

Creative Accounting Practice in Turkey on Scope of Responsibilities of the Independent Auditors

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Abstract- It has emerged that independent audit firms play an important role in the process that resulted in bankruptcy of big companies operating worldwide, such as Enron and Worldcom. Replacing the financial status of companies with Creative Accounting Practices (CAP) has shaken confidence in the independent practice and consequently many international regulations have been created.

This study investigates the responsibility of the independent auditor in Creative Accounting (CA); it is aimed to determine how the independent auditors perceive the CAP, which CAP they have been faced with, what are the general characteristics of the companies applying to the CAP they faced with, and whether there are differences between the responsibilities of independent auditors in terms of legal, professional, independency, auditing activities and ethics based on the CAP. In this scope, a survey has been implemented on the auditors who have been employed in the audit companies that have received “independent audit authority” from Capital Market Board and the title certified public accountant (CPA) and sworn-in certified public accountant (SCPA). According to the scales developed by means of confirmatory factor analysis and to the hypothesis analysed; it has been identified that the independent auditors have not evaluated the creative accounting having the same meaning with the fraud, that they have faced with the CA intended to decrease expenses much more frequently and that there is no difference between their responsibilities as to preventing CAP. Regarding the consequences, it has emerged that the borders of the CA must be determined in terms of independent audit.

Keywords- Creative Accounting, Fraud, Manipulation, Responsibility of Auditor, Independent Audit