

# Accounting and Analytical Processes: From Veiling of Financial Reports to Capital Withdrawal

**S.A. SAMUSENKO**, Candidate of Economic Sciences.  
E-mail: ssamusenko@sfu-kras.ru  
Siberian Federal University

**Abstract.** Based on information obtained during audits and accounts examinations of enterprises of housing and communal services, the author analyzes the influence of low-quality and unreliable accounting and analytical data on subsequent large-scale distortions in the official statistics of the sector and entrepreneurship activity. The paper reviews causes and factors of intentional manipulation of accounting data describing principal ways of deliberate distortion of accounts and financial statements. It shows that creative accounting tools create information asymmetry on all levels as they lead to exaggerated tariffs for housing and communal services, uneven distribution of income in the industry and markets, wrong economic decisions of investors and lenders, distortion of industry statistics on investments, incomes, expenses, financial results, accounts receivable, and accounts payable.

**Keywords:** *creative accounting, accounting and reporting accuracy, financial reporting, veiling of reporting, falsification of accounting information, primary statistical data*

## Introduction

Entrepreneurial statistics often contains deliberate distortions casting doubt on the quality of estimated state of an industry, region or the country as well as veracity of economic forecasts [Glinsky, 2018]. Rosstat calculates aggregate indicators on basis of original sources of statistical data generated by actual participants of the activity – entrepreneurs themselves: these are not only state forms for statistics but accounting (financial) reports. On the micro level, financial reports that contain deliberate distortions (veiled or falsified) may mislead counterparts, creditors, and investors, thus, forcing them to make wrong economic decisions, which may result in losing their investments [Kulikova, 2011]; on the macro level, they produce false information on industries and markets. By the end of the XX-th century, professional literature started using broadly the term ‘creative accounting’ to denote actions of people that prepare financial reports aimed at manipulation of data in the interest of company management and shaping certain opinions of its users [Baranov, Ustinova, 2018].

Experience has proven that the audit institution restrains such processes only to a limited extent while in some cases auditors provide advice and act as partners in veiling accounting data [Baranov, 2019]. Why does it happen and is there a beneficiary of this? What impact do veiling and falsification of accounting operations have on distortion of statistical data? To answer these questions the paper considers practical cases that reveal deliberate distortions of accounting data and reports for reaching determined objectives. For the sake of compatibility, examples are derived from the same industry– the housing and utilities sector (HUS). The author used data from over 20 audits and accounting inspections that she participated in 2005–2018.

### **Everything starts with planning**

Quite often the credibility of financial reports starts at the planning stage of operations. Thus, the larger part of housing services and utilities is purchased at regulated prices and tariffs that are based on planned costs. In particular, the size of payment for maintenance of living premises in a multi-apartment building is set by a decision of homeowners<sup>1</sup> and presumes compensation of economically justified costs incurred by the operator (a management company acting on its own or through contractors). Could the contractor profit from overbudgeting current maintenance of living premises? There is no doubt that a conscientious company would not plan works in excess of those it can execute with due quality and in time. However, this becomes a standard practice in the housing and utilities sector in order to form additional income and profits.

The fact of the matter is that if the volume of planned current maintenance is excessive the operator's income without due control on

---

<sup>1</sup> Payment for general maintenance of living premises includes compensation of general maintenance costs of common property of the multi-apartment building. The compensation covers current maintenance of roof, front, staircases, basement, foundations, maintenance and cleaning of building surrounding grounds, sanitation and emergency service, maintenance and repair of elevators. The amount of payment obviously depends on the type of house, the year of construction, the state of decoration and additional services available – intercom, doorkeeper, video registration. According to article 155 of the housing code of RF, if the house is managed by a condominium association or a housing cooperative the size of payment is set at the general meeting of homeowners; if the house is managed by a management company the size of payment is set with consideration of the proposal of the management company; if the homeowners have not decided on a management method the size of payment is set by the municipal authorities.

behalf of the homeowners will be made up based on planned figures while expenditures will be determined by actually executed work. So, one of management companies that performed current maintenance on its own in 2016 planned and agreed with the homeowners current maintenance for 125 mln. RUB and in 2017 – for 99 mln. RUB in actual fact in 2016 it performed work for 79 mln. RUB (63% of the plan) and in 2017 – for 78 mln. RUB (78% of the plan). So, only due to excessively planned volume of maintenance the management company collected additional 67 mln. RUB from the homeowners and did not provide services for this amount.

Obviously, companies avoid demonstrating inflated planned figures, excessive unearned income not backed by provided services and incurred expenses in their financial and statistical reports. This leads to systematic excessive indexes of physical volumes of executed work, shipped products, profit and return on investment in the industry. Besides, industry reports collect data on non-existing maintenance and renovations of housing facilities.

Another area of intentional manipulation of plans embraces working hours and related labor expenses. Usually companies inflate the number of staff skillfully leveraging discrepancies between multiple industrial recommendations and instructions. We regularly discovered a 15%- 20% difference between declared and actual number of workers in companies employed in the housing and utilities sector. Excessive staff planning stems from the necessity to substantiate higher expenditures to the regulator that approves utility tariffs. Obviously, this cannot be achieved by simple increase of salaries. Regulators at regional and municipal levels may compare planned salaries by a company with industrial and regional average and exclude the surplus from the tariffs. Moreover, managers need to plan salaries with account of industrial tariff agreements and other legislative acts<sup>2</sup> restricting payouts to company managers.

As shown in Table 1 that sums up results of inspection of the housing and utilities sector, inflation of staff numbers permits increasing actual salaries per worker.

---

<sup>2</sup> Thus, the instructional guidelines on salaries in the housing and utility sector approved by the order of the Gosstroï of RF of 31.03.1999 # 81, determines that the salary of the company manager with actual number of staff from 201 to 1000 may exceed the minimal rate 10–11 times. These are the norms that controlling organs follow in their estimates of economically justified salaries.

**Table 1. Payroll budget of a contractor and average salary per worker in 2017**

| Indicator                              | According to budget | Actual     |
|--|---------------------|------------|
| Payroll budget of company, th. RUB     | 337 210,30          | 335 848,00 |
| Average number of workers              | 680                 | 561        |
| Average monthly salary per worker, RUB | 41 324,79           | 49 888,29  |

The inspection proved that manipulating staffing plans by means of written up labor expenses allowed the company to raise the annual utility tariff for enterprises and general public of a town in Siberia by 59 mln. RUB. However, explanatory notes to the accounting report disclosed total savings of salary in the amount of 1,36 mln. RUB calculated as a difference between actual and planned expenses and not reflecting appropriated cash that appeared due to an intentional inflation of staff. An uninformed user of such reports would consider that these data prove the efficiency of cost management and validity of tariffs whereas the ‘salary’ item within the tariff contains a concealed hike of 17.5%.

Experience has shown that companies use surplus funds for salaries to pay stimulating bonuses to the managers. There are plenty of opportunities for that: regular financial assistance, bonuses not connected to performance, mysterious ‘individual allowances’. On the whole, the salary of workers and office staff at housing and utilities enterprises remains within planned limits while payments out of ‘reserves’ to managers go 50–70% up versus planned. How would this affect statistical data? The average salary in the industry would not change or increase but a little while income differentiation would go up significantly.

### **Do the accounting and analytical distortions depend on the market structure?**

The market of housing and utilities services is largely prone to monopolization [Karaghezian, 2015]. The system of tariff planning is imperfect and the capacity of anti-monopoly regulation is limited<sup>3</sup>.

<sup>3</sup> As pointed out in the Report on competition in the Russian Federation for 2017 submitted by the Federal anti-monopoly service (URL: <https://fas.gov.ru/documents/658027>, date of access: 17.04.2019), tariff discrimination in the RF stems from the absence of common rules for tariff setting in the country and this leads entry barriers and non-competitive business conditions. Thus, heating supply tariff difference in the second half of 2018 in the Central Federal District was 4846% and in the South Federal District it was 5355%.

There were cases when producers and providers of utilities became owners of management companies. In some regions as early as in the 1990-s owners of coal mines and principal suppliers of resources for production of heating and hot water overtly or via nominal holders acquired control over thermal power plants or regional hydroelectric power plants and, further on, over management companies that service most multi-apartment buildings on the territory.

Inefficiency lies in the fact that state regulation of prices and tariffs is applicable to companies providing utility services (housing cooperatives and management companies) and to their suppliers that produce utilities – heating, electricity, water and gas. At the same time, the prices for the products of the first level of the technological chain ‘supplier of products and services – manufacturer of utility resources – supplier of utility services’ are beyond the area of control. The first link of the chain is often a monopoly controlling the whole chain. This lets coal mining corporations among others receive surplus profits by dictating prices for its products on the guaranteed market. If a market structure is vertically integrated all possible losses from containing tariffs at the level of producers of utility resources or providers of utility services are usually made up by super profits in the first link of the chain.

If the market is not monopolized distribution of financial results gets disproportional: providers of raw and other materials for the industry receive substantial profits. And they are not interested in quality improvement of production processes since all extra costs and losses – from low labor productivity and ecological fines to losses from use of obsolete equipment – is shifted on to the next participant of the technological chain. Producers of utility resources (generating companies and water services companies) find themselves in a less comfortable situation but as evidenced in practice they manage to get approval for tariffs that suffice to cover their costs. As a rule all surplus costs in the industry are shifted to the three participants: consumers through growing prices and tariffs, suppliers of utility services and municipal authorities. According to our estimates, the 60–75% of utility service providers’ cost structure is usually spent on purchase of utilities, while the services of contractors (repair, removal of domestic waste and refuse, maintenance of housing facilities) take from 20 to 25%.

As the practice of inspections shows, most management companies carry losses from selling utility services year to year. This happens because the regulator approves two tariffs” one for purchase of utility resources (water, power) from producers and another for selling utility services to people as part of provision of houses with heating, electrical energy, gas and water. Clearly, the ‘tariff for sale’ must be higher than the ‘tariff for purchase’ by a sum of additional expenses of utility service producer (e.g. servicing and maintenance of utility networks). However, the legislator restricts the annual rise of residential tariffs by an extremal index<sup>4</sup>. For this reason the ‘tariff for purchase’ and the ‘tariff for sale’ may differ so much that a loss of a management company or a housing cooperative by some utility service (usually, heating and hot water supply) reaches 10–15% of revenues!

Why then providers of utility services continue such an unprofitable business? The first reason lies in compensating a part of payment by residents for housing and utilities that is calculated by a Federal subject and compensated by the municipal budget. However, municipal finances have a common problem – growing expenses are often not matched with corresponding sources of income. That is why municipal service departments and rural settlement administrations have amassed a wealth of experience on how to avoid compensating ‘shortfall in revenue’ to providers of utility services. Those tactics embrace complicated and permanently changing rules of settlement, submission of a large number of covering documents and tariff manipulation. Thus, in 2016 in a municipal community of Krasnoyarsk krai a management company that served the whole city for several months had been disqualified from getting a subsidy or got it in a limited amount. The reason for this was that conditions for application of extremal rate were not observed – the payment calculated for residents with consideration of the extremal index of

---

<sup>4</sup> Pricing methodology in the housing and utilities sector is determined by the Federal law on ‘The basis for regulating tariffs of utility companies’ of 30.12.2004 № 210-FZ and the decree of the RF government ‘On the principles of pricing and regulating tariffs, premiums and extremal indexes in the sector of housing and utilities’ of 14.07.2008 № 520. According to these documents the tariffs for housing and utility services are set for companies by the authority organ of a Federal subject or municipality for a current year. Calculations of subsidies obtained in compensation of a part of citizens’ payment for housing and utilities (‘shortfall in income’) are regulated by Article 157.1 of the Housing code of RF and the Decree of RF government № 603 of 01.07.2014.

tariff growth turned out to be less than the payment calculated with tariffs set for the resource provider. At the same time losses of the management company kept on growing, the reason being a patently low tariff for utility services set by the municipal administration from social considerations.

The second reason why management companies agree to operating in demonstrably unfavorable conditions is a long-term experience of cross-subsidizing financial results. In other words, a management company or housing cooperative incurs losses from sale of utility services and makes it up from high profits of housing service revenues. That is why only a third of housing and utility companies we had inspected produced transparent and credible accounts for revenues and costs by types of services rendered to residents and categories of serviced houses. Accountants of the other companies found it convenient to veil the data related to the structure of their financial results: for this purposes, the analytic accounts employed different lists of revenue and cost items that did not permit their compatibility, revenue accounts were not matched with corresponding expenses and vice versa, enlarged groupings of items did not permit revealing and analyzing incomes and costs even at the level of financial results.

Unfortunately, the growing monopolization of markets, redistribution of profits and losses between various levels of the technological chain, cross-subsidies of financial results bring serious distortions to the sector's statistics. One may safely assume that figures of shipped goods, expenses and financial results on the market of housing and utility services are ill-founded.

### **May the rent serve for capital outflow?**

A great problem of the sector under our consideration and the one that concerns every resident of Russia is the quality of housing and public utility services, which is falsified by methods of creative accounting. Thus, over the period from 2000 to 2015 the share of totally worn out water carrier networks in Russia grew from 31.6% to 44.4%, sewer networks – from 20.4% to 35.3%, while in Siberian regions it is close to 50%<sup>5</sup>. As a rule, utility networks belong to municipalities that lease them for long terms to private operators. In

---

<sup>5</sup> Housing services in Russia. 2016. M.: Rosstat, 2016.

a large Siberian city a condition of the network lease agreement was an investment program on the part of the lessee to build a purification plant, a sewage collector and a main water line. The sources of financing the program were additional payments for connecting to the water network and sewage system, extra tariffs for cold water, water discharge and waste water purification.

An expertise conducted on request of investigative authorities revealed that analytical accounts of a lessee showed that funds collected from enterprises and individuals for the investment program were not specified and reported as own sources of income. Indirect calculations on the basis of connection numbers allowed estimating the volume of funding collected over six years for financing the investment program to amount to 778.65 mln. RUB this exceeded the company's accounting records for the investment program by 110.17 mln Rub as this sum was actually appropriated by the lessee. Analyzing the cost structure of the investment program in the corresponding reports revealed that by its end not a single facility on its list had been completed and put into operation. At the same time, actual expenditures on the program implementation did not suggest any proactive approach of the lessee towards construction. Instead, the efforts embraced preparation of design and estimate documents, the cost of which greatly exceeded the budget, business trips, land rent payments and interest.

Accounting manipulation with credit interest deserves a separate look. Whereas the actual sum of income the company collected from users for the investment program was not known the network owner was misinformed about their sufficiency and informed of the necessity of raising bank loans. Over two years, the cost of sewage collector construction included interest cost of 50,32 mln. RUB However, statutory enactments on accounting allow inclusion into investment asset costs only that part of interest that was not balanced by income from alternative investment of borrowed funds<sup>6</sup>. The inspection showed that over the period of investment program out of the total 5.96 bln. RUB raised funds the company reinvested in financial

---

<sup>6</sup> In accordance with clause 10 of the Statute on accounting "Accounting of loans and borrowings" (Accounting Standards 15/2008), approved by the order of the Ministry of Finance of Russia № 107n of 06.10.2008, the interest included in the costs of an investment asset must be reduced by the amount of income from a temporary use of obtained loans as long-term or short-term financial investments.



deposits and share capital of other companies 5.22 bln. RUB. Income from such financial investment that amounted to over 49 mln. RUB did not go back to the investment program as an additional source of financing but was appropriated by the company and distributed as dividends between its owners.

It is obvious that falsification of accounting data about costs of investment programs not only distorts investment statistics in the industry but also covers operations of capital outflow. Undoubtedly, these questions stretch beyond our analysis: how the owner must control the use of resources and what form of ownership on production infrastructure in housing and utility services is most effective for consumer – state, municipal or private.

On top of that, managers of housing and utility service companies employ additional means of personal enrichment such as sale of the company property with follow-up rental lease. Table 2 contains data on such arrangement of a management company for sale of a number of buildings to a company connected to the management.

*Table 2. Information about financial results from sale of number of buildings by a management company in 2013*

| Name of facility   | Book value at sale, Rub. |              |               | Selling price with VAT | Loss from sale, Rub. |
|--------------------|--------------------------|--------------|---------------|------------------------|----------------------|
|                    | Original                 | Depreciation | Residual      |                        |                      |
| Mechanical shop    | 1 306 000,00             | 399 834,56   | 906 165,44    | 1 000 000,00           | 58 707,82            |
| Cold storage       | 1 880 000,00             | 575 755,44   | 1 304 244,56  | 400 000,00             | 965 261,51           |
| Wood warehouse     | 550 000,00               | 336 880,44   | 213 119,56    | 100 000,00             | 128 373,79           |
| Carpenter shop     | 15 605 314,98            | 5 601 423,96 | 10 003 891,02 | 2 000 000,00           | 10 262 437,41        |
| Garage and parking | 29 689 988,94            | 904 681,14   | 28 785 307,80 | 2 500 000,00           | 26 666 663,73        |
| Total              | 49 031 303,92            | 7 818 575,54 | 41 212 728,38 | 6 000 000,00           | 36 127 982,62        |

The facilities that were sold for just 12.3% of their residual value were later leased by the management company with a monthly rent of 650 thousand RUB throughout the period under inspection the management company paid to the new owner of the production facilities 24.78 mln. RUB which is 18.78 mln. RUB more than the sale proceeds.

### **Partner affiliations as means of capital outflow**

There are a number of schemes for siphoning off cash from housing and utilities sector based on partner affiliation and veiled by

methods of creative accounting. The major ones are embezzlements via fictitious purchase of resources and purchases at inflated prices.

Thus, over ten years the owners and simultaneously managers of a management company in a city of the Krasnoyarsk krai had siphoned off around 1 bln. RUB paid in by residents for housing and utilities until the scheme was discovered by an investigative accounting expertise. In particular, the owners of the management company have registered companies in St-Petersburg, Moscow, Tver and other Russian cities. One of companies in St-Petersburg made fictitious deliveries of fronts, wall panels, bricks, finishing materials. Due to long distance to the buyer (delivery of goods to the territory in question is only possible during summer months) purchases made during the year were stored at the seller's premises and additional price was charged for safekeeping of the fictitious goods. After a while the fantasy failed the swindlers and they started to record delivery of goods under the unimaginative name 'article'. Obviously the supplier of those fictitious 'articles' unlike producers of power, heating and water that were owed over 600 mln. RUB was paid regularly.

However, the volume of purchased articles had meanwhile exceeded all reasonable limits relative to the business scale of the management company. So, it went into trading selling off the accumulated goods from the warehouses in St-Petersburg to other companies controlled by other owners. These firms with debts having migrated between tax authorities of several cities went into liquidation without paying to their principal creditor – the management company.

Another curious example of siphoning off capital concerns massive purchases by another management company of various small expendable items for cash from individuals. The advantage of this scheme is that a fictitious individual supplier is of no interest to tax organs until the annual amount of purchases reaches 250 thousand Rub. and obtaining passport data of potential suppliers is not difficult. According to our estimates, one individual sold paper for printers in such volumes that its consumption over three years in a company of 30 employees must have averaged 256 packs or 128 thousand sheets a month.

One more way of embezzlement by owners and managers is procurement at inflated prices, whereby twofold difference between a normal market price and a purchase price by tendering is quite

common. One out of the number of creative accounting decisions to mention is veiling purchase prices through the use of non-standard measuring units. A subcontractor for repair of heating networks purchased steel pipes that producers and suppliers usually quoted by 1 ton. The company opened a tender for purchase 210 meters of pipes. Recalculating prices by physical characteristics (diameter, density) of the pipes revealed that even with account of shipping tariff the price per ton was 68% higher than the average market price and brought the supplier the extra income of 527 thousand and correspondingly higher prices and tariffs for consumers of utilities.

It often happens in the housing and utilities sector that cash is siphoned off by owners and executives through purchase of transport services. Two of the companies we inspected that had repair and dispatch departments as well as transport and drivers concluded agreements with taxi or shipment companies and paid for transportation services that were rendered around the clock.

That is why research of primary records on use of transport becomes an important tool of accounting expertise. For instance, our audit included analysis of route cards of owned and leased vehicles used by the company for delivery of organic-mineral mix to build a road. In accordance with technological requirements it must be used for production immediately on delivery. Our expertise revealed twofold excess of the mix relative to the mix released by the asphalt plant (according to consignment bills) and used for construction (according to inventory reports of responsible for works). This point out the scale of falsification in account for transportation: it allows siphoning off cash from inflated salaries to drivers, hiked volumes of used oil and fuel, transfers to affiliated subcontractors making 'paper' deliveries.

Another widespread scheme of siphoning off cash concerns transfers for supposedly finished amounts of construction, installation or repair work to contractors that according to their accounts have no staff, no materials or equipment for performing such operations. However, inflated amounts of work may be discovered during review stipulated in the contract. That is why companies resort to inflating budgeted costs of actual work in progress. In our practice we had a case when similar work of house redecoration for orphans leaving boarding schools (budgets were controlled by a state official) and apartments damaged through the fault of the management company

(budgets were not controlled) with equal amount of work had a twofold difference in budgets and total costs.

A significant item of pilferage in the housing and utilities business that proliferated prior to transition to practice of financing works via the system of regional operators was veiling the accounting data on accumulated and spent funds on renovation of multi-apartment buildings. In over half of the houses we checked in 2005–2012 the management company did not keep house by house records of payments made by residents for renovation. The book of accounts just contained records of the total funds accumulated by residents of several hundred multi-apartment houses under management. Officials of the management company assigned renovation of the most worn out houses to affiliated contractors and used for this purpose the general fund for renovation. Comparison of payments for renovation by residents of one of the renovated houses over the total period under management with the sums spent on renovation itself showed that it would take 300 years for the residents to pay for this renovation! The follow up of such practice was a bankruptcy procedure for a number of management companies that did not pay back a dime to the residents that had been paying for renovation (actually to the regional operator of renovation).

Quite often cash siphoned off from a company is signaled by increased expenditures on some item. Inspections revealed a case when facilities security costs of a housing and utilities company grew from 7 mln. RUB to 320 mln. RUB only due to a change of a private security company: the agreement with a security company was terminated for the benefit of a security firm owned by the officials of the management company.

In large cities, a popular means of cash siphoning off is holding structures with common ownership structure. Typically, a company is set up in order to provide various services to management companies: these include budgeting, contracting, billing of customers. Notably, the cost of billing a customer is usually 4–5 times higher than that for external clients. For other, often unaccounted for and undocumented services collectively called ‘management’ the holding company of the group collects payments from the other companies in the group. The payment is not regulated by rules, it varies from period to period and represents essentially a form of taking out profits. The problem of such structures is the parasite company on top that generates

significant costs raising tariffs for housing and utilities services for companies and residents.

### **The role of accounting policy and automation of accounting work**

At last, it is worthwhile noting that beside directly falsified deals a significant part of distorted accounting data and reporting is played by manipulated methods of accounting policy. For instance, the statistics of entrepreneurial activity cites a summary volume of accounts payable and accounts receivable of the sector's enterprises. The rules of preparation of accounting reports assume that accounts payable must reflect not the actual sum of debts to creditors but only the part, which may actually be collected. This is done by forming a reserve for doubtful debts: for the part of the debt that is not repaid in time and is not duly secured the company must form reserves at the expense of increasing other expenditures. This allows the users of reports see the real amount of debt that is a liquid asset and will turn into cash and correctly appraise the solvency of the issuer. However, forming a bad debt reserve is not advantageous for an issuer of reports: this reserve decreases the financial result; it is not covered by tariffs and reduces ratios of liquidity, solvency and financial stability. That is why housing and utilities companies with bad debts reaching up to 80% of its total debt manipulate records and reduce such reserves. Thus, one such management company under audit had a growth of people's debt for housing and utilities services of 19% with simultaneous reduction of bad debt reserve of services to residents of 51.4%.

An important part of falsifications belongs to technical means of processing records. The modern market of business management automation services offers a wide range of accounting software suites that form accounting as well as management accounting data. Nonetheless, two of the companies that we inspected continued using 'manual' accounting and another one had only a partially automated accounting. The author is convinced that if in the XXI-th century one has not automated accounting it is only to conceal massive alterations. Thus, one of those companies used it to veil profits and inflate losses, which allowed saving up to 5 mln. RUB a year only on profit taxes. Another company used manual recording of material flows to disguise large scale window dressing and embezzlement.

A third company solved the automation problem in a peculiar way: the form of accounting allowed adding to manual accounting registers independent automated modules that were partially linked by the process of verification and transfer of recorded data. Warehouse accounting was automated only in the part of recording quantitative transfer of materials while cost accounting was virtually impossible to verify. Manual transfer of data between modules led to the fact that a considerable part of operations had different codes, the numbers of accounts in different modules did not match as well as turnover between them. As a consequence, all these processes served as a cover for inflated expenses and material transfers to allow the company manipulate figures of revenues, expenditures, financial results and use the distorted data for exaggerated tariffs and siphoning off cash.

### **Conclusion**

As our analysis demonstrated, manipulation of accounting and analytical data in the housing and utilities sector represent the means of concealing information about the real state of things and may pursue various aims – from hidden hikes of labor remuneration and justification of higher tariffs for housing and utilities services that ensures survival of companies in conditions of a deformed uncompetitive market to massive siphoning off of cash for the benefit of owners and managers of such companies. The tools of creating accounting that cover up such abuses are also varied – from direct falsification of accounting data, preparation of false documents and write ups to manipulation with technical means of data processing, accounting policy and planning methods.

The poor quality of primary accounting data introduces considerable distortions into statistics of the sector and the entrepreneurship. This concerns unreliable information about investment; revenues, expenses and profitability from a perspective of various types of economic activities; condition of networks and infrastructure; accounts payable and receivable. Obviously, a qualitative improvement of statistical data is only possible through mechanisms of effective control over the primary data collection – accounting and financial reports of companies that may be reached through restricting creative accounting and inclusion into the process of stakeholders – owners of houses and infrastructure.

## References

Baranov, P.P. (2017). Creative accounting in the context of ‘True and Fair View’ concept: Pro et contra. *Mezhdunarodnyi Bukhgalterskiy Uchet [International Accounting]*. Vol. 20. No. 1. Pp. 16–34. (In Russ.).

Baranov, P.P. (2019). “Desocialization” of accounting: a hypothesis about the reasons for “deposition” of science and professional practice. *Mezhdunarodnyi Bukhgalterskiy Uchet [International Accounting]*. Vol. 22. No. 2. Pp. 124–135. (In Russ.).

Glinskiy, V.V. (2008). Mythical statistics of small business. Problems of turbulent sets study. *ECO*. No. 9. Pp. 51–62. (In Russ.).

Karagez'yan, U.V. (2015). Anti-competitive behavior in the Russian business practices: motives of firms and consequences for the economy. *Ekonomicheskiy Analiz: Teoriya i Praktika [Economic Analysis: Theory and Practice]*. No. 14. Pp. 25–34. (In Russ.).

Kulikova, L.I. (2011). Veiling and falsification of financial statements: historical and evolutionary aspect. *Mezhdunarodnyi Bukhgalterskiy Uchet [International Accounting]*. No. 14. (In Russ.).

Ustinova, Ya.I. (2018). Creative accounting: to be or not to be? *Mezhdunarodnyi Bukhgalterskiy Uchet [International Accounting]*. Vol. 25. No. 5. Pp. 502–519. (In Russ.).