

Funding the Future

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John Gapper [has an article in the FT this morning](#) headed:

Volkswagen's deception is a warning to every company

Suddenly, behaviour that was common practice is judged to be improper and possibly illegal

My immediate reaction was to wonder what other deceptions there are in corporate behavior that need to be addressed? The obvious answer is corporate financial statements, or accounts. As Prof Prem Sikka has long argued, these are just a straightforward work of fiction.

The consolidated accounts of a group of companies do not represent the transactions of any real legal entity: they are a selective view of the transactions of many such entities with all the transactions between them, where much of the risk is now known to lie, hidden from view.

They are prepared for shareholders when shareholders are not the main suppliers of capital to most companies.

They are presumed to be the data needed to make decisions on whether or not to invest in the company but make no real contribution to deciding upon its stewardship.

They are considered unsuitable for tax purposes, even by the standard setters who create them.

They ignore the needs of stakeholders.

Employees are considered to be of no special concern.

To be blunt, these accounts are an exercise in wholesale deception from beginning to end.

It's not just the smoke coming out of the back of a VW Golf that suggests there is more

to tell. Corporate reporting is in need of total reform if the deceptions are to be consigned to history.