Abstract—Stock holders rely on the information disclosed in the financial statements of the corporate unit. Financial statements are deemed as the ultimate documents pertaining to the performance and financial position of any corporate unit. Most of the time, it is not possible for all the stock holders to verify the information disclosed in the financial statements of the company. Stockholders treat these statements accurate and reliable. Some companies manipulate the financial statements in order to project a financial healthy image of the company. It is definitely done with a clear objective of cheating the stockholders by projecting a false image regarding profitability and financial standing of the company. This paper discusses some aspects of window dressing.

I. ETHICAL PERSPECTIVES IN ACCOUNTING

1. Concept of Ethics in Accounting:

Human life can hardly be imagined without institutions. Individual live and function in a complex network of institution. Among these, business institutions are of great importance to us because they provide the means by which we realize our chosen ends. Our individual opportunities and achievements, vis-à-vis the societal accomplishments, largely depend on the efficient running of these institution. How they organize and function, accomplish or value our participation and add to our life is all-important to us. Particularly, in the modern world, the power and influence of business institutions has reached such a stature that they can affect our lives to a greater extent, than ever before. They have the potential to substantially affect a good number of stakeholders in our society, in terms of providing basic goods and services, generating employment, paying taxes, sponsoring education and health, reducing the environmental degradations and most of all, acting as an engine for economic development, in the face of shrinking role of governments at the backdrop of globalization and open market capitalism.

Business failures can cause tremendous harm to individuals, communities and the environment. Since the last quarter of the 20th century, business has been undergoing a thorough scrutiny. Little concern for the non-shareholders, including consumers, indifference over the deteriorating social order, business malpractices, deceptive accounting and a careless attitude to the problems of the minorities and environmental threats are the main allegations against it and hence the concern to define the responsibilities, business has towards the society in which it survives and prospers.

A business enterprise is an institution of the society, by the society and to serve the society because society provides it with all the required inputs, grants the right to exist and to do business. In the words of Ray Carroll, “Business relies on society’s educational system to provide it with employees, on society’s maintenance and transportation systems, on a stable social and political setting in which to conduct business and a legal system to settle disputes. In return for special right, privileges and protection, a duty is owed to all of society.”

Education and culture, changed attitudes and expectations, democracy and mass participation, shrinking role of government, human rights and political liberty, borderless commerce and communication, environment-literacy, unprecedented advancement in information science with substantial growth of computers and a proactive media—all these factors have changed the mindset of the society and have led to the establishment of a pluralistic pattern of society, characterized by decentralization and diversification of power. In the changed society, business institutions are seen as privileged citizens, not merely as legal abstractions. As a consequence, in the present context, business institutions are answerable to society for their actions from a stakeholders’ point of view, where shareholders are one part of the answers. In this context, it is interesting to quote Kumarmangalam Birla, the chairperson of the Aditya Birla Group: “The days are long past when the business of a business was just business. The idea that a corporation is merely a legal abstraction, devoid of heart and soul, no longer has legitimacy. The corporation may be an economic wunderking, but it falls short and often falls apart if it doesn’t meet the needs of society, or if it doesn’t act with a conscience. Today no stakeholder—be it a shareholders, an employee, the community or the government—would accept a business whose rationale is limited to profits at any cost, or only to compulsions of its immediate business.”

Business and accounting are inseparable and inextricably linked. If business is going to counter the demands for the extended objectives or wider responsibilities in the social or ethical realm, it needs accounting to move with the changed state of affairs that calls for a review of the agenda of accounting in a broader perspective. Accounting is to move away from its traditional stewardship role of safeguarding the wealth of the investors and creditors, towards a role in which it can emphasize its significance as a social discipline.
Accounting is intended to extend its boundary to the world of equity and justice and to act as a stakeholders’ watchdog in addressing the issue of economic injustice, social evils and environmental threats that majority of lives, substantially. Mere deducting expenses from revenue to reap profits is a simple act of counting, accounting means much more than that.

2. Utilitarian Accounting: More with Efficiency Less with Justice:

Much of contemporary accounting and research with its reductionist view of world, deals, more with wealth-generating arguments and less with justice. Mainstream accounting, based on utilitarian thinking, has never interested in the plurality of focus in evaluating an array of perfectly distinguishable interests of a large number of stakeholders, in recognition to the coalition nature of the business institutions and perhaps, that is why, all accounting endeavors are destined to a simple and single measure of a stakeholders’ interests, claims or rights and its fulfillments. That magic measure is ‘profit’, recognized as an enterprise’s accomplishment over its efforts, assumed to be capable of satisfying almost each and every stakeholder of a coalition body. Though ‘profit’ does have a meaning of its own in accounting literature, it is really hard to understand the logical inquisitiveness of the arithmetical simplicity (modern accounting has not gone much beyond it) and to justify it as the point of destination of a discipline like accounting, that is meant to take care of transparency and accountability. However, what kind of accountability and transparency does it look for? It is also hard to appreciate the supremacy of the measure and its applicability in all contexts, at the exclusion of the distinguishable motivations of a large number of corporate stakeholders in the sense of their diverse needs and expectations in which assessment of interest is quite relevant.

This is a bit ridiculous because of the fact that, it is quite dubious to get one singular measure on the part of the preparers, to unify the enormous complexities clouded by a variety of interests, claims or rights, associated in the multiple actor context of the modern organizations. On the other hand, a single set of historical numbers as provided by the preparers expected to be ‘all in one’ to serve a variety of purposes to a variety of stakeholders, is not only extraordinary but is altogether an impossibility from a methodological point of view, because of its oversimplified assumption of the commonality of the needs of the stakeholders. Besides, the fact does not have the empirical support (and in fact, there is no known theory in accounting to use as a reference that is empirically supported).

The approach, we would argue that, of serving all by one set of numbers (despite the fact, in most of the cases, said numbers are manipulated by the grace of creative accounting, and the best example is Enron)?, Is simply a theoretical oversimplification of the very basic premise that has a little implication in accounting analysis. Our intention is not to argue that simplification can never be justified. Framing a structure of accounting and reporting, like other social disciplines, would be impossible if simplifications are ruled out. The point we are concerned about is, the need to realize the importance of the implicit postulation in the study of a social science. Our argument is that, if the basic premise in a social discipline is almost untrue, the whole set of propositions derived from it is also bound to be untrue. So, what is objectionable in modern accounting is not the simplification itself, but the particular simplification chosen which has the effect of taking a partial and fragmented view of the entity. This is, not only with regard to the generation and communication of perfect information, but also with regard to the capability of its participants in evaluating information, which significantly amounts to the scope and reach of accounting as a social discipline.

3. Ethical Accounting: Balancing Efficiency with Equity:

Accounting is primarily an information service provider. Production and distribution of information is the subject matter of accounting. Therefore, the basic role of accounting, we would argue, is two-fold. One, to generate complete and consistent information from the viewpoint of the entity and report it to management for the purpose of good governance, which relates to efficiency arguments (may be termed as the engineering approach to accounting) and the second, to generate useful and understandable information and transmit the same to different constituencies, so that they can understand what they deserve and what they realize, which relates to equity arguments (the ethical approach to accounting). Accounting investigations should aim at understanding an organization by the twin arguments of the engineering approach, as well as ethical approach. However, none of the two approaches is pure in any sense and what is required is the right balancing of the two.

Ours is a plural world. It requires understanding and sharing. Accounting must adopt cohesive and consistent to assess the performance of an entity with a simultaneous assessment of the diverse relevant interests of a large number of participants for whom the performance has become possible.
Accommodating, the legitimate people to share the achievements of a firm, in terms of their contributions, is a reasonable exercise that accounting is expected to do in its normal course. The building of a just society largely depended on, not only how the institutions perform, but also how the performance is assessed and the outcome is distributed. Assessing a firm exclusively through the lens of economic efficiency (considering efficiency is the task of management, accounting motivations are quite different) cannot take us far away from understanding the enormous complexity of a concern, with its all-pervasive impact on the broader society. This is because of its compartmentalized view, instead of an integrated and multifaceted approach with exclusive analysis in different fronts. A multifaceted approach of understanding, concerning both efficiency and equity can provide us with a broader and richer informational base (what is really needed for evaluating the institutional proceedings and that should be the main agenda of accounting), so that we can use cohesive and consistent criteria to assess a variety of interests in an organizational perspective, vis-à-vis a broader perspective of the society.

Economic efficiency is a necessity, but is not a sufficiency. Treating economic efficiency as ‘final achievement’ is simply a scholarly lapse on the parts of accounting because economic efficiency is a matter-related managerial efficiency for which it is contracted. Accounting has to go beyond the narrow realm of efficiency to a greater world of equity. The ethics-related view of motivation must find an important place in modern accounting, in order to characterize and social judgments that shape the destiny of social progress.

REFERENCES
[3] Ray Caroll, Ethical Education in Accounting, Shri Niwas Publication, Jaipur, 2010