Funding the Future

# Accounting and entanglement

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There is an old story about a client who visits their accountant and asks, "What is two plus two?" The accountant replies, "What would you like it to be?"

The implication usually attached to the story is that the accountant is flexible about the truth and will deliver the outcome their client wants, whatever it may be.

Some accountants might, of course, be like that, but in reality the story has a much better and stronger meaning, which has been lost in the insinuation which has popularly been attached to it.

The reality is that there is no objective number in accounting or in the relationships it records. That fact is necessarily implicit in double entry, where a debit must be matched by a credit. In turn, those entries exist in relationship to the transaction that they represent.

Some of those might be straightforward, in which case the scope for interpretation is limited. To pretend, however, that all transactions are of this nature is entirely wrong. Many are not.

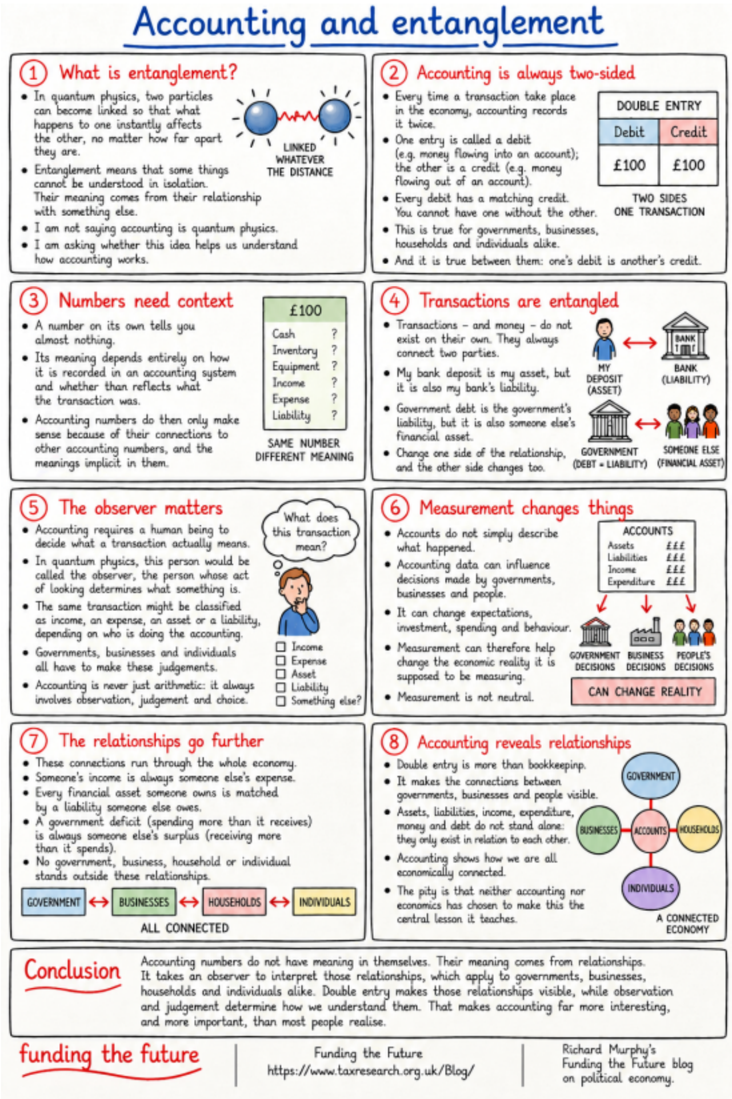
Sometimes it is not even clear who the parties to a transaction might be. For example, in a class action brought against a company for losses imposed on a group of people, it may be unclear how many might join the action and what their individual situations might be. The company is left guessing what liability to include in its accounts without knowing precisely who the counterparty to the recorded transaction is when it makes the estimate, or what their potential claim might be.

The problem also arises in other ways. If a contract is partially completed at the end of a period, the question always arises as to just how complete it is. Opinions will vary. As a result, judgement on how much income to recognise will vary, and there will be quite reasonable uncertainty as to whether a profit or loss should be recognised in such a case.

The person who makes that judgement is, at the end of the day, the accountant, although they are unlikely to do so in isolation. They will assemble information from those who have an ongoing understanding of the actual relationships which might determine the scale of completion.

The point is, the transactions, the parties, the way in which the double entry is to be created, and in which accounts, can very easily all become a matter of judgement. The observer, which is the role the accountant plays, and the transaction move into relationship with each other in a way that very few seem to understand, but which can materially change the outcome of an accounting exercise. In that case, adding two plus two might well create an outcome which can be what the client wants, or otherwise, and still be considered true and fair.

What all this means is that accounting and the idea of entanglement, as found in quantum physics, are very much more closely related than most people realise; hence this infographic:

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