



Statement Of Cash Flows Reduces Financial Fraud With Documented Accounting Information

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Abstract. *The research aimed to Emphasise the significance of the statement of cash flows developed by the International Accounting Standards Committee (IASC) and the International Accounting Standards Board (IASB) and Understand the concept of documented accounting information and Highlighting financial fraud and how to minimize it. The research problem was as follows from the fact that the financial statements, which do not contain the basic characteristics of accounting information, including reliability, will reduce the degree of reliance on them, which affects those lists prepared by financial institutions (banks) operating in Iraq that not taking into account the preparation of the cash flow statement will inevitably reduce the reliability of accounting information, resulting in misleading accounting outputs that will be a door to financial fraud in its various forms. Hence, the main research problem is the following question: Does enhancing the reliability of accounting information according to the preparation of the cash flow statement reduce financial fraud? The research reached many conclusions, the most important of which are International accounting standards can be said to be a written statement issued by an authorized body aimed at unifying and coordinating accounting treatments and policies to reach unified results for a set of financial transactions for ease of comparisons and understanding by the relevant parties. The statement of cash flows works to provide historical changes in financial institutions and others through and for a specific period of time and these flows are either operational, investment or financing for their various activities. The research reached many recommendations, the most important of which are: Emphasis on the different economic units to prepare a statement of cash flows because of the information it provides on historical changes in the different economic units and their quality, whether operational, investment or financing.*

Keywords: *Cash Flows, Financial Fraud, Documented Accounting Information*

1. INTRODUCTION

Fraud leads to the disturbance of moral values, frustration, the spread of indifference and negativity among members of society, the emergence of intolerance and extremism in opinions, and the spread of crime in response to the collapse of values and unequal opportunities. Fraud also leads to the loss of professionalism, and the prevalence of psychological acceptance of the idea of neglecting the standards of performance of job and control duty (Attia, 2008:213). Hence the importance of the reliability of accounting information and the extent of its reliance on international accounting standards.

Accounting information must be characterized by important elements when measured and disclosed, as it is available in reliability and free from error and bias and

presented honestly, and this information must be characterized by reliability when disclosed and these elements are the following (Al-Ghorani,2005:24).

The main objective of the existence of international accounting standards is to achieve international accounting compatibility by taking advantage of financial statements, but in the absence of such standards, then different accounting methods will be used to reach financial statements that are difficult to understand or benefit from by users, due to the different foundations that determine and address the accounting operations and events of different institutions, Hence there will be difficulty in comparing different institutions (Orabi,2013:10).

Motivations for Study

1. For the importance of the subject of documented accounting information for its great importance in the economies of countries, for the following things:
 - a. Documented accounting information is one of the foundations approved by accountants in different economic units and thus enables them to judge the conditions and economic units and the credibility of their financial statements.
 - b. International accounting standards were created by international organizations and institutes in order to rely on them in the preparation of financial statements in various countries of the world in a way that unifies different procedures and measurements.
2. Reducing financial fraud enables economic units to avoid the serious effects of such fraud in various fields.

Study Problem

The problem of the study stems from the fact that the financial statements, which do not contain the basic characteristics of accounting information, including reliability, will reduce the degree of reliance on them, which affects those lists prepared by financial institutions (banks) operating in Iraq that not taking into account the preparation of the cash flow statement will inevitably reduce the reliability of accounting information, resulting in misleading accounting outputs that will be a door to financial fraud in its various forms.

Hence, the main research problem is the following question:

Does enhancing the reliability of accounting information according to the preparation of the cash flow statement reduce financial fraud?

Objectives of Study

1. Emphasise the significance of the statement of cash flows developed by the International Accounting Standards Committee (IASC) and the International Accounting Standards Board (IASB)
2. Understand the concept of documented accounting information.
3. Highlighting financial fraud and how to minimize it.

Study Hypothesis

Based on the problem of the study, two hypotheses were formulated:

- **H1:** the accounting information is documented according to the statement of cash flows
- **H2:** There is a significant impact relationship for accounting information documented according to the cash flow statement to reduce financial fraud

Part one: Reliability and Accounting Information

First: Reliability

Reliability was defined as the honesty and reliability of information and the degree of reliability is a clear reflection of objective evidence or sound measurement methods and foundations on which that accounting information is built (Fatima Zahra,2016:8).

These are the procedures that should be followed to make information reliable by stakeholders in general and decision makers in particular (Al-Qaralah,2011:35).

Reliability according to international accounting standards includes three components (Jarbou, 2002:78):

a. Completeness

In order for the information contained in the financial statements to be reliable, it must be complete within the limits of materiality and cost, meaning that the omission of

the information can make it false, misleading and thus become unreliable and inappropriate.

b. Neutrality

In order for financial statements to be reliable, they must be impartial, ie free from bias, and financial statements are considered neutral only if the method of selecting or presenting information affects decision-making or judgment with the aim of achieving a predetermined result.

c. Error-Free

It means that there are no errors or omissions in the description of the phenomenon, and that the process has been selected and applied to produce the reported information without any errors in the process, and by error-free we do not mean complete accuracy, for example, an unnoticed price estimate or an unnoticed value cannot be determined as an accurate or inaccurate estimate, but the representation of that estimate can be honest if the amount is clearly and accurately described as an estimate, If the nature and limitations of the estimation process are clarified, and if no error has been made in the selection and application of an appropriate estimation process.

Second: Accounting Information

Data is one of the basic sources and components of accounting information systems, and is often used as a synonym in practical life, with the intention of indicating one meaning despite the fundamental differences between them, and the concept of information is one of the controversial concepts, as there is confusion in the distinction between data and information, so the criterion of benefit by the recipient (beneficiary) is the basis, to distinguish between data and information, and is based on two basic characteristics to distinguish between them, namely (Qasim, 2003:12):

Third: Form and Content of Financial Statements (Financial Statements)

The financial statements represent the pivotal part of the financial reports, as it is the main means of communicating financial information to external parties, and (IASB) has defined its main objective in providing information about the financial position of the economic unit, its performance and the change in the financial situation, which is useful to

large segments of users, and in order to achieve this goal, (IASC) issued the accounting standards IAS1 Presentation of financial statements and IAS7 Statement of cash flows, which are concerned with the statement of the foundations of the presentation of financial information for general purposes, They also specify the guidelines for the structure of the financial statements and the minimum information that must be provided in them according to the accounting standard IAS1, the financial statements include: budget, income statement, statement of changes in shareholders' equity except those resulting from capital operations with owners and distributions to owners, cash flow statement, accounting policies and notes (Adel, 2014: 55).

Fourth: Corporate Governance

The first to pay attention to corporate governance were the American researchers (Berle and Means) in 1932 through their seminar "Modern Company and Private Ownership", where they studied the composition of the capital of major American companies, and through their study they reached the need to separate ownership from management and the obligation to impose control on the actions of managers to protect shareholders' rights (Aboul Atta,2005:6).

The need for governance has emerged in many developed and emerging economies during the past decades, especially in the wake of the economic collapses and financial crises witnessed by a number of East Asian countries, Latin America and Russia, in the nineties of the twentieth century, as well as the recent financial crisis witnessed by the global economy, especially in United States and Europe, the first of these crises was those that hit the countries of Southeast Asia, including Malaysia, Korea and Japan in 1997 (Boutlaa,2012:10).

Part two: International Accounting Standard and Standard (ISA7) Statement of Cash Flows

Standards are the applied face of the intellectual framework of accounting, through which the objectives, principles and concepts become the subject of application and implementation and then know their suitability and keep pace with the requirements of practical application, as they are the link between theory and practice., Therefore, it is not

just a scientific luxury, but rather a means to reach sound scientific practices (Shirazi,1990:47).

It is a set of positive and specific benchmarks and guidelines, on which the accountant relies in completing his work of measurement, proof and disclosure of information about the economic events of the project" (Abu Zeid,2005:58).

Accounting Standard No (7) (ISA7) Statement of Cash Flows

The objective of the standard is to provide historical changes in financial institutions and others through the statement of cash flows for a specific period of time and these flows are either operational, investment or financing of their activities It also aims to increase the understanding of users of financial strength of changes in cash through these statements, so that they can estimate the unit's potential to generate cash, secure cash and classify these flows, whether operational, financing or investment (Abu Nassar&Hamidat,2016:100).

According to the scope of this standard, the entity must prepare a statement of cash flows as part of its data for the period in which it is prepared so that the users of this data can know how to generate and use cash regardless of the nature of the entity's activity, whether it is a financial institution or others, and it is prepared using the financial statements resulting from the income statement, the financial position of the entity and the results calculation table, in addition to some information related to the preparation of the cash flow statement ((Saleh&Fatiha,2010:86) Based on the above, this standard will enhance reliability by knowing the cash inflows and outflows and knowing the total and net of these flows according to the way these statements are presented.

Financial Fraud in Economic Units

It is the appropriation or total acquisition of the property of others by a means tainted by deception, resulting in the delivery of such funds", as well as defined as "the seizure of something owned by others with the intention of owning it by means of fraud mentioned in the law" (Al-Issa,2006:3).

Fraud has been defined as success in fraud or shading with the intention of cheating or harming the other party, misrepresenting data and deliberately concealing important

facts for the purpose of failing to disclose the facts and shading the individual through fraud and deception in claiming his right to assets or otherwise, or it is a deliberate distortion or deletion of accounts or disclosures in financial statements, and thus fraud is deliberate error (Kohler,1993:135).

The third topic: Practical side

The impact of accounting information documented according to the standards of the cash flow statement to reduce financial fraud

1- Data collection methods:

The data was collected through a questionnaire distributed to academics in universities, employees in the Iraq Stock Exchange and some bank workers, as the questionnaire was prepared in its initial form and then distributed in its final form.

2- Research population and sample

The research community consists of three groups as follows:

The first group: It consists of (40) of teachers and doctoral students in Iraqi and Tunisian universities, and the actual answer was (38) of the total sample

The second group . The two years in banks of various types of these banks, as (45) employees of various grades were selected as a target sample and (36) answers were obtained from the target sample.

The third group: employees in the Iraq Securities Market and some employees in those companies with their various jobs and job addresses by (41) used as a sample and the actual response was from (29) of the total target sample.

3- Statistical description of the dimension of preparing the cash flow statement

Table (1) represents a statistical description represented by the arithmetic averages, standard deviations, the level of answer and its importance for the cash flow statement variable, which is represented by (3) paragraphs, as the total arithmetic mean of this variable reached (4.4214) with a standard deviation (0.5117), and this indicates that the agreement of the members of the study sample on the importance of this axis.

Paragraph (3), which refers to (obliging the entity to prepare a statement of cash flows as part of its statements for the period in which it is prepared so that the users of these data on how to generate and use cash regardless of the nature of the activity of that entity,

whether it is a financial institution or others, in a way that enhances the reliability of accounting information) obtained the highest arithmetic averages by (4.5786) and a standard deviation of (0.52254.) This shows the consistency of the responses of the study sample towards this paragraph and within the level of the answer "very high".

Paragraph (2), which refers to (the statement of cash flows increases the understanding among users of the financial statements of changes in cash occurring through these statements, so that they can estimate the possibility of the unit to generate cash, secure money and classify these flows), obtained the lowest arithmetic averages with an arithmetic mean of (4.3143) and a standard deviation of (0.62279). This indicates the compatibility of the answers of the study sample, and despite the fact that this paragraph obtained the least arithmetic averages, it still enjoys a very high level of answers according to the answers of the sample members.

Table (1) Descriptive analysis of the dimension of the preparation of the statement of cash flows

| T | Paragraphs | Arithmetic mean | Standard deviation | Answer Level | Materiality |
|-------------------------|---|-----------------|--------------------|------------------|-------------|
| 1 | Determining the quality of financing, operational or investment flows and the historical changes that occur are one of the most important characteristics of the cash flow statement | 4.3714 | 0.68055 | Very high | 2 |
| 2 | The cash flow statement increases the understanding among users of the financial statements of the changes in cash that occur through these statements, so that they can estimate the unit's potential to generate cash, secure money, and classify these flows. | 4.3143 | 0.62279 | Very high | 3 |
| 3 | Obliging the entity to prepare a list of cash flows as part of its data for the period in which it is prepared so that the users of this data can how to generate and use cash, regardless of the nature of the activity of that entity, whether it is a financial institution or others, in a way that enhances the reliability of accounting information. | 4.5786 | 0.52254 | Very high | 1 |
| For the whole dimension | | 4.4214 | 0.5117 | Very high | |

Source: Prepared by the researcher based on the results of statistical analysis (SPSS).

4- Hypothesis testing, analysis and interpretation of results

Hypothesis testing is the essence of research work, so this requirement includes testing the hypotheses of the main and subsidiary study and analyzing and interpreting its results through the nature and level of direct impact relationships between variables, in light of the answers of the sample members through the impact of the independent variable (accounting information documented according to the cash flow statement) in order to reach the results of testing and interpreting research hypotheses as follows:

The above sub-hypotheses will be tested through the One-Sample Test

5- Testing the first hypothesis

This hypothesis states that **(accounting information is reliable according to the preparation of the statement of cash flows).**

The results of the test were as in Table (1) below, as it is clear that there is support by the sample members on the importance of preparing the cash flow statement to increase reliability as the value of t at a significant level less than 5%, which confirms the proof of the hypothesis of the study, that is, the accounting information is reliable according to the preparation of the cash flow statement.

Table 2. Results of the first hypothesis test

| One-Sample Test | | | | | | |
|-------------------------------------|----------------|-------------------|-------------------------|--------------------|--|--------|
| | 0 = Test value | | | | | |
| | T value | Degree of freedom | Moral degree (2-tailed) | Average difference | 95% confidence interval for difference | |
| | | | | | inferior | Top |
| Preparing a statement of cash flows | 151.365 | 419 | 0.000 | 3.98056 | 3.9289 | 4.0322 |

Source: Prepared by the researcher based on the results of statistical analysis (SPSS)).

6- Testing the second sub-hypothesis

This hypothesis states **(there is a significant impact relationship for the accounting information documented according to the preparation of the cash flow statement to reduce financial fraud)**

For this reason, the regression equation was analyzed between the approved variable represented in financial fraud in economic units and the independent variable

represented by the reliability of accounting information according to the numbers of the cash flow statement as shown in Table (3):

From the results presented in the table below, when the value of the cash flow statement is increased by one unit, the reduction of financial fraud 'will be affected by the increase by (), which means that there is a significant positive and significant impact of the variable of the reliability of accounting information documented by preparing the statement of cash flows on reducing financial fraud, and from here it can be said that the accounting information documented by preparing the statement of cash flows will have a positive role in reducing financial fraud in economic units and this is clear through testing (T) for the value of the beta coefficient () which amounted to (3.431), which is evidence of the significance of the beta coefficient below the level of significance 0.05, and through the above results we accept the hypothesis that **(there is a significant impact relationship for the accounting information documented according to the preparation of the cash flow statement to reduce financial fraud)**

As well as through the calculated value (F) (14.62), which is a significant value below the significance level of 0.05, we conclude that the studied model between the reliability of accounting information for the preparation of the statement of cash flows and the reduction of financial fraud, fits significantly with the phenomenon under research.

In addition, it is noted from Table (3) that the coefficient of determination ((R²) amounted to (94.4%) and the corrected coefficient of determination of (92.7%), which shows that the interpretability of the regression equation is high and indicates that (92.7%) of the changes that occur in reducing financial fraud is due to the accounting information documented in the preparation of the statement of cash flows, meaning **the greater the commitment to prepare the statement of cash flows in accordance with accounting standard No. 7.IAS7) accounting information will be documented and will reduce financial fraud in economic units.**

Table (3) shows the values of the coefficient of determination, the value of the regression parameter and the value of preparing the statement of cash flows on the reduction of financial fraud

| Sig | Calculated F | coefficient Selection debugger | Coefficient of determination (R ²) | Reducing financial corruption in economic units | | | Dependent variable |
|--------|--------------|--------------------------------|--|---|--------------|-----------------|---|
| | | | | Sig | Calculated T | Estimated Value | Independent variable |
| 0.0037 | 14.62 | 0.927 | 0.944 | 0.0019 | 10.399 | 2.352 | Fixed limit |
| | | | | 0.0415 | 3.431 | 0.804 | Accounting information documented according to the preparation of the statement of cash flows |

Source: Prepared by the researcher based on the results of statistical analysis (SPSS)).

2. CONCLUSIONS AND RECOMMENDATIONS

Conclusions

- 1- The basic characteristics of accounting information are the qualities or features that must be characterized by accounting information in order to be honestly representative of the reality of the situation in economic units in terms of the usefulness of the decision so that it is useful to the user and the relative importance of any accounting information so that any deletion or addition will affect that information.
- 2- Reliability means that the information is devoid of bias and error and that the objectivity of accounting information means the availability of sufficient credibility to enable decision-makers to make their decisions based on documented accounting information.
- 3- International accounting standards can be said to be a written statement issued by an authorized body aimed at unifying and coordinating accounting treatments and policies to reach unified results for a set of financial transactions for ease of comparisons and understanding by the relevant parties.

- 4- The statement of cash flows works to provide historical changes in financial institutions and others through and for a specific period of time and these flows are either operational, investment or financing for their various activities.

Recommendations

- 1- The need for accounting information to contain the basic characteristics in a way that enhances the qualities or characteristics of that information in order to be honestly representative of the reality of the situation in the economic units in order to achieve the benefit of the decision and be useful to the user and to exert due care for any accounting information to enhance the reliability and credibility of that information.
- 2- It must enhance the reliability of accounting information because of its important role for decision makers because it provides information free from error and bias and thus be more credible for what it presents or provides of objectivity to accounting information.
- 3- The need to take into account when preparing financial statements to rely on international accounting standards in coordinating and unifying accounting policies by making the apparent results comparable if they are based on international accounting standards.
- 4- Emphasis on the different economic units to prepare a statement of cash flows because of the information it provides on historical changes in the different economic units and their quality, whether operational, investment or financing.

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