationality*” that we are tempted to deduct that there is a connection between the magnitude of stimulus and the ability to act better. Thus, sometimes, our intuitions regarding the connections between motivation and performance are accurate; other times, reality and intuition do not correspond. The graph below shows three possible correlations between incentives (payments, shocks) and performance (Ariely, 2011). The light grey line represents a simple relation where the higher incentives always contribute in the same way to performance. The interrupted grey line represents a relation between incentives and performance where the performance diminishes. The dark grey line represents the results of an experiment carried out on laboratory mice, in the attempt to find out two things about them: how fast they can learn and what intensity of shocks motivates them to learn faster. If the motivation level is low, adding the incentives helps increase the performance. Yet, as the level of basic motivation increases, adding the incentives may have a kick effect, reducing the performance and creating what psychologists often call “an inverted-U relationship”.



(Source: D. Ariely, 2011: 29)

Wishing to detect as profoundly as possible the way in which the managers perceive the relations with the auditors and the accountants, we have used in making the questionnaire a research method from the category of projective techniques, namely the free association technique. As we have presented below, projective techniques are used in research to obtain from the respondents information which contain their own attitudes or feelings regarding the subject investigated (Kothari, 2006). This technique was chosen in designing the questionnaire addressed to the managers, for questions II.11 and II.12.

And as if anticipating this result of our analysis and starting from the premise that in order to achieve this last desideratum they do not usually act independently but the “*instrument*” used if the **accountant** we have tried in what follows to step on a less safe ground – that of the psychological profile. Thus the following question took shape:

II. 11 If you were to associate the image of your accountant with a color that would be.....

Going further with our reasoning and starting from the idea that the manipulation of accounting figures is an activity exclusive for company managers, yet, we cannot ignore the fact that in this game there are other participants, too, who, according to the levers they have can shape, more or less, directly or indirectly, the image of the enterprise. And thus we have got to the **auditors**. The auditors have two contradictory objectives. Firstly, they want to satisfy their client; but in the same time, they want to avoid a higher risk for the third parties. The quality of the auditors can also influence the degree of result manipulation. Another question following from this idea is:

II. 12 If you were to associate the image of the auditor with a color, that would be

The results obtained after research have determined us to analyze the elements associated to each color resulted in the research and, also, based on the analysis of characteristics, each color was given a representative image which subsequently has been used for a more suggestive graphic representation of data. These results are presented in Table 1.

**Table 1. Color – Expression of the manager’s interrelationship
with the auditors and accountants**

Color	Message received by the managers
Red	<p>Red is the necessity to get results, reflecting the desire to win. Also, it signifies power and it is associated with an impulse to quick execution, fight, competition and enterprising productivity (Hartman, 1998). It is the “force of will” as compared to green which is “the elasticity of will”. In temporal terms, red is the present. Red is also a color which warns about an incoming danger or it can show a clear interdiction.</p> <p>From this perspective, we consider that for the managers surveyed color red associated to auditors and accountants sends the following message: <i>forbidden to fraud</i>. In other words, they associate the image of the auditors and accountants with that of the people who will attract the attention on a danger such that of a fraud.</p>
Orange	<p>According to Falt (2003), the world of those people who are associated to orange color is dominated by instruments. They have an instinctive knowledge capacity in using instruments to their own advantage, <i>a usage which targets very practical approaches</i>. Another characteristic of their behavior targets the way in which they use words, concrete and to the point. Their special skills target tactical elements – they are able to analyze a situation, to know what is necessary to be done at a certain moment and to act.</p> <p>The representative animal, metaphorically speaking, according to Falt (2003), to embody the “orange” temperament is the fox. A fox does not plan its day, it just starts each morning knowing that it has to survive that day, too. They do not like making plans, they just want to see what comes up and they trust that they will know how to handle the situation. When the “orange” ones become too confident and controlled, they end up following the motto: “Don’t get mad, get even.”</p> <p>From this perspective we can interpret that the managers who see this color attached to auditors and accountants are confident in the latter’s practical capacities and in the fact that they will actually interpret certain economic events and transactions.</p>
Green	<p>Those who are associated with this color generally <i>follow rules and create order</i>. They are also rational and very good analysts and knowledge means power. “The green ones” are continuously looking for knowledge they use to get the best results each time.</p> <p>The representative symbol for “the green ones”, keen on asking questions, is question mark. They are perpetually looking for answers. This is the color of creativity and abundance. Their special skill is strategy. Strategy can be</p>

Color	Message received by the managers
	<p>defined as the ability to analyze an extensive project, to see all possible situations and to choose the right solution to carry out the project in the best manner possible.</p> <p>According to the same author mentioned above, the representative animal, metaphorically speaking, to embody the temperament of “the green ones” is the owl. The owl sits up, on top of the tree, so that it can see what is going on down the tree. It can sit still for some time and then react at the right moment. For the owl is silent for most part of the time, it is regarded as a representation of wisdom. Wisdom comes from knowledge and experience. Thus, following the same reasoning initiated above, we consider that the managers who have chosen this color for the auditor and the accountant based on the latter’s capacity to analyze, their rationality and ability to look for the most convenient alternative and their discernment, too.</p>
Blue	<p>In Falt’s vision (2003), for “the blue ones”, the <i>rules are meant to guide</i>. In special circumstances, rules are made to be avoided or even broken. The representative animal, metaphorically associated to “the blue ones”, is the dolphin. Dolphins are communicative mammals, having complex ways of communication. The symbol associated is the image of protecting hands, showing care for everybody. Often, the activity of “the blue ones” involves counseling work, didactical activity or psychology. Even when they work as accountants, “the blue ones” bring into it the element of human compassion, sometimes in opposition to the strict description of the activity. The people whom this color is associated to are capable of loyalty and they are trustworthy people.</p> <p>Taking into account those described above, based on Falt’s research (2003) we can issue the following hypothesis: the managers who associated the auditors and the accountants with this color consider that they can truthfully count on the latter’s expertise and reasoning and appreciate the way in which they communicate because they are individuals for which rules are rough guides only in certain situations.</p>
Yellow	<p>This color is associated to mental knowledge, researchers and practical intelligence. According to the same researcher, yellow represents a “<i>golden organization</i>” that is perfect. “The yellow ones” have the tendency to find satisfaction in the work which involves details. <i>They are very good at accounting</i>. They are suitable for the work in which quality control is very important. The symbol associated is the tick, a symbol indicating the fact that a task has been fulfilled. This color transmits safety. The special characteristic of “the yellow ones” is the logistics: the idea to get the right thing, from the right man, at the right moment.</p> <p>According to Falt, the animal representing them, metaphorically, is the beaver, an animal which works hard the entire day. Their motto is: “Be ready”. When they think about the future, they want to be prepared for any possibility. They want to know the details. “They hope for the better, but expect the worst”. “The yellow ones” expect to be called to account and take responsibility.</p>

**“Colorful” approach regarding creative accounting.
An introspective study based on the association technique**

Color	Message received by the managers
	Therefore, the managers surveyed who associate this color to auditors and accountants are impressed by their capacity to organize themselves, their responsibility and the message of order and comfort, safety that they send.
Purple	It is the color of independence, balance and hidden spirit, being the color that leads to spirituality, a color of inspiration and spiritual intuition. This color is also generally associated to <i>creativity</i> , spirituality and everything <i>sophisticated</i> and it is known as a color which boosts self-confidence. Consequently, we can consider that the managers surveyed who associated this color to the accountants had in their perception sophisticated people, looking for balance, yet creative, who inculcate trust.
Pink	“Pink” people are generally intelligent and considerate with the others but they lack a realistic vision on things and events. Therefore, we can say that the managers who attached such a color to auditors and accountants do not value too much their opinion or expertise, considering them naïve people who are not anchored in the everyday reality. Or, on the contrary, they can consider that the latter have opinions or they might prepare too optimistic financial statements.
Brown	Brown color sends or communicates trust, it helps create a neutral, comfortable and welcoming atmosphere. Also, it communicates honesty, strength and maturity. We consider that the managers who associated this color to an honest, sincere image of the statements issued or prepared by the auditors or accountants have in mind a solid financial statement which is also stable or in the course of becoming permanent.
Grey	Even though they are endowed with a creative side, they put too much passion into their work. Who chooses grey wants to separate from everything, to remain free and not involved so that he can be isolated from any external influence or stimulus. Due to its non-involvement attribute, of “not having anything to do with anything”, grey contains a pronounced element of dissimulation, of adaptation. As it is generally the color of the roads we step on which obviously lead somewhere and are generally stable, grey induces a state of constancy and <i>stability</i> . Therefore, we can assume that the managers surveyed who associated this color to the auditors and accountants are impressed by the financial stability that the latter can generate or favor and by the path they indicate the managers should follow.
White	It is the sum of all colors and symbolizes perfection, integrity, openness and truth. Due to its complexity, white has complete energy, generates clarity, has the potential of becoming any color and it is a good choice for new beginnings and developments in any direction (Hartman, The Color Code). Its quality is <i>diplomacy</i> , strong conviction and it also suggests neutrality and accuracy. The managers surveyed by us associated this color to the auditors and/or accountants trust their discernment, in their power to select the information and are marked by their ability to manage the events not getting involved in scandals.

Color	Message received by the managers
Black	It announces the desire for freedom, non-involvement and it, especially reflects containment and shyness. It also inspires power and authority. As it reflects containment and shyness, we considered that black can be associated to conservatism. And, therefore, the managers who perceive the auditors and accountants in black do not expect optimistic situations or estimates of this kind, but rather skeptical attitudes and assessments, prudent without taking too high risks. In this view, the tendency towards conservatism, even towards pessimism, is the attitude appreciated in these specialists.

The results of the research, correlated with color analysis and their interpretation, are presented in Figure 3 and Figure 4.

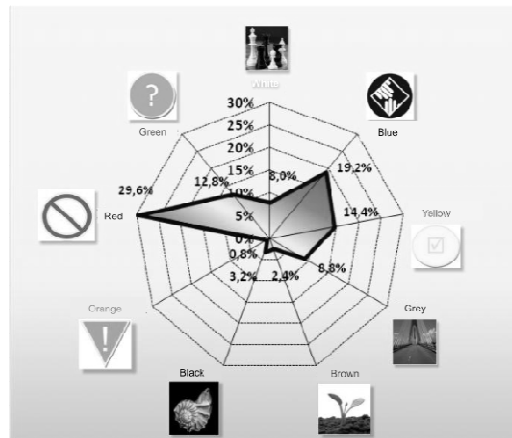


Figure 3. Polar diagram for colors – auditors

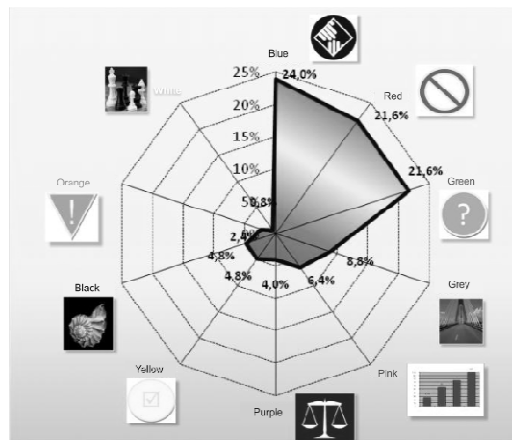


Figure 4. Polar diagram for colors – accountants

Starting from Coelho’s statement (2006) that “Lessons always arrive when you are ready, and if you can read the signs, you will learn everything you need to know in order to take the next step” we considered necessary to present some symbols which detect the possible message received by the managers regarding the auditors and accountants they interact with. Although they can be beneficial in detecting the essential to mark some paths for future actions, we consider that these cannot be generalized for just like on a personal level positive thinking helps us capitalize the best qualities in our relations with people, in the same way, in professional relationships, it must have a privileged place.

It is certain the fact that being careful about the signs they want to send to the exterior, the company manager cannot ignore the “messages” even though they are subliminal from their relationship with the key players in the creative accounting game: the accountants and the auditors. Yet, the decisions are theirs. And most of the time, they have also a less rational component, standing the psychological pressure, many times difficult to bear, for the performance indices that must be achieved or maintained.

To test the efficiency of the financial instruments as an instrument of performance increase, Ariely *et al.* (2009) initiated an experiment. They varied the size of the bonuses that the participants could get if they fulfilled their duties and measured the effect of different levels of the bonus on performance. As Ariely (2011) states, the conclusion was crystal clear: the payment of some higher bonuses may determine better performance when it is about simple, mechanical tasks, yet it is the reverse when the participants are asked to use their brains – what usually happens also when the companies pay the executive managers very high bonuses. If the managers were paid to build in some bricks, their motivation with high bonuses would make sense. But people receiving bonuses as they think about mergers, acquisitions or launch derivatives can be much less efficient than we tend to believe – there might even be negative consequences in the case of some very high bonuses.

6. Conclusions

Among our contributions, we mention a study based on survey among the managers within the Romanian space, in which a great emphasis has been put on highlighting a possible tendency towards manipulation showed by the managers. To accomplish this objective, we have used a questionnaire which combines close and open questions, some of them being conceived based on projective research techniques. We could see that the study has showed that more than half of the managers questioned answered that they had used accounting manipulation techniques to beautify the image of their companies even though they show a real

aversion towards loss. Certainly, we have been interested in the correlation of their tendency towards accounting manipulation, the incentives received for the efficient management of the company and the signals sent through the information in the financial statements. Even though regarding this last investigation subject we have rather concentrated our efforts to identify a theoretical framework which takes into consideration also the irrationality in the decision making process and also the “*animal spirits*”, we consider our approach as being valuable from the perspective of introspective thinking on aspects which occur in the mechanism of options the managers can use in the circumstances of some permanent pressures from the external environment and also of the entire process related to the preparation of accounting information. And, in the end, to sum up those discussed above, the use of financial incentives to motivate the managers towards performance can be a double-edged sword. As Ariely (2011) noticed, for the tasks requiring cognitive skills, low or moderate incentives according to performance can be useful. Yet, when the level of the incentive is very high, it could concentrate too much attention and, then, it might distract the mind of that person to reward. According to the researcher, this might lead to stress and, in the end, can reduce the performance level as it results from the graph presented in the previous section.

The projective techniques chosen have led then to carry out two polar diagrams which detect the managers’ perception regarding the financial auditors and accountants, starting from their personality traits induced by the “*color test*”. Even though, in this moment of our research it is difficult to generalize the results at a more ample population, we cannot help notice the fact that, on the first two positions regarding the colors describing both the auditors and the accountants, as seen by the managers, are the same: *red and blue*. It is worth noticing that their positions from the perspective of statistical results, are different. That is, the auditors are painted more in red, blue being on the second position. The accountants, on the other side, are seen more in blue, red being on the second position. We cannot help ask ourselves whether this has a special significance.

For the managers surveyed by us, the red color associated to the auditors sends the following message: *forbidden to fraud*. In other words, they associate the image of the auditors with that of people who will draw attention on danger such as fraud. Also, the managers who associated the auditors with blue consider that they can definitely count on their expertise and reasoning and appreciate the way in which communication takes place with them as they are people for which rules are rough guides only in certain situations. Using the same analysis algorithm just like in the case of auditors, the managers who associated the accountant with blue consider that they can definitely count on the latter’s expertise and reasoning and appreciate the way in which communication takes place with them as they are people for which rules are rough guides only in certain situations. Yet, the color red associated to the accountants sends, in their case, too, the same message as for the auditors: *forbidden to fraud*. It is worth noticing the fact that, in the case of the

auditors, the distance between the two colors – red and blue – (distance analyzed from the perspective of statistical results obtained) is much higher than in the case of the accountants where the distance between the first positions is much smaller, the differences being, to a greater extent, subject to interpretations. Therefore, regarded through the eyes of the managers, we can consider that the label “*forbidden to fraud*” is much more emphasized when it is about auditors. Instead, when it is about accountants, the situation seems more permissive, the latter having to a greater extent the freedom to “*juggle*” with the rules, being though permanently under the sign of ‘*forbidden to fraud*’.

We believe that the path we follow is full of surprises for those willing to follow it. Therefore, always following during our research the motto: “*Our road is not necessarily the best, it is just different!*”, we consider that we have managed to add at least a brick to the consolidation of the field of creative accounting, especially in the context of current and new complex challenges that the accounting profession has to cope with successfully in order to strengthen up its own image and credibility. Yet, we are fully aware of the obvious limitations of our study which are mostly circumscribed around the determined sample and the research questions. Also, the correlation between the incentives the managers receive, their tendency towards accounting manipulation and the signals sent by the users of information it is clear that it should have been tested on the large corporations quoted on the stock exchange. Yet, our study is attractive from the perspective of the elements of introspection and connection that it detects in the context of a clear interest expressed by the authors in the managers’ psychology and their irrational behavior regarding their decisions compared to the accounting options and the relations they develop with the key players of this game: auditors, accountants, investors and others.

As future research directions, we intend to expand the sample of managers at the national level and to add the category of investors, to carry out an empirical study on the sample of companies quoted on the stock exchange and to identify other psychological factors connected to the managers’ irrational behavior and to analyze the interactions between possible psychological variables and voluntary financial reporting.

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¹ Kahneman (2012) in *Gândire rapidă, gândire lentă*, for the Romanian edition, p. 526, relates that Richard Thaler in his discussion with the managers, he asked them to analyze a risky option in which, with equal probabilities, they could lose a major part of the capital under control or to earn the double of that sum of money. None of the directors was willing to get in such a dangerous game. After that, Thaler addressed the CEO of the company, who was also present, and asked for his opinion. Without hesitation, the CEO replied: “I would like that each of our directors took risks.” “Each of our directors shows aversion to loss in his field. It is perfectly normal, yet the result is that the organization does not take enough risks.”