

ACCOUNTANTS GONE ASTRAY?

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There was extensive coverage in the press recently expressing concern about the reliability of the accounts of certain companies listed on overseas exchanges. In fact, there has been a general concern for some time about the quality of financial information that companies compile for regulatory compliance, internal management or other purposes. When accounting is a widely taught subject at universities and tens of thousands of accountants are qualified to serve the community, why do we still have this concern?

When reflecting on this question, one must bear in mind doing proper accounting is not a job that accountants can accomplish single handedly. All those with a vested interest in it, directly or indirectly, must work in close collaboration to produce quality financial information. In particular, the board of directors has the ultimate responsibility. However, in this respect, accountants do have a very special role to play.

Back to basics

Perhaps, we should begin with asking a basic question: what do accountants do? Wikipedia defines an **accountant** as a practitioner of accounting which is the measurement, disclosure or provision of assurance about financial information that helps managers, investors, tax authorities and others make decisions about allocating resources. A retired accountant, voted in a discussion group to have given the best answer to this basic question simply says, keep the business records & calculate the profits using a complicated set of rules.

Indeed, provision of good financial information is the basic value of accounting and accountants know that what is good is not a matter at their discretion. There is a set of rules and standards governing how records are kept, how information is compiled and disclosed in order to ensure that users can rely on it for making decisions and taking actions.

Sticking by the way

Accountants learn the rules and are trained to apply them with due care, so why do the users of accounts that accountants provide still feel misguided as recently reported? Is it that the rules that accountants follow are unnecessarily complex; or that the accountants have simply gone astray? While certain rules such as fair value accounting require a thorough rethink, we believe some accountants do need a great deal of soul-searching.

Over the past few centuries, accounting has developed a body of concepts, working rules and methodologies; disciplined application of these is required to ensure true and fair financial information is produced. Ignoring the rules results in bad information, but worst still is manipulating the rules to create distortions for whatever purposes: inflating profits, hiding losses or evading taxes. Legal sanctions aside, such acts hurt not only the defrauded but also those who perpetrate the

distortions, as they cast aside the most precious business tool for making informed decisions, diminish credibility that modern commerce needs for gathering capital; and throw into question the foundation of accounting on which the accounting profession is built.

The foundation of accounting is good information that supports other fundamental values modern civilization requires to function, such as accountability, without which there can be no mass formation of capital, no capital market and no specialized professional managers.

Accountants live on the value of good information and how much they enable information users to make correct decisions.