Some words, frequently used in accountancy, do not connote its etymological or philosophical meaning. This paper tries to find the gap between the philosophical meanings and its usage in accountancy which serves as the cornerstone to build the core of the subject. The philosophical concept of the three words: fairness, justice and truth are discussed with its philosophical meaning and later on its aberration in accounting. The relevancy of writing stands as to reassess the gap which could be a conduit to financial irregularities and fraud. It also shows the inability to judge the real situation by the investors as the words lost their impact in accounting arena. As those concepts are the basic attributes of financial statement, it deteriorates the quality of reporting. The logical pointer towards the departures shows the areas where the investor awareness can be beefed up. It talks less about the importance of ‘adoption’ or ‘convergence’ and more about the distributive justice to every individual investor through final reports. Read on...

‘Fairness’ and ‘Accounting Fairness’

The concept of fairness has been described from different angles in different perspectives. If it is aligned with equality, fairness is known as the quality of making judgment that is free from discrimination. In other words, it is the quality of treating people equally or in a way that is right or reasonable. In a reverse way of understanding, fairness is posed as self centered inequity aversion. Inequity aversion stands as people resist inequitable outcomes. With the base of conformity, fairness can be considered which conforms to the rules and standards in the light of provision of opportunity or in result. Sometimes, action is considered as fair if the intention behind the action is kind and as unfair if the intention is hostile. But the term which is very close to fairness and used interchangeably is ‘justice’. Several times fairness is defined in the light of justice. In his ‘A Theory of Justice’, John Rawls (1971) used a social contract argument to show that justice is a form of fairness, an impartial distribution of goods. John Rawls claimed that justice is the first virtue of the social institutions, as truth as systems of thought. But justice as fairness is more context bound. For resembling with the rules, parties adopt procedures which ultimately stand as fairness. The procedures adopted in different aspects are known by the situation it is adopted for. In case of society, social justice is justice in terms of the distribution of wealth, opportunities and privileges within a society. Social justice assigns rights and duties in the institutions of society which enables people to receive the basic benefits and burdens of cooperation. If the mass of the social goods or the residuals are allocated in a just way, it is said that distributive justice has taken place. In other words, if there is an incidental inequity, it is distributive justice the people look for better acceptance. In the process, if there is a dispute, it is the procedural justice which requires carrying the notion of fairness. At the time of rendering the justice, if the affected party is not treated with dignity and respect, it is normally said...
that interactional justice has not been restored. Fairness in dealing stands as interpersonal justice and informational justice.

Accounting is a technique to record the wealth managing activities. The owner of the wealth expects a fair dealing from its initial use. Unfair reporting to the owner creates suspicion about the activities of their agents. The repeated occurrence of several financial frauds raises doubt about the understanding of the concept of fairness from the point of investors and the auditors. Investors get unnerved as their fellow financiers are cheated, as in reality, majority of them are not acquainted with the facts. Thus, fair reporting is the only feedback from the people who handle their money.

Fairness is best understood in the professional accounting as an expression of the neutrality of the accountant in the preparation of financial reports. Fairness in accounting is considered as the basic standard which is applied to measure other standard (Patillo, 1965) as it implies 'ethical considerations'. In case of auditor who being fair, is meant complied with standard which is created by his own (Kohler, 1967). Lev (1988) has advocated equity win semblance to fairness. But it also differentiated equality of opportunity with the equality of outcome and equality of opportunity is the sole principle of justice guiding government's decisions. William (1987) linked accounting with efficiency with distribution which attracts the distributive justice.

Practice of fairness depends on the objective and strategy of the issue. Gradually, the methods of creativity, based on the rules of accounting, has unfurled many dimensions, most of them are not easy to diagnose by the investors in general. So, fairness evolves in the mind of the governing people, at first, which is basically reflected in the report through accounting. Development of honesty, integrity and morality of the management depends on the shaping of their character from the age of becoming. Justification of fairness remains subjective. The rule based standard of accounting has tried to reduce the subjectivity and unwanted creativity in the report. But, it also stimulates the recorders to be financially strategic as per the objective of the governance. So, fairness remains uncared for.

Rawls's theory of just institution may be offered as a concept of fairness in accounting. The potential reliance on the veil of ignorance in all the situations calling for an accounting choice is suggested eventually to yield solutions that are neutral, fair and socially just. Williams (1987) elaborates that Rawlsian principles may prove to be a useful set of premises for speculation about alternative accounting systems. While Rawls is interested in the justice of one or another pattern of distribution, Nozick (1974) is interested in 'process' through which distribution comes about. According to Nozick, an individual's entitlement does not result in net loss. The remaining is used by others. Nozick's theory is a special kind of distributive justice. It is a theory of justice in holdings. Fairness in Nozick's idea can be used in holding an efficient market which allows a just transfer to shareholder.

Gerwith (1978), while explaining justice, emphasised on moral principle which helps to distinguish the morally right and morally wrong. The previous contributors of justice have ignored the two basic extremes, one, the independent right to well being and other, the independent right to freedom. These two Gerwithian attributes have been used in accounting. There should be a facilitative arrangement by the accounting activities to redistribution of wealth and effective exercise of fundamental rights to freedom. In case of such execution, following questions are to be taken care of – (i) which persons' interest ought to be favorably considered, (ii) which interested is to be served based on primacy of freedom and well being and (iii) the question of becoming moral while considering other peoples' interest.

Finally, the fairness in accounting and auditing attracts some attributes like the just institution, distributive justice, neutrality in presentation, justice in outcome and morality of rights and freedom. It is not difficult to correlate one concept with other. The fairness in distribution can be attached with the entitlement issue of efficient market and just institution may be a guarantor of implementer of the rights to freedom and well being of the shareholders.

‘Justice’ and ‘Accounting Justice’

But there are certain restrictions of using the word ‘fairness’ in accounting. Judgments of fairness are not always made in a manner that is consistent with
economic rationality. Instead, judgments of fairness are guided by a number of psychological principles (Kahneman et al., 1986). In an award winning article, Chris Cooke (1986) differs with Rawls that fairness is a conception of justice. According to his view, the concept of fairness and justice is distinct from one another and prevalently, the concept of justice is inherently more important than fairness. In accounting his axiom is more apt when he (Cooke) says that it is generally agreed that the basic concept of social justice is that people must receive from the state their dues. Concept of fairness was described as the common factor of ‘control’ in fairness rather than justice in it. He (Cooke) denied the notion of relevant reasons in every inequality. If justice determines the citizen’s position is due to ‘relevant reasons’ then fairness is about a citizen’s position determined by factors within its control as approved to influence by luck. This is the principal difference between justice and fairness.

In accounting too, the equality of opportunity may stand as a crude yardstick to measure fairness. A fair society is one governed by the principle of equality of opportunity. Cohen (2009) describes three types of equality of opportunity; firstly, there is the traditional view of equality of opportunity whereby differences of outcome are not affected by gender, race, sexuality, etc. Secondly, conception of equality is described as left-liberal view. The last one is the socialist version of equality of opportunity is the only one that is fair, this means that fairness is egalitarianism. Rawls (1958) rejects egalitarianism, but claims to support fairness and thus, misses this aspect of “control” that is crucial to fairness. In accounting, the aspect of control and equality of opportunity both are important.

Accounting justice is much nearer to the meaning of rationality. Accounting prudence is the most coveted issue to the investors. Judgment in accounting does not mean to adhere to the accounting standard or accounting rules only. Accounting justice handles the issues like selection of the best alternative ways of recording the events, to adopt the right measure, to improve the shareholders wealth, to protect the environment and to contribute a part of their earnings to develop the society, irrespective to their attachment with the business. Accounting judgment may face a conflict of interest. The interest of the organisation may vary with the interest of the investors in short run. The integrity of the accountants may resolve the conflict with their judging ability. Basically, there are two issues on accounting judgment. One, which is related to the strategy, objective and planning and the other deals with the activity, requires implementing such strategy. Accounting and reporting judgment requires a proper posting and adjustment of figures to serve the interest of all related groups in an egalitarian approach. Such kind of treatment needs a detachment of self from the situation.

‘Truth’ and ‘Accounting Truth’

Truth relates to the reporting of the occurrence or the existence of the state of affairs. Hosper framed truth in three different ways:

(i) Truth as correspondence which means proposition is true if it corresponds to a fact,

(ii) Truth as coherence when the proposition is true because it is coherent with other propositions, and

(iii) Truth as what works implying that a true proposition is what works.

But there is a distinction between the truth and belief. Beliefs do not necessarily correspond to the state of affairs. Florian (1996) said that the truth is the agreement between representation and existence. The truth said by accounting is only a filter that allows understanding a reality. Neutrality is considered an important qualitative characteristic of accounting information (Belkaoui, 1992). To report the truth in accounting means to report the information without injecting any bias. Financial report is an alphanumeric communicating tool. Though it corresponds to a period, it does not guarantee the veracity other than certification. Statutory verification at a particular period, say, end of the year, not always stands as the proof for all the happenings throughout the year. Even digital manipulation is
not impossible. Now investors are cheated several times believing the certified truth of the financial statements. Most of the reality in those cases are found as made-reality and the truth comes out of it is artificial. So the bias factor is always present in the financial report. It will be a difficult proposition to inform the investors in describing the facts without inserting the personal views because record cannot be dissociated from the recorder. There is no history without bias (Morrison, 1977). Accounting truth in reporting comes closer to accounting objectivity which justifies the choice of procedures. Objectivity is ascertained in four ways. Measurements that are impersonal, based on reliable evidence, came to a consensus to a qualified experts and the minimisation of statistical dispersion (Hendriksen, 1977). Normally, variance and standard deviation are generally offered as a measure of objectivity and verifiability. The narrower the dispersion, the more objective is the measure. Reliability refers to the quality which permits the users of data to depend on it with confidence on representation of what it proposes to represent (AAA, 1977). Ijiri and Jaedicke (1966) define reliability as the degree of objectivity or verifiability plus the bias or displacement factor. Chua (1988) distinguished between traditional (real/actual) and non-traditional (espoused/articulated)/intended roles of accounting information that suggests different kinds of truths conveyed by accounting information. Vickery (1978) pointed out two factors in measurement to establish the truth. The first factor is the presence of some attributes like accounting phenomena, standard monetary unit and appropriateness. The second factor relates to the presence of both primary and secondary measures. The primary measures results from the assignment numbers to primary events or to the property of an object. The secondary measures result from the calculation or the combination of primary measures (Vickery, 1970). Accounting provides a narrative explanation of what really happened. What is provided is a narrative truth embodied in the generally accepted accounting principles. Historical truth stands opposite to narrative truth. Basically, historical truth demands that all efficacious constructions be reconstructions. Historical truth is time bound and is dedicated to strict observance of corresponding rules; our aim is to come as close as possible to what really happened (Spence, 1982). Still, the accounting truth does not come closer with the truth used in common parlance. The gap between these two forces to accept the made reality or the half truth by the investors.

Accountants are the people coming from the same society where the human values are depreciating daily. It will be an over expectation that the reporting truth will be exact to the fact. If the gap widens too far, fraud occurs. If it is within the tolerance limit it is difficult to shift it out which allows the recorder to manipulate as per their interest. The concept of fairness and justice in accounting remains theoretical and far from achieving the reliability based on it. Nowadays, the feedback statement and on-line enquiry from the shareholders are entertained based on annual reports which only provide the opportunity to raise queries.

Theoretically, we have used the phrase “true and fair” in the Annual Report for long. Realistically, it was felt that the reports are neither true nor fair as per the philosophical meaning of the terms. Fairness here stands as the governing team seems fit with a dressed certification. More specifically, it will not be wrong if it is said that ‘fairness’ in financial report stands as market fairness. If the ‘convergence’ with IFRS meant to be fair for the sake of global investment, basically, it means ‘compliance’ only and not the protection of rights or preserving the equality of opportunity. The quality of the report is also proved to be market driven.

**Conclusion**

In conclusion, it can be said that if fairness builds the basics of justice, it is heavily motivated. A prejudged notion if communicated in a standard norm is said as fair statement. It is clear from the above argument that there is hardly any concept termed as “accounting truth”. Truth resembles with facts. In accounting, lots of entries are done in books which do not require any factual happenings. So accounting truth, if any, is comprised of literally with facts and figures. Figures are the medium of quantification whereas facts build the structure. Suppressed on, convoluted facts represent a different structure and quantified facts are monitored by figures. The generated figure takes the control of the factual figures. It will be really an impossible task to sever the two to get the truth. So, the accounting truth to the information users is the certified truth. These are the conceptual gaps through which the frauds and unfairness crop up and if it is not guarded properly, evidently, the corporate collapse takes place pauperising the investor for life.