ACCOUNTING TRUTH IN A SOCIETY GUIDED BY INTERESTS

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Abstract:
The problems of the contemporary society are not related only to the economic crisis, but also to a crisis of public and users' trust in the good faith and ethics of those responsible for the production of financial accounting information. The rules of professional ethics and responsibly assuming good practice by professional accountants represent the fundamental pillar regarding the fairness and honesty of drawing up and presenting the financial accounting information, as well as regaining users' trust. This study represents an approach based on the critical analysis of accounting truth, from the perspective of freedom – compliance equation. The purpose of the research is to see whether or not is accounting able to issue a truth and an objective message, in a society marked by big financial scandals, in which personal interests take precedence over social interests.

Key words: *accounting truth, professional ethics, financial accounting information, conformity, restore confidence*

JEL classification: *M41*

INTRODUCTION

Economic mutations constantly ask for information in order to guide entrepreneurs, investors, governments, or other interested persons, including the institutions aimed to make decisions, and to draw up economic forecasts. Accounting responds to this stringent and permanent topical necessity. It is the main source that provides necessary data for decision-making process and, regardless of the criticism and contestations brought to accounting profession, accounting was, is and will remain the spring which supplies economic circuit with information available for interested and approved persons, necessary for decisions and development substantiations. Accounting products come in response to social requirements laid down in advance. Social control requires *real, understandable, relevant and neutral information*.

At the intersection of producers of information and their users, the accounting economist should be the arbitrator for this dispute in the market information and give proof of *objectivity, integrity, responsibility and professionalism. He has to express the economic truth, without allowing it to be reached by personal interests.*

Major financial scandals have constituted an alarm signal addressed to the accounting profession, due to events produced and users' trust decrease in the accuracy and faithfulness of financial accounting information.

On this background, I found it appropriate to approach accounting truth, judging by how the personal interests influence the process of production and validation of financial accounting information, interfering in the professional freedom - rules compliance relationship. It is necessary to become aware of accounting profession limits and find solutions to *strengthen users' trust, to ensure the resume of investments and economic processes,* premises of ongoing development.

Accounting field represents an accumulation of knowledge and information likely to be improved. Like any field, it has its own limits. Becoming aware of them, recognizing and searching for solutions, are the cornerstones of accounting profession development. Although critical, our initiative is desired to be a constructive one.

DIMENSIONS OF ACCOUNTING TRUTH

In order to discuss the dimensions and limitations of the truth presented by accounting, we will start from an expert opinion (Capron, M., 1994), to which we subscribe: *"The truth said by accounting is only a filter that allows understanding a reality"*.

Common language reserves for the term of *truth* the meaning of correct expression, in accordance to certain *real* objects. The truth is the agreement between representation and existence (Florian, M., 1996). Delimitation can be made between these two notions, although they are used as synonyms. Therefore, *truth refers and grasps the essence of things, a state, while reality refers to exactitudes, to what exists in itself*, with no deforming influence from the human factor.

Starting from an idea that expresses a truth of modern society, which is that "knowledge is based on representing reality", the present study deals with the truth said by accounting, with the truthfulness of the accounting information, and with the way in which it can be influenced in relation to the stringent desire to obtain benefits.

The expression of accounting truth is the *true and fair view*. This phrase makes us think of truth and honesty, being in tight connection with the criterion of accounting performance, which is based on ethical concepts: truth, honesty, regularity, reality, neutrality, continuity, permanence, etc. Among the meanings of the word *"fair"* there are connotations such as *loyal, honest, precise*. These are characteristics that accounting information must include in order being correct and real.

The economic reality reflected by accounting is the projection of the "health" of an organization, a generalization, materialized in the concept of true and fair view. If we synthesize the attempts to define this concept, which we analyzed, we can say that *the true and fair view is the ideal state and reference element in the accounting reports that must present the status of an entity in a correct and truthful manner, in compliance with the legal provisions and with the good accounting practices*.

Accounting truth is interesting from the perspective of accounting information or of its derivates, provided through annual financial statements, information that lie at the basis of any economic decision. In this context, *the true and fair view is a performance requirement of accounting, which was and will remain constant.*

To the extent to which the faithful image naturally results from the application in good faith of the national accounting dispositions derived from the European directives, we consider that it corresponds to a conventional representation of the company, specific to each member state, obtained by complying with the regularity and honesty of the annual financial statements.

According to the provision that annual financial statements must *"provide a true and fair view of the patrimony, of the financial statement, and of the result"* of the company, the fourth European Direction introduced, in 1978, a notion that validates the representation of the company through the synthesis accounting documents. In 2002, Regulation no. 1.606/2002 of the European Parliament and Council, which decided upon the application of the International Financial Reporting Standards (IFRS) at the community level, transform the true and fair view into a "*fundamental condition*" for adopting these norms in the member countries of the European Union. Nevertheless, this representation must take into account both the requirements of the rules to apply in drawing the financial-accounting information referring to the company, and to the complex reality of the entity and of its economic environment.

Therefore, we see that the true and fair view must express accounting truth and that it is the projection of the reality of a company's situation. The question asked in this context is that accounting manages to grasp and reflect truth trough the information it provides in the reports and annual financial statements drawn and made available for the users.

As we know, there is no unique, absolute truth, no matter where we tried to find it. When a user is in the situation of weighing or evaluating the truth transmitted by an entity through synthesis documents, we must take into consideration the fact that accounting often serves first of all, the interests of the company, and only then the interests of the other users of the financial information. For this reason, there is the possibility for the reality communicated by accounting to reflect a truth that agrees with and favors the entity that is the object of the information.

The purpose of accounting is to serve the interests of the users of financial information, especially investors. But in the relationship between the economic entity and the investors, the interest of the entrepreneur is to attract the investor, and will therefore act by providing information that guarantee reaching this purpose, to the extent to which norms allow it.

In conclusion, the interest of the entity comes first, and the communicated truth is that of the entrepreneur, built to the detriment of personal benefits, not to that of the investor. Therefore, the concept of true and fair view can be considered a manipulation instrument available for the accounting professional.

Professor Bernard Colasse (1995) says, in no uncertain terms, that *"there is no true result, but a result arranged using creative accounting techniques"*. Although disturbing, this statement is rightful in some cases. Accounting engineering, considered to be made up actual creativity techniques born based on solid professional experience, on the special imagination and skills of the accountant, results from the wish to obtain benefits and profit. We refer here to the creative accounting that Barthès de Ruyter and Gélard place in the area of modern financial engineering imagination, which continuously generates new products and combinations, with the objective of detouring accounting rules and presenting a certain image in relation to results, shareholders' equity, and liability.

The true and fair view is altered by creative accounting to the extent to which transactions are initiated or built exclusively according to the desired image and to the intention of the person that draws the annual financial statements. Usually, creative accounting is related to practices that derive from standard accounting habits, characterized by certain techniques, more or less complex, of accounting creation, the final purpose being the modification by the information producers, in the desired sense, of the financial position and of the performance of the entity, reflected by the annual financial statements. Such cases determine disinformation and an alteration of the economic reality of the entities (Horomnea, E., Pascu, A.M. and Istrate, A.M., 2012). They can also have a positive connotation when they provide solutions to problems that are not seized in accounting norms guides, thus contributing to reflecting the compliance with the true and fair view criterion.

The same authors consider that the notion of "creative accounting" is, however, tightly related to the idea of *innovation*, an approach that implies *"introducing a novelty or a change in a field or in a system"*. The two terms are, in our opinion, the premise for *progress*, perceived as *"an evolutionary and development movement in an ascending line"*.

We signal that, when we encounter the phrase "accounting is a social mirror for looking at the company", we must take into account the considerable degree of relativity of this statement. As we know, at the basis of the great financial statements lay, to a great extent, the alteration of the accounting information and the presentation of an artificial image. Through a great deal of financial engineering, fraud, and error, famous companies managed to distort the reality concerning their performance and financial position, deceiving the users' perception.

In front of the personalize images that various individual companies or company groups managed to build, the true and fair view presented as the mirror of the entity and its economic reality proves to be deformed. Because of the creative power of the manager or accountant, unhappily placed in the service of financial pressures, the presented reality is relative.

ACCOUNTING TRUTH AT THE BORDER BETWEEN PROFESSIONAL FREEDOM AND COMPLIANCE WITH THE NORMS

The purpose of financial statements is to provide information on the financial position, performance, and changes in the financial position of the company, useful to a large sphere of users in making economic decisions. Drawn to this end, in compliance with the qualitative requirements, they meet the needs of most users. However, financial statements do not always reflect, faithfully enough, the real situation of the entity. The conformity of the information can be affected by the personal interests of the managers or entrepreneurs, legal omissions or unclearness, the ability to innovate of the accounting professionals, as well as the pressures exerted upon them. For this reason, the credibility and relevance of the data included in the accounting documents is questioned.

The accounting profession is, maybe, one of the most regulated professions but, because of the complexity of the economic activities performed by the company, not all the situations they may appear can be anticipated. Where regulations do not mention strict schemas or indications for mentioning the economic events, freedom is given to professional reasoning, which, based on experience, must record those events, in compliance with the principle of true and fair view.

Freedom and conformity, this is an equation that must be analyzed and solved, with the expected result being the relevance and credibility of the information presented in the financial statements (Ristea, M. and Dumitru, C.G., 2011). At the border between them – professional freedom and conformity to the regulations in the accounting field – there appear numerous question marks that bring into discussion a controversial topic: accounting truth. *"Is accounting able or not to issue a truth and an objective message?"* becomes the most pertinent and the most often encountered question.

Those who hurry to answer *"definitely no"* make the unpardonable mistake to unjustly generalize and incorrectly judge a science that provides the connection between information and economic development decisions, constituting for ever a support for managers and investors. Reflecting reality, that is, the true and fair view, is one of the basic principles that guide accounting activities. Where deviations or infringements of this principle could be seen, the professional bodies came with new details that eliminate the disadvantages and contribute to perfecting the field.

According to the international accounting standards (IFRS, 2011), credibility implies that the information does not contain significant errors, is not biased, and provides enough certainty elements in the users' decision process. If the information is relevant, it does not mean that it is definitely credible. In order to be credible, any information must faithfully represent the results and financial position of an entity, and grasp the economic substance of the events and transactions, not only their legal form.

Credibility implies that the information is:

- *neutral,* meaning unbiased, with no influences. Financial statements are not neutral if, by selecting and presenting the information, they favor certain categories of users, influence making a decision or formulating a reasoning for achieving a predetermined result or objective;

- *prudent,* which implies that it must take into account the uncertainties that threat many events and transactions in which the entity is involved. Not collecting uncertain debts, the probable usage duration of the tools and equipments, taking into consideration possible losses, probable risks and depreciations, possible complaints and litigations, evaluating the assets, income, expenses, and liabilities, are under a question mark and represent dimensions of this principle;
- *complete* – in order to be credible, the information in financial statements must be complete, taking into account the significance threshold and the costs corresponding to obtaining it. An omission, whether intentional or caused by a human error, can make the information false or misleading, and, therefore, not credible.

The French professor A. Cibert states that *"there are as many truths as there are information recipients"*. However, due to its internal coherence, which provides its force and at the same time, its weakness, accounting allows reaching a formal truth based on postulates, conventions, norms, and rules. These accounting regulations insure grasping and representing the substance of the economic events, in an as faithful manner as possible.

CONCLUSIONS

We consider that the purpose of accounting is to prove and measure, through specific documents, the economic facts. This task is not at all easy to achieve. Representing the reality of economic life and formulating a universally valid accounting truth is impossible to achieve. This situation is determined by objective reasons, first of all: economic life is much too complex and dynamic to be framed in schemas, and there is no generally valid truth, irrespective of the field. Truth is specific to the individual and it often serves personal interests.

Obtaining the true and fair view motivated the intervention of professional reasoning. Choosing a norm or an option naturally implies abandoning another norm, with consequences on the presentation of the financial-accounting information.

The main conclusion that emerges is that *accounting truth is a statement of reality, a product of accounting reflection,* touched by users' interests. We can't issue the request and we can't talk about an absolute truth, but only about a compromise between freedom and conformity.

Obtaining an absolute truth and a total trust in the faithful image presented by financial statements, remains rather a goal of the accounting profession. It is difficult to achieve, even impossible, for at least two reasons:

- generally speaking, irrespective of the field, there is no absolute, unique truth. We can only have partial truths;
- contemporary economic reality is in a continual transformation, and its only constants are the change and the relative. *Due to their complexity, we can never represent, with maximum degree of reliability, the economic processes.*

As a result, in general, the absolute truth cannot be known, both because of the subjectivity of the actors on the accounting scene, and because of the fact that not all the factors can be taken into account when schematizing economic events and transposing them into accounting documents. The accounting truth is limited to a reality that can be accounted.

However, we can contribute to the improvement of the quality of financial accounting information, of credibility and confidence in them, by finding the best solutions to meet the non-fulfillment of the accounting domain. The professional regulatory bodies and the practitioners in the field play an important role in this respect.

In a subjective context, we consider that *ethics is necessary* to stop the human tendency to pursue personal benefits.

Acknowledgements: This work was partially supported by the European Social Fund in Romania, under the responsibility of the Managing Authority for the Sectorial Operational Programme for Human Resources Development 2007-2013 (grant POSDRU/CPP 107/DMI 1.5/S/78342/2010).

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