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Mahmood Sher-Jan

by Roy Snell, CHC, CCEP-F

Generally Unaccepted Accounting Principles

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An article was published in the *Wall Street Journal* called, "Accounting Choices Blur Profit Picture." It states, "Just 29 companies in the S&P 500 index—or 5.7% of the total—closed their books for 2015 exclusively using U.S. Generally Accepted Accounting Principles, or GAAP." It also stated, "The purists are dwindling..."



Snell

This isn't a problem with "purists," this is a problem with a standard not being followed or not having a standard. If everyone makes up their own rules, our financials will be meaningless. People are rationalizing their departure from a standard. They have reasons I am sure. However, if you don't create a standard, someone else will. If you think GAAP is troublesome or onerous, you may not want to see a standard created by some group outside of the accounting profession.

We cannot have meaningless financials. You cannot have meaningful financials if none of the financials are comparable. Someone is going to deviate so far from the norm that it will be considered misleading or fraudulent. We have seen this before: people with good logic and good intentions drift from the norm. That drifting causes further drifting. Eventually some line is crossed by enough

people, and that causes society to come unglued. Society can occasionally feel they have to lower the boom on everyone because of a few bad players.

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Some people lie, cheat, and steal. Some people break laws that a 5th grader could tell you should not be broken. They make an obvious mistake and they get what they deserve. However, some mistakes are made slowly over a long period of time and no one sees the problem unfolding. I have seen situations like this where people drift, and then drift some more, because everyone is drifting. Then all heck breaks loose and the fix is far more onerous than if the profession or industry had fixed the problem earlier themselves. My guess is plenty of people are trying to prevent this group of people who are drifting from drifting over the cliff. And my guess is that it is having little effect. My guess is that everyone involved is going to wish they had listened to those who are trying to stop this before it is stopped by society. *