PRELIMINARY REPORT

Creative Cash Flow Reporting – the Motivation and Opportunities[1]

Stevanović Slavica[2], Institute of Economic Sciences, Belgrade, Serbia
Belopavlović Grozdana, Lazarević-Moravčević Marija,
Belgrade Banking Academy, Belgrade, Serbia
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ABSTRACT – *Company's stakeholders make business decisions based on information presented by management. The quality of decisions, among other things, depends on the quality and reliability of information in the financial reports. Business practice demonstrates that managers tend to present a false picture of the financial position and profitability of the company, often in cooperation with the owners of the capital. Procedures that management and investors take, in order to create a false impression about the performances of the enterprise, the contemporary literature defines as creative financial reporting. Presentation of better financial performance than realistic one provides misleading signals about the company, while the users of information are misinformed.*

The goal of this paper is the analysis of opportunities to implement creative cash flow reporting and the factors that encourage the company's management and the owners of the capital to wrong and misleading interpretation of performance items. After the presentation of the main motive of creative financial reporting, we shall focus on examples of erroneous classification of cash flows. Earnings management and the shaping of cash flows may be realised within and beyond the boundaries of accounting regulations on several ways, but a special review in the paper is dedicate to creative reporting procedures of cash inflow and outflow related to receivables, investments, liabilities, and expenses. Consequences of creative reporting on cash flow and other performances could be serious both for stakeholders and for survival of the company, which is discussed in the last part of the paper.

KEY WORDS: *creative financial reporting, creative cash flow, classification of cash flows, unsustainable cash flows*

Introduction

Financial reports are an important resource, especially for the shareholders, and other company's interest groups, which based on the presented accounting information, assess the company's performance. Financial statements information required for the stakeholders should be relevant, and in the same time free of information risk. Multiple cases of financial reporting fraud, in the past two decades have undermined confidence in financial reports

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[2] Institute of Economic Sciences, Zmaj Jovina 12, Belgrade, Serbia; e-mail: slavica.stevanovic@ien.bg.ac.rs

reliability and managers integrity. The role of managers is to manage company's assets and capital in the interests of the owners, but all the rights acquired by their agent's position, create a space to meet their own interests, which are often in conflict with the interests of the shareholders. Managers can use their accounting discretion to influence the content of financial reports. Final selection of the accounting policy and possible hidden intentions of managers affect the reality of reported performances.

Manipulation of financial reports is known as a creative financial reporting. The very term of creative is usually associated with something positive and innovative. When it comes to financial reporting that is not the case. Creative financial reporting includes procedures that management takes in order to conceive a false impression about the company's performance. The nature of accounting information based on accrual basis, to great extent facilitate the creative reporting. The choice between alternative methods of evaluating certain assets, income and expenses items, gives managers a chance to express overstated or understated company's earnings and net assets, in accordance to advance the goals and signals they want to send to the public. The values of the financial reports items resulting accounting estimates may also be subject to fraud, which undermines the reality of the presented company's financial position and performance. In addition to the personal benefits to the management to accomplish unreal presentation of company's performance, the owners of the company may also put pressure on management to participate in the financial reporting fraud.

The motivation for creative financial reporting

The manager's motives to implement financial reporting fraud may be psychological, egocentric, or ideological, but in most cases the economic benefit is the main motive that encourages illegal activities (Dušan Milojević, 2006). Guide by the desire to achieving personal benefits and pressures of the owners, managers conduct activities that result in false financial reports. The company that under conditions of strong competition is not able to maintain a good position in the market can resort to creative reporting of results and cash flows. In this way, the company is trying to avoid the consequences of public disclosure of reducing demand and sale of its products, loss and low net cash flow. Manager's personal benefit in form of bonus payments and other incentives depends on the degree of firm's performance, which enhance the managers with poor integrity to manage profit and cash flows in a way that distorts the reality.

Increasing the market share price, easier obtaining and a lower cost of capital, lack of expected results in the application of the chosen strategy, and relativism of the present monopoly position (Dejan Malinić, 2008), may be significant motifs for displaying more favourable company's performance then they really are. Strong and stable net operating cash flow is a sign of a high quality earnings that easily can affect the growth of share prices. By fictitious increase in share price, earning per share, maintaining a stable income and on that basis payment of stable or higher dividends, the company wants to make shares attractive to new shareholders. Expressed good performance more easily attracts capital of creditors and others, under favourable conditions, which is always a key motivation for the creative accounting presence. The interest rate, the degree of binding constraints, the need for some kind of loan guarantees, among other things, depends on the cash flow performances.

Activities such as accounting manipulations, results better financial performances displaying in comparison to the companies from the same industry, or in comparison with the previous periods that blur image. Sometimes companies attempt to increase artificially earnings and net assets in order to realize prognosis or to make up bad financial indicators. Financial benefit in a form of misappropriation of assets by employees is also accompanied by manipulation of the company's financial reports, with the idea to hide illicit activities by accounting records and supporting documents. Literature mentioned three factors, referred as the «fraud triangle», often combine to lead individuals to commit fraud: pressure or an incentive to engage in fraud; a perceived opportunity, and the ability to rationalize fraudulent behaviour (Centre for Audit Quality, 2010).

Earnings management may be motivated by increasing the accounting information use value for all interest groups or, which is not rare in practice, by distorting reality of reported earnings in order to meet some of the goals set in advance. Earning management strategy known as Increasing Income involves multiplied expression of periodic income attempting to show a more favourable picture of the enterprise achievements. Aggressive assets depreciation in the current period in order to present an increase in earnings in the period to come is exercised within the Big Bath Strategies. The Income Strategy, on the other hand, comprises decreasing income in periods of good success, and its increase during the periods of bad achievements, in attempt to conceal the instable income (John J. Wild, K.R. Subramanyam, Robert F. Halsey, 2007). Management may seek to influence the amount of the presented profit by implementation of earnings management activities, while the Assembly of the shareholders has the final decision about the distribution of the profit.

Unrealistic reported values of company's assets, liabilities, income, and expenses threaten the quality of reported earnings, while the net cash flows trends does not match such movements. For this reason, the cash flow statement is used as a source of information needed for analysis of income quality. Comparing the amount and net income trends with net cash flow may indicate the presence of irregularities and creative financial reporting. Analyses of cash flow, used to detect the problem of profit quality, do not mean that there is no possibility of shaping the amount and structure of cash flows. The reason for failing to detect fraud and its resulting effects on profit and net assets of the company, may be deliberately expressing of cash flows by the management. As the earnings could be the subject of management, the management board can exert influence on the reported net cash flow from operating activities. Misstatement of cash flows provides misleading signals about the sustainability of financial performance, misleading the users of that information. Being aware that report users may detect manipulations with earnings by comparing cash flow and profitability trends, managers can access the erroneous or false reporting of cash flows of the company.

There are situations when the high presented net cash flow from operating activities does not prove the quality of operating income, but the inclination of the company's management to manage net cash flows from operations. Aware of the importance that information on cash flows from operating activities has for users of financial reports, managers are prone to manage cash flow. By presenting a good financial performance, companies tend to attract investors, creditors, and others. It is therefore important to know whether the higher inflows than outflows of cash from operating activities are the sign of real ability of the company to generate cash from operating sources, or they are result of misclassification and other funds' manipulations. Creative cash flow reporting means that management undertakes the actions in order to create a false impression of the cash flows, primarily, on cash flows from operating activities. To the public they are tending to send signals that the company is able to generate cash and cash equivalents, although sources from operating activities are not, or at least not to that extent sustainable.

Creative cash flow reporting can be executed within the boundaries of Generally Accepted Accounting Principles (GAAP) and other accounting regulations or their disruption. Actual cash flows and flows presented in the statement of cash flows often do not overlap, which could be due to false reporting by the company's management. Committed manipulations conceal the real picture about the ability of the company to generate cash. Expression of unsustainable cash flows should also be considered creative reporting (Charles W. Mulford and Eugene E. Comiskey, 2005). Some of the opportunities of creative accounting practices, when it comes to reporting cash flows, will be presented in the following.

Opportunities for creative cash flow

The value of cash and cash equivalents to the end of the particular accounting period is presented in the balance sheet and the statement of cash flows. The users of mentioned financial reports assume that the information about the cash balance and changes are reliable. The fact is that the audit of the financial statements provides additional security in the reliability of reported values, but it does not provide an absolute guarantee that the presented information is true and correct. Due to the fact that audit procedures are not the same for all parts of the assets, the tendency to fraud and embezzlement by management and employees depends on the nature of the company's assets. Cash is a part of assets verified by an auditor using the independent confirmation addresses to the bank. As confirmation is the external source of audit evidence, it can be concluded that the cash is not often the subject of management's fraud.

Cash is in contrast to other balance sheet items exempt from problem of accounting estimates and accounting options.. Yet, the possibility of overstating of cash inflows and understating the outflows influences the reality of presented structure of cash flows. Management is unlikely to be resorted to deliberately false the presentation of the cash balance, but the cash flows and their elements are an area that management could take advantage of the planned manipulation. The shaping of cash flows from operating activities by the company's management, with the aim of creating the image of the successful generation of cash from operating activities, is understandable given the importance of the amount and trend of net cash from operations in the process of evaluating investments and the calculating company's stock price.

Frauds in the area of cash collection and payments are generally accompanied by manipulation of transactions of sale, purchases, investments, debt payments, and other ones that have resulted in a change of cash. Cash transactions do not reflect the actual events in the reporting period in the following situations: paying obligations regarding material procurement that really has not been received, turning out invoices to customers at prices that are lower than the prices defined by business policy, employees are calculated and paid based on greater number of hours of work in relation to the actual spent time, the subsidiaries receive higher interest rates than currently paid, double duties paid by suppliers invoices, etc. (Milojević, 2006).

Receivables and related cash flows. The rule is that an increase in the receivables balance in relation to the previous period, as a result of unpaid claims, leads to a decrease in net cash flow. Inversely is with the decrease in the receivables balance, which affects positively the net cash flow from operations. Increasing net cash flows are interpreted differently depending on the reason of reducing claims and increasing cash inflows. Decrease in receivables could be the result of current billing, or claims deriving from the previous period. The collection of outstanding claims will increase net cash flows from operating activities, but it is important to note that this source of cash is not of sustainable.

Management frauds incurred by presenting fictitious sales, and on that basis introduction of non-existing customers and fictitious receivables, leads to overstated earnings. Cash flow statement can help in the discovery of similar financial fraud, but the fact that the statement of cash flows can be subject to management manipulation, is a disadvantage in detecting the fraud. The more convincing is the presentation of the fictitious customers and sales revenue if it is expressed the collection of fictitious sales and receivables, while the operating profit and operating cash flows are moving in the same direction and does not attract the attention of reports' users. As an example, we can present a company whose management reported fictitious equipment purchase together with fictitious account receivable from the partners with which it already operates (Charles W. Mulford and Eugene E. Comiskey, 2005). Based on fraudulent purchases of new equipment are presented outflows from investment activities, while the collection of receivables from non-existent customer, leads to increase of inflow from operating activities. Fictitious operating cash inflows and investing cash outflows are equal, so that mentioned transactions have no impact on the cash balance at the end of the period, but have resulted in overstated net operating cash flows.

Advance payments by customers can be a significant source of cash from operating activities of the company, but the increase in income on this basis does not present a stable source of cash. Advances payments by customers as balance sheet item, could be used to overstate net operating cash flows. An example is the company Enron, whose management together with overstated income, presented overstated cash flows from operating activities, which, at least for some time, avoided the analysts suspects in reality of the earnings. Overstated net operating cash flow is the result of misclassification of inflows based on bank loans. Related parties have borrowed from banks and paid in advance to the company Enron the oil. The bookkeeping of Enron showed the customer deposits, while cash flows were classified as operating cash flows (Mulford and Comiskey, 2005). The classification of cash inflow arising from financing activities as an inflow from operations is an example of company's reporting practice beyond the boundaries of Generally Accepted Accounting Principles.

Overstating net operating cash flow for the current year could be the result of presenting inflow based on securitization or sale of receivables as operating cash flows. Securitization and sale of receivables results a decline in the receivables balance, which is presented in cash flow statement as an cash inflow provided by operating activities. The accelerated collection of account receivable, the future cash inflows from operating activities are reported in the current accounting period. Generating cash inflow from operating activities in the artificial way in the current period will be reflected in the next accounting period as a reduction of net operating cash flow (Mulford and Comiskey, 2005). The fact is that the newly created account receivables will substitute those sold, so it will only increase the amount of receivables beyond the previous sold values, and thus lead to an increase of cash outflows from operating activities.

Investments in notes receivable create in an enterprise doubts concerning the treatment of cash inflow from their collection. Options are the classification of cash flows and changes in the notes receivable balance as operating or investing cash flows. Most of the companies classify the cash flows based on notes receivable as cash flows from operating activities. Using the other option could be exercised an overstating operating cash flows. In this case, the increase in notes receivable is presented as a reduction of net cash flow from investing activities, and thus, the cash flows from operation is increased for the same amount. Management that mentioned financial receivables classify as part of the investing cash flows, could consciously increase the receivable balance. The accumulation of uncollected receivables reduces the net investing, instead of net operating cash flow, and creates a space for creative reporting and overstating net operating cash flow.

Investments and related cash flows. Cash flows from company's financial assets generally are viewed as cash flow from investing activities. Classification of cash flow arising in connection with the purchase and sale of financial assets depends on their classification. When financial assets are classified as held-to-maturity investments, and available-for-sale financial assets, the corresponding cash inflows, and outflows are classified within the investing cash flow section. Cash used for buying (provided from selling) of financial assets held for trading, is included in operating cash flows.

Classification of financial assets by purpose shall be made in accordance with the accounting policy of the company, based on criteria that require international accounting standards. Four categories of financial instruments are defined in International Accounting Standard 39. Financial instruments held for trading generally are used with the objective of generating a profit from short-term fluctuations in price or dealer's margin (IAS 39, 2011). By reclassification of available-for-sale financial assets on financial assets held for trading, management of the company can create and send the wrong signal about the cash generating capabilities, demonstrating the cash inflows and outflows in favour of net cash flows from operating activities. If buying and selling of financial assets is not active and frequent, it is not appropriate the classification as financial assets held for trading. After the sale of incorrectly reclassified assets as assets held for trading, there is an increase in net operating cash flows, although their buying decreased net cash flow from investing activities. Cash from operating activities, generated due to the incorrect classification of financial assets is not sustainable. Unsustainable net operating cash flows should be excluded, in order to create the real picture of cash flows from operating activities.

Investing in the purchase of some part of assets indicates to investing cash flows, but the classification of cash flows from investing activities depends on the kind and purpose of the assets to be purchased. The rule is that expenditure incurred by purchasing assets allocated for doing business in the longer term, represents a part of investing cash outflows, and potential inflows based on their sale, a part of cash inflows from investing activities. Expenditures incurred due to purchase of assets intended to be used for the production of goods (materials) or sell (goods), by its nature, cannot be part of cash flows from investing activities. Their purpose will determine the classification of the outflow based on current procurement as cash outflow from operating activities. Misclassification of assets and related expenditure has an impact on the structure of the cash flows. Treating the current assets as part of fixed assets, or investing instead of displaying operating cash outflows, leads to overstated net operating cash flow.

Liabilities and related cash flows. Management disposes with the possibility to use the flexibility of generally accepted accounting principles when presenting wanted cash flows from operating activities. Approved overdraft on cash account opened at the bank, creates the ability to boosting operating cash flow. Generally accepted accounting principles are not definitive in the cash-flow classification of overdrafts. Overdraft is seen as a short-term loan from the bank, where cash flows from the use of overdrafts and related interest payment are viewed as financing cash flows. Classification of overdrafts as cash flows from operating activities is explained by the fact that this type of company's loans is mostly used to settle current liabilities. Presenting overdraft as a current liability and thus, its turn into operating section of cash flow statement, could lead to overstated net cash flow from operating activities. Cash flow from operations generated by increasing overdraft is unsustainable, which is one more reason not to be taken into account when evaluating the performance of the enterprise.

Account payable as balance sheet item is the result of temporal mismatch of assets purchase and execution of payments for that. Although account payable is a form of financing company from suppliers, the cash flows from payment of these liabilities and change of account payable balance are reported as cash flows from operating activities. Management can use extension payments to suppliers as a tool to increase net operating cash flow. It is important to known in which percentage the account payable balance increase presents the source of cash from operating activities, because it is a source that is not sustainable. Suppliers may approve the company’s defer payment of current liabilities at the end of the current year, instead of the beginning of the following year. This method does not violate the generally accepted accounting principles, but the ability to generate cash flow for two consecutive accounting periods is misted.

Time mismatch between the transaction of revenue recognition and the one of receivables paid by customers, among other, can lead to dilemmas in terms of classification of cash inflows. Collection of revenues from sale in the period before it is made their recognition affects the expression of inflows in the form of increased liabilities based on advance payment. The fact that is the true source of funding provided by the customers, could lead to the conclusion that the related cash inflow have to be presented within the financial section of cash flow statement. Yet, customer deposits are a source of cash flow from operating activities, which is explained by the fact that the company will deliver, on that basis, goods or services to the customer. Unrealistic reported net cash flow from operating activities could be a result of a misclassification of customer deposits inflows, or forcing advance payments from customers.

Expenses and related cash flows. Operating costs can be one of the areas of fraud, in case of their wrong capitalization. Expression of certain expenses as capital expenditures or an increase of value of property, plant and equipment, rather than as expenses in the income statement, results in increase of net income and cash flows from operations. The profit is increased in the absence of expenses that are capitalized. Recognition of the incurred expenditures as operating expenses in the income statement, would affect the increase of cash flows from operating activities at the time of their payment. Making an incorrect capitalization of costs, the cash expenditures recognized in the balance sheet would be described as part of investing cash outflows, which overstates the net operating cash flow, and understates the net cash flow from investing activities.

Capitalization of software development costs instead of their treatment as a expenses, is an example of reducing the net investing cash flows, instead of net cash flows from operating activities. Unlike expenses that should not be capitalized, the capitalization of development costs is possible within legislation acceptable limits. Capitalization of subsequent software development costs is performed at the time of reaching technological feasibility, but concerning the percentage of capitalization, companies can adopt different policies. Recognizing the expenditures in terms of software development as periodic expenses will affect the statement of comprehensive income and cash flow statement by showing lower profit and lower net cash flow from operating activities. During the capitalization of these expenditures, cash outflows would be included in the investing section of the statement, having no effects on cash flows from operations, thus, they will be reported unrealistically. Incorrectly percentage of capitalization of development costs lead to overstated net cash flows from operating activities, even in the absence of a final capitalization effect on profit. Effects on the profit are missing during equalization of amortization of capitalized software development costs in the previous period and the amount of expenses capitalization in the current period.

Changes of company's capitalization policy have an impact on reported cash flows from operations. Capitalization percentage magnification compared to the previous period has the effect of increasing cash flows from operations, because a larger part of cash outflow is included in investing cash flows. It could be concluded that the capitalization of operating expenses leads to incorrect higher operating profit, and cash flows from operations, because instead of showing cash outflows based on operating expenses within operating section of the statement, the outflows, are presented as investing cash flows.

Companies of equal capital intensity would have reported different net cash flows from operating activities, if one company purchases equipment through operating leasing, and the other one, the same equipment buys. The company that rents equipment through leasing, the expenditures for leasing presents as cash outflows from operating activities. Expenditures for purchased equipment are viewed as capital expenditure, thus, a company that is committed to purchase of equipment would have a decrease in net investing cash flow (White, Sondhi and Fried, 2003). Misrepresentation of outflows from operating leasing as investment, rather than operating cash outflows, lead to overstated net cash flow from operating activities.

Consequences of creative cash flow reporting

Positive cash flows represent the aim that owners and management tend to achieve. Whether and how the company is able to generate cash from operating activities is the crucial information for users of financial reports. Potential investors, creditors and analysts are interested in sources, use and cash flow trends, because on that basis they assess the performance of the company. The company with the positive cash flow, with increasing trends from period to period, has no problems with the financing of necessary investments and repayment of maturing obligations. It is in the situation to invest in new business, relying mostly on internal sources of financing. Credit conditions for potential external funding investments are certainly favourable for liquid and solvent companies. The above mentioned can be a stimulus for expression of cash flows higher or lower than the actually achieved cash inflows and outflows. Stakeholders' decisions on capital investment, loan approval, initiation and continuation of business relations with the company and employment, based on unreliable and unrealistic accounting information would be erroneous. After a period the effects of manipulation on income, net cash flow from operating activities and the share price will become evident, company's security violated, and the trust of persons associated with the company shaken.

Misclassification of cash flows, mostly to net cash flow from operating activities resulting in an overstatement of net cash flow from operations. Since in that case the value of net cash flow from investing or financing activities is understated for the same amount, the effects of fraud on the total net cash flow will be absent. The fact that the amount of net cash flow as a whole, is not affected by the activities implemented by company's management, does not eliminate, nor justify the presence of creative cash flow reporting, especially if taken into account that the value of net cash flow as a whole has the lowest information value. Misclassification effects of cash flow presented in the Table 1 are an example of aggressive capitalization of expenditure. The consequence of showing cash outflow from investing activities instead of operating cash flow, regardless of being erroneous misclassification due to ignorance or with specific purpose, is the overstated net cash flow from operations.

Table 1. The impact of erroneous classification of cash flows

Cash flows	Realistic	Unrealistic
Net cash flow provided from operating activities	350.000	overstated
Net cash flow used for investing activities	(730.000)	understated
Net cash flow provided in financing activities	400.000	unchanged
Net increase in cash and cash equivalents	20.000	unchanged

Overstated cash inflow, understated cash outflow, and recorded fictitious transactions affect the quality of the reported net cash flow from operating activities. The example of Table 2, indicates the change in cash flows due to false reporting of cash flows. Since the adequate decisions making by users of financial statements, among other things depend on reliability and comprehensiveness of information of cash flow trends, the better presented cash flows in relation to the real cash flow, create a false impression of the ability to generate cash for operating, investment, and financing activities.

Table 2. The impact of false reporting of cash flows

Cash flows	Realistic	Unrealistic
Net cash flow provided from operating activities	350.000	overstated
Net cash flow used for investing activities	(730.000)	unchanged
Net cash flow provided in financing activities	400.000	unchanged
Net increase in cash and cash equivalents	20.000	overstated

Decisions made based on unrealistically reported cash flow items, and items of other financial reports, resulted in lost return on investment, lost investment, opportunity costs arising from missed better investments (Dejan Malinić and Nikola Stevanović, 2009). At long-term period, losses suffer all users of creative financial statements, because they consider them as a reliable source of information about the performance of the company. The most serious consequences of creative reporting still bear investors, particularly the investors to companies with significant dispersion of ownership and minority shareholders of companies in which there is one or a few large owners.

Consequences for the company are also dramatic because the company could go bankrupt, and if survive, it would be hard to regain the trust of investors and creditors, to attract the capital and to continue operations. Material loses are accompanied by new created distrust of the system of financial reporting and the accounting profession. Therefore, all that troubles cannot be recovered by material or prison punishment to the management, which is the most responsible for manipulation activities (Malinić, 2008).

Concerning the fact that an efficient financial reporting system generates accurate, objective information about the company's performances, provides a reliable basis for making good business decisions, strengthens the confidence of investors and creditors, decrease investment risk and provides lower costs of capital, it is clear what consequences creative financial reporting has for the capital market. The distrust of investors, lack of interest in investment, increased capital costs, inefficient capital market, is factors that adversely affect the economy of the country.

Conclusion

Manipulations of earnings and cash flows of the company are possible in practice if there are certain personal motives or pressure of management by owners of the capital. Earning management may be accepted as a regular business practice if there are no materially significant violations of accounting rules, a deliberate intention of creating a misleading impression about the company performances, and if it contributes to the achievement of stakeholders' interests. On the other hand, managers may often use their accounting discretion to manipulate earnings, which certainly affects the reliability of the financial reports.

Cash flow analysis can be used as a tool for discovering creative reporting on company's profit, but even the cash flows can be subject to manipulation. While cash flows, by their nature provide much less opportunities for manipulation in relation to income, the practice have revealed the presence of creative cash flow reporting, which can be seen in examples of creative reporting of cash inflows and outflows related to receivables, investments, liabilities and expenses. Aware of the information importance that cash flows from operating activities has for the users of financial reports, the managers often tend to present their company as one able to generate cash and cash equivalents by misclassifying cash flows, although sources from operating activities are not, or at least not to the extent sustainable. However, the possibility of manipulative management of cash flows as a real category is significantly lower compared to the possibilities of creative earnings shaping which represents the accrual accounting item.

True and objective information about the cash flow and other company's performances provide a reliable basis for making good business decisions and strengthen the confidence of investors, creditors and other stakeholders. Stakeholders' decisions on investment, credit approval, initiation and continuation of business relations, made based on unreliable and unrealistic accounting information will be incorrect. After some time, the effects of fraudulency on income, net cash flow from operating activities and stock prices will become evident, the security of the company violated and the investors' confidence of the company undermined.

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Kreativno cash flow izveštavanje - motivacija i mogućnosti

REZIME *– Stejkholderi preduzeća donose poslovne odluke na osnovu informacija koje su prezentovane od strane menadžmenta. Kvalitet donetih odluka, između ostalog, zavisi od kvaliteta i pouzdanosti informacija u finansijskim izveštajima. Poslovna praksa pokazuje da su menadžeri skloni da prikažu pogrešnu sliku o finansijskom i prinosnom položaju preduzeća, često i u saradnji sa vlasnicima kapitala. Postupci koje menadžment i investitori preduzimaju u cilju stvaranja pogrešnog utiska o performansama preduzeća, savremena literatura definiše kao kreativno finansijsko izveštavanje. Prikazivanjem boljih finansijskih performansi nego što one stvarno jesu, pružaju se obmanjujući signali o preduzeću, a korisnici infomacija dovode u zabludu.*

C*ilj rada je analiza mogućnosti za sprovođenje kreativnog cash flow izveštavanja i faktora koji menadžment preduzeća i vlasnike kapitala podstiču na pogrešno ili lažno prikazivanje performansi preduzeća. Nakon prikazivanja glavnih motiva kreativnog finansijskog izveštavanja, ukazujemo na primere pogrešne klasifikacije novčanih tokova. Upravljanje dobitkom i novčanim tokovima menadžment može sprovoditi u okviru i izvan granicama računovodstvene regulative na više načina, ali je u radu poseban osvrt na postupcima kreativnog izveštavanja priliva i odliva gotovine koji su vezani za potraživanja, plasmane, obaveze i rashode preduzeća. Posledice kreativnog izveštavanja o cash flow i ostalim performansama preduzeća mogu biti ozbiljne kako po stejkholdere, tako i po opstanak preduzeća, što je i obrazloženo u poslednjem delu rada.*

KLJUČNE REČI*: kreativno finansijsko izveštavanje, kreativan cash flow, klasifikacija novčanih tokova, neodrživi novčani tokovi*

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