

Funding the Future

Article URL

Published: January 12, 2026, 4:56 pm

I was amused [by this comment on the blog this morning](#):

You call yourself an accountant, right?

If that was so, you would know that accounts are NOT “highly subjective”.

So, let's start with a fact or two. I am a chartered accountant, a member of the ICAEW and I do have a current practicing certificate issued by it. So I guess I can call myself an accountant.

And then let's get to opinion, based on fact. Accounts are, as a matter of fact, deeply subjective. It's not just me who says so. [John Kay wrote in the FT recently](#):

There is no “right” answer to the problem of accounting for these kinds of uncertainty; only a need to acknowledge that there is never such a thing as a single true and fair view, only a range of possible outcomes. When a business has many long-term contracts, or teeters on the verge of bankruptcy, that range may be very wide.

He added:

I can see the difficulty a bank chief financial officer will encounter if they tell depositors, shareholders and regulators that annual earnings are something between a loss of \$5bn and a profit of \$10bn; but such a statement may be the only view of the company's affairs that is genuinely true and fair.

John Kay was right: there is no one view in a set of accounts. Even, I suggest the year end date is subjective. First, it is chosen, and we need on occasion to ask why. More important, delineation of trading into periods is itself arbitrary; the world does not really work that way. And so, thirdly, deciding on which side of that line the impact of a transaction may fall is also arbitrary. It is a matter of judgement and the impact on profit can be substantial. In that case the cut off date - the year end for the accounting period - is itself just another subjective variable in this equation.

Then there is the question of value, which is linked to the capital maintenance concept in a set of accounts. Is the company preserving physical or financial capital as its

priority? And if financial, is that in nominal or current terms? What if the two are mixed, as IFRS allow? These decisions have enormous implications on profit.

And this is before we get to any issues such as cost allocation, where the range of answers is as long as a piece of string.

Even on basic issues accounts are inconsistent. In the USA inventory (stock) has to be valued on a LIFO basis and here on a FIFO basis. In a time of inflation the impact is significant. But do either really reflect the cost of what is being valued? And in that case is either right? The issue is of importance if only because it is a major stumbling block to accounting convergence. Whilst it remains it is yet more evidence that accounting data is arbitrary.

I often argue that there is no such thing as objectivity. Accounts are one of the best examples of that. They are inherently subjective and are, in the case of larger companies at least, always the subject of an opinion - that of the auditor. I was one of them for 15 years. And that opinion, for the record, is subjective - and I welcome the fact that recently that is being made much more apparent.

Which brings us back to the nature of opinion. There is good and bad opinion. By and large expertise differentiates the two - although it always. Like it or not I have the qualifications to say I am an accounting expert. You may not like my opinion. But you can't say it is wrong on an issue such as whether or not accounts are subjective when they so obviously are that they need an opinion formed on them. You can only say you disagree with my opinion. That's your right. But if the facts don't support you then it is for others to decide whose opinion carries the greater weight.