

# Creative accounting as a tool for tax optimization

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# The aim of the article

IS TO POINT OUT THE USE OF CREATIVE ACCOUNTING,  
WHICH ADVERSELY AFFECTS THE ECONOMY OF  
STATES.

# Introduction

- ▶ Economic crime has taken on enormous proportions over the years. This fact negatively affects the economy of states that cannot use the resources obtained from economic entities for the operation of the country.
- ▶ People try to prevent this "trend" through methods of detecting earnings management.
- ▶ The most important principle of accounting is a true and fair view, which will guarantee a sufficient amount of funds that will get into the state budget and thus can be re-evaluated through various government plans.



# Materials and Methods

- ▶ World-renowned models, the Beneish model and the Modified Jones model, were used to reveal creative accounting.
- ▶ The Beneish model consists of eight parameters, where each parameter has its own manipulation indicator that draws attention to the use of creativity.
- ▶ The Modified Jones model was used on the basis of very good results in the conditions of the Slovak Republic.
- ▶ The models were used for the years 2016, 2017 and 2018.



# Required criteria that companies had to meet for analysis

- ▶ Minimum value of total assets = € 3,000,000
  - ▶ Minimum value of sales = € 2,000,000
  - ▶ Minimum net profit = € 100,000
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- ▶ Required criteria for meeting 46 enterprises from the monitored sector A - Agriculture, forestry and fishing.



# Results

- ▶ Following the application of the models to the monitored sector A - Agriculture, forestry and fishing, the following facts were found:
- ▶ After applying the Beneish model, the following facts were found:

	2018	2017	2016
Above the limit	40	44	43
Below the limit	6	2	3

- ▶ After applying the Modified Jones model, the following facts were found:

	2018	2017	2016
Above the limit	43	44	41
Below the limit	3	2	5

# Conclusion

- ▶ The models revealed that a number of the companies surveyed resort to manipulating their accounts, which does not shed a good light on companies and entrepreneurs operating in sector A.
- ▶ Based on these results, it is clear that it is necessary to fight creative accounting. Tighter sanctions for using this evergreen or adopting stricter standards could help.



- ▶ The measures that are being put in place to combat this phenomenon are being taken late. Therefore, it would be much more sensible to introduce measures to eliminate this unfair reporting more often and not until creative accounting reaches enormous proportions and the only possible solution is then huge fines and the use of court services.







Thank you for  
your  
attention

