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# Creative Accounting: Some Ethical Issues of Macro- and Micro-Manipulation


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## Abstract

Preparers of financial statements are in a position to manipulate the view of economic reality presented in those statements to interested parties. This paper examines two principal categories of manipulative behaviour. The term ‘macro-manipulation’ is used to describe the lobbying of regulators to persuade them to produce regulation that is more favourable to the interests of preparers. “Micro-manipulation” describes the management of accounting figures to produce a biased view at the entity level. Both categories of manipulation can be viewed as attempts at creativity by financial statement preparers. The paper analyses two cases of manipulation. First, it describes a recent case of significant and successful lobbying against the accounting regulator in the USA. The second case


examines some recent Spanish earnings manipulation to demonstrate the effects of biased reporting at the entity level. Both types of creativity are considered in an ethical context. The paper concludes that the manipulations described in it can be regarded as morally reprehensible. They are not fair to users, they involve an unjust exercise of power, and they tend to weaken the authority of accounting regulators.

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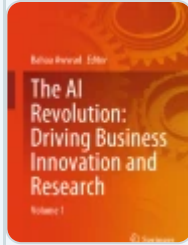
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## Abbreviations

**APB:** The Accounting Principles Board

**ASRB:** Accounting Standards Review Board

**FASB:** Financial Accounting Standards Board

**IASB:** International Accounting Standards Board

**IASC:** International Accounting Standards Committee

**ICAC:** Instituto de Contabilidad y Auditoría de Cuentas (Spanish Institute of Accounting and Auditing)

**IFRS:** International Financial Reporting Standards

International Organization of Securities Commissions

**IOSCO:**

**PGC:** Plan General de Contabilidad (Spanish Accounting Plan)

**SEC:** Securities and Exchange Commission

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