

**MOTIVATION OF CREATIVE ACCOUNTING PRACTICES IN
SRI LANKA: PERSPECTIVE OF ACCOUNTING
PROFESSIONALS**



By

WALIMUNI ARACHCHIGE DINUSHIKA MADUWANTHI

WALIMUNIARACHCHI

REG. NO: EU/IS/2014/COM/78

INDEX NO: COM 1848



**A Project Report submitted to the Faculty of Commerce and Management,
Eastern University, Sri Lanka as a partial fulfillment of the requirement of the
Degree of Bachelor of Commerce Honours in Accounting and Finance
[BComHons (Accounting and Finance)]**

**Department of Commerce
Faculty of Commerce and Management
Eastern University, Sri Lanka**

2020

**PROCESSED
MAIN LIBRARY, EUSL**

ABSTRACT

Creative accounting has become very interesting topic recently in the overall world. Despite the wide spread of creative accounting practices, the academic studies are still few in Sri Lankan context. The area techniques, reasons, and prevention of creative accounting practices were varied. The Purpose of this study is to measure the Level of Motivation of Creative Accounting Practices in Sri Lanka: Perspective of Accounting Professionals.

The study attempt to fill this knowledge gap. The objective of the study is to identify the level of Management Expectations, Shareholders' Expectations, Internal Control Effectiveness, Relative Advantages, Competitive Performance, and Government Regulations, identify how the level of factors varies with the general information. To achieve these objectives data was collected from 78 accounting professionals using structured questionnaire through google forms. The five Likert point scale was used which ranging from "Very low level" to "Very high level". Convenience sample method used to make sampling framework of the study and the data were analysed through Univariate analysis by using IBM SPSS Statistics 22.

The results show that high influencing level of shareholders' expectations and competitive performance, moderate influencing level of management expectations, internal control effectiveness, relative advantages, and government regulations to the factors of creative accounting practices. According to the perspective of accounting professionals, this results shows the overall level of these motivation moderate level to the creative accounting practices in Sri Lanka.

Keywords: Creative Accounting Practices, Management Expectations, Shareholders' Expectations, Internal Control Effectiveness, Relative Advantages, Competitive Performance, Government Regulations

TABLE OF CONTENTS

ACKNOWLEDGEMENT.....i

ABSTRACTii

ABBREVIATIONS.....xii

CHAPTER ONE 1

INTRODUCTION.....1

1.1 Background of the Study..... 1

1.2 Problem Statement3

1.3 Research Questions5

1.4 Research Objectives5

1.5 Significance of the Study5

1.6 Scope of the Study.....5

1.7 Limitation of the Study6

1.8 Assumptions6

1.9 Chapter Summary.....6

CHAPTER TWO7

LITERATURE REVIEW7

2.1 Introduction7

2.2 Creative Accounting Practices7

2.2.1 Techniques of Creative Accounting10

2.2.2 Factors Influencing Creative Accounting.....13

2.2.3 Creative Accounting Versus Fraud.....16

2.3 Motivation of Creative Accounting Practices17

2.3.1 Management Expectation17

2.3.2 Shareholders' Expectation.....18

2.3.3 Internal Control Effectiveness19

2.3.4 Relative Advantages20

2.3.5 Competitive Performance20

2.3.6 Government Regulations21

2.4 Theoretical Framework21

2.4.1 Positive Accounting Theory21

2.4.2 Resource Dependency Theory.....22

2.4.3 A 22

2.4.4 Information Theory.....	24
2.5 Chapter Summery.....	25
CHAPTER THREE.....	26
CONCEPTUALIZATION AND OPERATIONALIZATION	26
3.1 Introduction	26
3.2 Conceptualization.....	26
3.2 Definition of Variables.....	27
3.2.1 Management Expectations.....	27
3.2.2 Shareholders' Expectations	28
3.2.3 Internal Control Effectiveness	28
3.2.4 Relative Advantages	28
3.2.5 Competitive Performance	29
3.2.6 Government Regulations	29
3.3 Operationalization	29
3.5 Chapter Summery.....	31
CHAPTER FOUR.....	32
METHODOLOGY	32
4.1 Introduction	32
4.2 Research Design.....	32
4.2.1 Study setting	32
4.2.2 Unit of data analysis	33
4.2.3 Time Horizon.....	33
4.2.4 Research Approach.....	33
4.3 Sampling Plan	33
4.3.1 Study Population.....	34
4.3.2 Sampling Technique	34
4.3.3 Sample Size	35
4.4 Methods of Data Collection	35
4.4.1 Primary Data.....	35
4.4.2 Secondary Data.....	35
4.5 Method of Data Presentation.....	35
4.5.1 Methods of Measured of Personal Information.....	36
4.5.2 Method of measuring Motivation of CAP	36

4.5.3 Method of Measuring the Research Information.....	37
4.6 Data Presentation Method	37
4.7 Method of Data Analysis	38
4.7.1 Reliability Analysis	38
4.7.2 Univariate Analysis	38
4.7.3 Cross Tabulation Analysis.....	39
4.7.4 ANOVA Test.....	39
4.7.5 Independent Sample t-test	40
4.8 Methods of Data Evaluation.....	40
4.8.1 Management Expectations.....	40
4.8.2 Shareholders' Expectations	41
4.8.3 Internal Control Effectiveness	41
4.8.4 Relative Advantages	42
4.8.5 Competitive Performance	42
4.8.6 Government Regulations	43
4.8 Chapter Summary.....	44
CHAPTER FIVE	45
DATA PRESENTATION AND DATA ANALYSIS	45
5.1 Introduction.....	45
5.2 Reliability Test	45
5.3 Data Presentation.....	46
5.3.1 Data Presentation for General Information	46
5.3.2 Frequency Analysis Data presentation for the CAP	53
5.3.3 Data Presentation for the Research Variables	54
5.3.4 Univariate Analysis	60
5.3.5 Cross Tabulation Analysis.....	71
5.5 Chapter Summary.....	80
CHAPTER SIX	81
DISCUSSION	81
6.1 Introduction	81
6.2 Discussion of Research Information	81
6.2.1 Discussions of range of CAP.....	81
6.2.2 Discussions of Management Expectations	81

6.2.3 Discussions of Shareholders' Expectations.....	82
6.3.4 Discussions of Internal Control Effectiveness.....	83
6.3.5 Discussions of Relative Advantages.....	83
6.3.6 Discussions of Competitive Performance.....	84
6.3.7 Discussions of Government Regulations.....	84
6.3.8 Discussions on Results of ANOVA and Independent Sample t-test.....	85
6.4 Previous Findings	85
6.5 Chapter Summery	86
CHAPTER SEVEN.....	87
CONCLUSIONS AND RECOMMENDATIONS.....	87
7.1 Introduction	87
7.2 Conclusions	87
7.3 Recommendations	88
7.4 Limitations of the Study and Suggestions for Future Studies.....	88
7.5 Implication of the Study	89
7.6 Chapter Summery.....	90
LIST OF REFERENCES.....	91
APENDIX-1	103
APENDIX-2.....	108