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Some considerations about fair view: a special reference to the project of conceptual framework IASB-FASB

ALGUNAS REFLEXIONES EN TORNO A LA IMAGEN FIEL: UNA ESPECIAL REFERENCIA AL PROYECTO DE MARCO CONCEPTUAL IASB-FASB

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ABSTRACT:

En este trabajo se plantea el tema de la imagen fiel desde una perspectiva conceptual. Partimos de cómo fue el origen del concepto así como su posterior evolución. En un principio no se le dio la importancia que posteriormente adquirió y su desarrollo posterior, sobre todo a partir de la 4ª Directiva Europea, viene condicionado por las circunstancias culturales de cada país que lo adaptó y adoptó a sus necesidades. Sin embargo, a partir de la adopción de las Normas Internacionales de Contabilidad y, en concreto, de la convergencia con la normativa estadounidense, el concepto vuelve a devenir protagonista de un debate. Lo que aquí se plantea es, por una parte, la necesidad de que siga siendo preeminente en una posible unificación de los marcos IASB-FASB y, por otra, la adecuación de los principios (extensible a estándares y reglas más concretas) a éste así como la necesaria racionalidad económica como sustento de los nuevos desarrollos en materia de contabilidad.

PALABRAS CLAVE: imagen fiel, Principios contables, Normas Internacionales de Información Financiera, IASB, FASB.

1. Introduction

The objective of this article is to consider the concept and evolution of fair view, as well as its adoption into different countries, taking advantage of the joint conceptual framework project between the IASB and the FASB, which directly affect this subject.

This document considers different reflections. The first and most notable one is whether or not it is possible to achieve fair view through accounting principles, which at present are gathered in the fundamental hypotheses and the qualitative characteristics of the IASB, and if this must be a subordinate characteristic to relevance or not. Questions regarding the exceptional nature of the application of the rules and accounting conventions are also exposed along with the necessity to look for solutions not yet contemplated by these.

All in all, it is about investigating the nature, characteristics and consequences of fair view as a basic objective of accounting information, using as a pretext the regulation framework project as alluded to before.

2. Concept and Contributions in Literature

The financial market was the first to become aware of the importance of having a fair accounting in business reality and thus only to mention two of the most outstanding works in this scope, Fama (1965), affirms that the information about the benefits and risks of the company must be as complete as possible to be able to adequately evaluate the company according to its intrinsic value[1], and Watts and Zimmerman (1986) link the concept of fair view with the efficiency in the market.

The origins of the concept are diffuse and not too clear, studies by Chastney (1975) and collections by Rutherford (1985) recognize that when in 1944 The Cohen Commission restored the term, it was not given the importance it would later acquire. As affirmed by Flint (1982: 6) "the exact combination of the two qualifications may well be more accidental than intended". The text books show neither concordance in their definition nor the needs of the users to shed light on the subject.

As an example, some of the more representative definitions of what is understood by fair view have been indicated. According to the Institute of Chartered Accountants of England and Wales (1975: 48) in Document 6 of the Committee of Investigation, 'true and fair view' has become a term of art. It is generally understood to mean a presentation of accounts, drawn up according to accepted accounting principles, using accurate figures as far as possible, and reasonable estimates otherwise; and arranging them so as to show within the limits of current accounting practice, as objective a picture as possible, free from willful bias, distortion, manipulation, or concealment of material facts".

From this definition it can be extracted that this is not a scientific concept (the Institute itself says that it comes from professional art), more professional than academic, emergent from professional ethics (accounting principles), a mixture of accuracy and judgment (professional), through estimations, and that it responds to the degree of development of the

[1] The intrinsic value is the value that a title must have or should have when other investors have the same knowledge as the analyst

practice. It is simultaneously an excluding definition in the sense that it stands for very clearly that which it is not: deliberate distortion, manipulation, omission.

Chastney (1975) concedes that it might be impossible to define while Lee (1973: 311) argues that the expression "true and fair view became a professional term and was generally understood to mean a presentation of accounts, established according to accepted accounting principles, using numbers as exact as possible, and if not reasonable estimations; and to classify the same to show within the limits of the actual accounting practice, the most objective view possible, free of voluntary slants, distortions, manipulations and the concealment of important facts".

For Flint (1982) it is a concept with cultural dependence and one that tries to fulfill the needs of social and economic[2] environments while Walton (1993) deems that it is defined by the accounting practice, he considers that it is indeterminate, when not confused, and difficulty conceptualized. It can be seen from three points of view:

1. As a legal and residual clause.
2. As an independent concept and a high objective contemplated by accountants.
3. As a generally accepted principle of accounting: "it represents a rather set of pragmatic responses to measurement problems[3]" (íbidem: 50)

Parker and Nobes (1991) consider fair to be more important than true, which implies that the accounts are not false/fraudulent. For Ekhol and Toberg (1998) fair view allows the

[2] Kosmala (2003) adopts a similar attitude when analyzing the application of the concept to Poland and of the enormous influence, in its case, that the traditional German accounting, has had on its perception.

[3] Considering that "One could therefore see true and fair as having symbolic significance in the context of the professional standing of accountants, and appeal being made to it as a defense against encroachment from outside, while, at the same time, operational realities mean that the term has no detailed significance, its working sense being defined by, even perhaps subsumed into, the elaboration of a series of working practices" (íbidem: 56). There is doubt that it has significance beyond the concrete application of the rules, "the rules define the notion at an operational level" (íbidem: 57).

mechanical non-application of the accounting principles and eliminates unsatisfactory accounting practice.

From the point of view of Alexander (1993) it is a fundamental requirement that is always relevant (whether directly or indirectly through the accounting regulation), it works indirectly through the reporting and is an unfinished concept. Later he adds that the only objective of the financial information is not to be a false account of the underlying economy of the company, but given that the aforementioned is a subjective construction, the rules are inadequate or are not based on principles, (Alexander and Jermakowickz, 2006)[4].

Kirk (2006) considers the following reflection about the difference between fair presentation and true and fair view; in particular he focuses on the first term, true, that reflects a desire for the truth in accounting, although it is mitigated by the law. Thus, the study that presents itself in the geographic scope of New Zealand arrives at the conclusion that the significance of the fair view concept held by shareholders and solicitors of the company is similar, but different from that which the auditors hold. Few associate it with economic substance, and almost everyone associates it with a professional uprising. Furthermore, it discards the association of the term with others like relevance or utility and as fulfillment of the accounting principles. He considers international diversity in the interpretation of the concept could be due to the relevant circumstances in each country and in each time that it is applied.

From all of the aforementioned information it is possible to conclude that the concept, even though theoretically it may lack importance, comes from the application of the rules and procedures, that is to say, from the practice. It is the rules that seem to form fair view, not the

[4] If we accept the aforementioned premise, it would be possible to add to this position that, in this case, the rules cannot be said to be adequate or not, given that they represent something that, naturally, is already an interpretation. This position could become absurd. One can conclude that there is no real economy to represent.

other way around. It is a changing concept, therefore, dynamic, approved by consensus and serves as a flag of the profession in order to have exclusive knowledge. It seems, therefore, a contradiction that by the application of the rules fair view is not obtained, if this one emanates from those.[5]

3. Fair view within regulations

The Conceptual Framework of the IASB (IASC, 1989) in forces the explicit reference of the representation of fair view that accounting must reflect in several points:

A) As qualitative characteristics of the financial conditions (paragraphs 33-34) and necessary requirements for the reliability and alerting that the major part of the financial information may not be a faithful representation due to the inherent difficulties of the identification of the transaction or the design and application of the techniques of measurement and presentation.

B) Within the characteristic of pre-eminence of the essence of the method (paragraph 35) and, in this case, this being the means by which accounting fairly reflects this reality.

C) As restriction of the relevant and trustworthy information (paragraph 46) and it literally says: “the application of the main qualitative characteristics and of the appropriate accounting regulations will, normally, be taken (the emphasis is ours) to financial states that transmit what is generally understood as fair view or a reasonable presentation of such information”.

[5] Rutherford (1985) makes a connection to the legal field and says that if the lawyers do not proclaim to impart justice from the normative body, then perhaps accountants should not have to proclaim fair view in accounting.

The framework clearly shows faithful representation as a qualitative characteristic of the accounting information and, at the same time, restriction of this, is the reason of being of accounting: nevertheless, the limitations that propose to secure this high objective and that are manifest in the inherent difficulty to identify and apply rules as well as the very process of presentation, lead to, exceptionally, financial statements that do not meet this end. It is clear, then, that within the framework of the very singularity of a concept that extraordinarily cannot be obtained.

Following the international regulation and according to the International Accounting Standard 1 (IAS 1) in paragraphs 13 to 21, fair view is designated by "reasonable presentation" that is achieved fulfilling the standard that is emanated by IASB, but it leaves room for the possibility that this could not be obtained through this regulating framework, although it will occur "in extraordinarily rare circumstances" (paragraph 17).

Evans (2003) believes that it is a residual clause and unlike what happens in the 4th Directive or even with British legislation, in which this exists beyond its own rules, in the IAS 1 the specific regulations have preference over the more general, which implies that it does not exist outside of this framework of rules. Thus he concludes that: "it is, or should be, viewed in its narrowest possible interpretation, i.e. as a (legal) residual clause, (…). As a legal clause, it would provide a safeguard against blatantly "wrong" applications of the letter of a law/rule not appropriate to its context" (Evans, 2003: 322). In this case, the entity will not apply the Conceptual Framework and, therefore, the regulation that gives this emanation, will have to make an express declaration of the regulation that stops being applied, as well as the causes that motivate it and the corresponding adjustments.

On the other hand, the FASB refers to this in the characteristic of reliability: “the quality of information that assures that information is reasonably free from error and bias and faithfully represents what it purports to represent” (FASB, 200: 39), and faithful representation as “the correspondence or agreement between a measure or description and the phenomenon that it purports to represent” (íbidem).

3.1. Interpretations

This point is going to be analyzed based on the interpretation that fair view itself has had. Thus, in the case of the British, that which is considered fair view was not necessarily obtained by the fulfillment of the law and in case of conflict the object prevails, not the regulation/standard. It is subjective, on the part of the auditor, and temporal, in how much can be changed in time, (Alexander and Archer, 2000).

In the European scope it has been considered that a deviation is possible with respect to what normatively is anticipated to reach fair view that affects the balance, the account of results and that, moreover, is explained in the Notes. “I will therefore conclude by saying that the concept of the true and fair view is above all a guide for standard setters in Europe - and rarely one for business” (Burlaud: 1993: 98).

Nevertheless, the problem that arises when the legislators are confronted by competitive principles, for example, the difficulty to reconcile the relevance with the reliability and thus the deviation of the principle can justify the necessity to follow another principle. In addition, there are also some rules subject to political pressures that are made to deviate from the principles. As noted by Nobes (200: 27): “Because some accounting topics are not susceptible to solution by use of appropriate principles without rules, standard setters are then forced to choose, for example, between an unclear principle and a clear rule. However, I and most other authors (…) do not welcome rules for their own sake. They should be kept to the minimum necessary to achieve the various advantages claimed for them, such as clarity. This warrants an examination of each accounting topic to see if a more appropriate principle could achieve the advantages of rules and yet reduce the amount of rules at the same time", adding that, "using appropriate principles do not guarantee a reduction in options, but the discussion below finds several instances where a focus on principles can reduce options". From all that was said one can extract the idea that if the principles fail to be clear, they lead to specific rules that finish in being particular and that can be contradicted by each other or by a principle. The complexity of the rules could be reduced through the application of the best principle possible.

Therefore, the real question is, as indicated by Schipper (2003), how much information should be provided by a principle, how many terms should be defined, with what level of detail, as well as which alternative exceptions and processes should be permitted; taking into account, moreover, that the standards based in principles require a great protagnism of professional judgment and the accountants/auditors must develop an appropriate level of understanding about when and how to apply them.

The American Accounting Association (AAA), the Committee of Standards, considers that those standards which are based in concepts allow a better understanding of the Conceptual Framework of the FASB and, simultaneously, a greater international convergence. Like Nelson (2002) says: "when the standard provides no "bright-line" for managers to use in transaction structuring, they are less likely to engage in costly transaction structuring. However, with such concept-based standards, managers are more likely to justify earnings management attempts by convincing the auditor of their interpretation of the imprecise rules. Auditors are more likely to permit such earning management attempts to stand when the accounting is governed by more flexible or subjective standards", this gets in the way of establishing clear and concise regulations. Nevertheless, distant reality often makes it difficult to apply these regulations.[6]

There are other incentives (fiscal, financial, etc.) throughout the process that are not only the emission of the standards: "the rigid bright line or feasible nature of the governing accounting is important, but generally less important than the incentives faced by both managers and auditors" (AAA: 2003: 79).

Likewise, the implementation of standards based on concepts must comply with the following guidelines:

1. The economic substance must be the guide.
2. It must include:
   - A description of the particular transaction that is the subject of the standard. Include an explanation of the underlying economy of the transaction to be able to provide a common and explicit understanding of the aforementioned economy.
   - A general discussion of the plan between the economic transaction and the financial statements used in the conceptual framework.

[6] Specifically, the SAS 69 (*Statement on Auditing Standard*) which explicitly demonstrates with respect to the application of the GAAP that almost always imply fair view, but that, in unusual cases, can lead to deceptive information. It is translated, in practice, that there is an express mention to those in audit information, which does not happen in Great Britain. The SAS 69 has this to say on the matter: "Generally accepted accounting principles is a technical accounting term that encompasses conventions, rules, and procedures necessary to define accepted accounting practice at a particular time" (.02). It is also interesting to analyze the hierarchy of the generally accepted accounting principles, on the matter it says: "If the accounting treatment for a transaction or an event is not specified by a pronouncement or established n practice described (…) an enterprise shall first consider accounting principles for similar transactions or events within categories … and then other accounting literature…" (SFAS: 1992).

- An implementation guide in the form of examples that illustrate the application of the general principles of the standard in typical transactions.
- Related relevant requirements with a description of the economic transaction that is to be reported.

3. The regulating organization must be careful to create names for the concepts, allow them to be more intelligible.

The AAA itself presented to what extreme the standards must be “ideal” in order to reflect the economy of the transaction in a trustworthy manner. They raise the following problems:

- The report for the transaction depends on that of one or multiple transactions. Another arising problem to be considered is, that not all of the assets and liabilities are registered, nor have reasonable value.
- Many of the current standards were born from the worries of the constituent and not the underlying economy.
- Some standards could be eliminated or even combined with others.
- The way in which the question must be approached is if standard for standard must be carried out, in which case we must consider where to start, or to have a global form. If it is thus, then the conceptual framework should be rethought before carrying out the revision of different standards.

Considering that the standards based on concepts must be a priority and that even though it is not easy, the action must be undertaken even though admittedly the conflicts of interest are not going to be resolved, whether they are based on concepts or on rules.

The SEC, nevertheless, proposes a system of standards based on objectives, in which the objective of every standard is clearly defined, it provides sufficient details and a structure by which the standard can be operative and minimizes exceptions (SEC, 2003).

Bennet *et al.* (2006) conclude that the distinction between standards based on principles and rules are not significant, so both require the application of professional judgment. Thus, the terms rules based and principles based are not significant descriptions of the accounting standards. They consider that a standard based solely on principles can not exist, given the need of rules to clarify the conceptual framework or to avoid an accounting abuse. Unless the rules are ad hoc, they are based on principles. They consider, furthermore, that “the true and fair view override is the cornerstone of professional judgment” (íbidem: 201). Adding that in the hypothetical case in which the conceptual frameworks were identical, it would not arrive either at equal standards or even, convergent ones for two reasons: first, because the weight of the conceptual framework is not a simple or automatic question; and second, because there are external factors that influence the importance of the same, as is the legislative framework. Finally, they emphasize that education is fundamental in a system based on principles.

All in all, it is not easy to determine in what medium the application of the generally accepted accounting principles best lead to fair view in every instance since the controversy is fundamentally centered in the application of those that, in some cases, lead to information that is so far from being faithful to the business reality.

4. Exceptionality

Ekholh and Tolberg (1998) denote that fair view has the essential mission of being a defense against the mechanic and unsustainable application of rules in specific circumstances. Allowing that "broad-based flexibility facilitates discretionary compliance, undermines the comparability of accounts and restricts the scope of accounting regulators to outlaw current unsatisfactory practice" (1995: 25).

When considering how to interpret extraordinary cases, Ordelheide (1993) believes they should be avoided; Burlaud (1994) and Elechiguerra (1993) hold that exceptionality would have to occur by legal disposition.

Regarding the applied solutions in different countries before the adoption of the IAS by the European Union, Alexander (1993) indicates that while the respective deviation from the accounting principles affects the balance and the Profit and Loss Account in the United Kingdom, in the case of the European Directive, it only affected the Notes. Only in Germany could this last part have been affected by a deviation to find fair view since the Balance sheet as well as the Profit and Loss Account had to be prepared under the GAAP and in France the idea was similar although the inclusion of additional information was permitted in the Notes. It was considered to be something exceptional. Thus, the case of the United States and Great Britain allows us to see the different interpretation that fair view has according to the country that we choose as an example, even if they are from the same cultural area (Alexander and Archer, 2000)[7].

[7] For the United Kingdom it is the ultimate objective of the financial information, and for this, one can play outside of the rules of the game. In the case of the United States the fair view has been subjected to apply the principles that are emanated by the FASB and indirectly by the SEC. In both, the preeminence is to give useful

Van Hulle (1993) considers the fact that it was demanded in the Notes to have as an objective to avoid or stop creative accounting and to justify it with extraordinary cases. In this case, it affected the companies, not the sectors. Walton says that: "Disclosure (normally in the notes of accounts) is the first step. Derogation – by adapting the loss and profit and or balance sheet figures, with disclosure in the notes – is the second and logical step of the true and fair view override" (1991: 23).

It can be concluded, therefore, that far from being something unanimously accepted, it depends on the interpretation, according to the cultural, economic, and political circumstances, given by each country. All in all, the image is faithful to the principles provided by each accounting system, not necessarily to the economic reality that it attempts to represent through these principles.

5. Reflections about fair view

From what has been said until now it can be concluded that fair view must be a mirror, a literal transcription of what has happened in the business reality, but in the moment that it is transcribed, it is interpreted and, as such, it becomes based on the objectives that the elaborator has and that the user gives it. Logically, to consider primacy of two users (investors and creditors) and to assume that the rest are in agreement over this information is a lot to suppose.

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information in decision making, and focus on the financial market, although the ways in which they are interpreted are very different.

Nevertheless, it is neither a universal concept nor objective, it always depends on the concepts, the words and the way in which it is captured. It will not be possible to talk about universal or comparable fair view between different countries insofar as the set of rules and procedures are different.

Now, what we do have are reproductions, or if you like, subjective images of an underlying reality. To the extent that these have a rational logic they will be more accepted and acceptable, to the extant that they are more subjective, they will be less so.

The big question is whether the general principles of accounting lead to fair view. Alexander (1993: 57) esteems that "TFV[8] first exists in law. Second, different perceptions of its meaning and significance are symptomatic of different cultural, legal and accounting attitudes and perceptions (…) Third, the issues are clearly recognized both topical and important with the EC" and he exemplifies it in the following manner (in the case of the British):

"In essence the process is:

1. In circumstance X, the law says that Y is required.
2. In circumstance X, we think the law should say that Z is required.
3. A TFV is required above all else.
4. A TFV is what we (accountants) say it is.
5. Accountants say that in circumstance X, a TFV requires Z.
6. In circumstance X, Z is required.

It is a formula capable of almost infinite application" (íbidem: 70).

[8] TFV: *true and fair view*.

This process can be applied and complicated in the following way. At times, it may be that effectively, there is a determined solution for a problem, that is to say, that Z exists; if it does, although Y is required, Z should prevail.

Now, it is possible to consider what happens in these cases:

1) In circumstance X, there can be two options (commonly represented by n). The two lead to distinct versions of fair view; both (all) are applicable.
2) In circumstance X, there are two more options. None of them truly lead to fair view. What can we do? Or better, should we apply one of them?
3) In circumstance X, there is no option. Fair view is not obtained.

The fundamental problem arises in situations 1 and 2 because it often occurs that although two or more options are possible, a lobby can manage to decant into one of them, that which pleases the group more and it can happen that this is the elected alternative, depending on the force with which they act. The second case considered is more complicated, if anything, since before the existence of a lobby, the winning option will not only be the one that leads to the best fair view (simply because it cannot be obtained).

Alexander adds that (1993: 73) "GAAP stands for Generally Accepted Accounting Principles, or according to some, for Generally Accepted Accounting Practice. It certainly does not stand for Generally Accepted Accounting Regulation". This same author later (2006: 143) considers that there are three types of ideas:

"Type A: generally expressed all-pervasive fundamental concept (TFV would be this type)

Type B: set of rules, conventions or ways of thinking which are to be consistently applied to situations both familiar and unfamiliar (Conceptual Framework would be this type).

Type C: the detailed provision of specific methods for the treatment of all expected problems and situations, regulation through detailed rules (but not necessarily legislation), attempting to cover all possible situations[9]".

Later Alexander and Archer (2003) deem that fair view is a "semi-rule" in the sense that it is a principle that guides the rules, and that it can be invoked so as not to apply the rules in exceptional circumstances, that is what is meant by an "override", from there, three types of fulfillment to the rules may be given:

1. The application of the rules is sufficient to obtain fair view.
2. The application of the rules is a necessary condition but is not sufficient to obtain fair view.
3. The application is neither sufficient nor necessary to obtain fair view.

Special mention is merited to the contribution made by Smieliauskas *et al.* (2006) who proposed the substitution of the expression true and fair view for acceptable risk of material misstatement since the first expression should be defined in a less intuitive way and the second allowed materiality to be considered in the work being done by auditors apart from risky accounting and the verification activity itself[10].

The aforementioned contributions are truly interesting although they do not take social and economic context into account in which the process of accounting regulation moves and it is for that reason that it should be incorporated in some implicit or explicit way.

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[9] Nobes (2005) considers types A and B to be principles while type C is a rule. It would be possible to add that for this same reason in types A and B the maximum economic rationality and maximum consensus must be required in their configuration. It is necessary, therefore, to consider why types B and C do not lead to type A, if they emanate from it.

[10] Risky accounting consists of making predictions or estimations using the generally accepted principles of accounting while audit risks consist of compiling appropriate evidence.

We imagine a world in which the preparers of information would not find any incentive to show any view that is false to the happenings of the business; the rules of accounting, being what they were, would be a substitute more or less approximate to this reality. It may lack elements to configure it, given that this is much more complex than what can be transcribed in a statement or report, but without room for doubts, it would be trustworthy. Trustworthy, not completely or strictly faithful, but the first goal would be obtained.

Now, what happens is that there are incentives for:

1. not respecting the rules of judgment (interpreting them in a “creative” way, or simply going against them);
2. rules that are more suitable in a given moment and, possibly, for a group of specific interests

We can, therefore, consider two plausible scenarios:

Scenario A: there is no respect of the regulations; the model of resulting representation will be valid. The typical situation of numerous financial scandals would exist. The principle of reliability would not be maintained, since the information according to this model will say that it is accepted, although it is not certain, but this would be assumed to be valid. In this case, the reasoning of Alexander would be valid, the before emphasized solution Z would also be valid as well as the postulates from which it derives (types A, B and C). The problem does not reside in the model, but in those which apply it.

Scenario B: the regulations are slanted, the model stops having validity. The exceptions invalidate the model. If this happens, it is no longer about not being trustworthy, it is already not, since above all it is neither valid nor does it serve the legitimation of the proportionate information. For this reason it will not produce any kind of financial scandal, but the accounting information with lack utility. In this case, solution Z considered by Alexander and the postulates that derive from it would not be valid. It is exemplified, in this way, how something that is not precisely fair view as a final objective is obtained through the accounting principles (Cea, 1989).

This same scenario is noted by Alexander and Jermakowicz (2006) to affirm that the rules themselves are inadequate or not based on principles for the process itself of gestation of the same: interested parties in a certain interpretation of the concepts, confused debates, when dishonest, imposition of a determined solution by a player, or a culture, etc. All of this leads us to conform with the intention of financial reporting which is to give a non-deceptive view of the underlying reality, being that this concept itself is subjective.

Following this line Alexander and Archer (2006: 9) concede that within the override one can distinguish: "(a) the use by a standard-setter of an "override" of the law, in a way that the law allows, in framing a new rule (accounting standard) (b) the unilateral use of the "override" by individual financial statements preparers, which breaches an existing rule without creating any new one. Case (b) may be further sub-divided into two sub-cases:
(b1) the "override" is based on a new "candidate rule" that is proposed as being applicable to all similar cases;
(b2) the "override" is not based on any such new "candidate rule", but is ad hoc".

Moreover, as indicated by Dean and Clarke (2004), professional development is only possible in the discipline when one considers why the financial statements show (or not) fair view. We can affirm, without a doubt, that search for these solutions is really what creative accounting should be and not, and as Williamson (1996: 6) affirms, “a form of opportunistic behaviour or “self-interest seeking with guile”.

A disservice is being done to the discipline and its more normative slope when instead of bettering the technique and the concepts people are trying to exploit the weak points in order to extract a view more in accordance to what they want to present, not what they should represent.

6. The IASB-FASB Conceptual Framework project

In July of 2003 the SEC and the FASB embarked upon the unification process of two of the most widespread accounting systems in the world and proposed a system oriented towards objectives.

Comparing the conceptual framework of the IASB with the IASB-FASB project, one can say:

a) the project covers more possibilities and as a consequence, is more general (less concrete than its predecessors);
b) the states of changes are much more concrete in the IASB;
c) the explanations of managers are more ample than the accounting policies;
d) while the IASB restricts the objectives of the financial states, the conjoint project leans more towards the position of the FASB that extends to all of the financial information, although, it is possible to add that at the present time no one has paid attention to what the limits of this financial information are.

The proposal document has caused diverse reactions, only emphasizing that the majority of users believe that the project is positive (not necessarily that they agree with its content), although they express a favorable attitude to its obligatory nature (obligatory nature, that all incidentally, should be the same in every country), but they think that the weak point of the document is in the description of the objective, that it is not described adequately. Logically, and taking into account that this is where the rest of the conceptual elements emanate from, if there is not a clear description to which you want to arrive, all of the rest can be rather debatable.

Following, a comparative chart is shown between the conceptual framework of the IASB and what is proposed in the conjoint IASB-FASB project (figure 1).

Figure 1. Comparison of elements between the IASB and the IASB-FASB project.

With respect to the characteristics of financial information, definitions appear in the following figure, only those of the project appear in the first; in the second there is a comparison with that of the IASB.

Figure 2. Qualitative characteristics according to the IASB-FASB Project.

Figure 3. Comparison of the qualitative characteristics between the IASB and the IASB-FASB project.

We consider how these characteristics contribute to the objective of the financial report:

a) **Relevance**: it identifies the economic phenomena that must be written in the financial information.

b) **Faithful representation**: descriptions which are most suitable to their representations: "Considering faithful representation after relevance does not mean that faithful representation is secondary to relevance. Rather relevance is considered first because it would be illogical to consider how to faithful represent a phenomenon that is not pertinent to the decisions of users of financial reports" (QC44). Adding that "thus, either relevance (…) or unfaithful representation (…) results in information that is not decision useful" (QC45).

c) **Comparability**: Increases the utility of the decision.

All of these characteristics are complementary.

How the limits stand out:

- **Materiality**: "materiality judgments are made in the context of the nature and the amount of an item, as well as the entity's situation" (QC51). Relevance is on the other side of the coin, what is relevant is material, but what is material can be relevant to these decision makers or those.
- **Cost-benefit**: The benefits must surpass the costs to supply the information, therefore, the information is not neutral and the regulators cannot consider in an appropriate way what benefits or harms a certain type of information.

How hierarchy establishes that:

a) **Relevance** must be considered **before all others**: "if information about a particular real-world economic phenomenon is not pertinent to investment or credit decision, none of the other qualitative characteristics matter. Accordingly, it would be inefficient to consider faithful representation, comparability, or understandability for irrelevant items" (BC2.62).

b) **Faithful representation**[11] is the quality that must be considered second.

c) Comparability.

d) **Understandability**.

Relevance and faithful representation are complementary to decision making, although it would be possible to add that one seems more important than the other. Information can be without relevance and still be a fair view of what it tries to reflect, with which there is no problem because it does not affect the basic paradigm (decision usefulness); it may also occur that it is not relevant nor a fair view, this is not considered to be a dilemma.

Nevertheless, one considers the question when it is relevant and it is not fair view, since here the information for decision making does not correspond to the faithful representation of reality, consequently this would produce a bad location of resources (investment), for falsified information. Compared with the case in which you are not given the relevance but you are given the fair view, and the economic consequences are much smaller, from this we can deduce that fair view must be considered first. With respect to this, it is possible to make this table (figure 3):

Figure 4. Relevance versus fair view.

[11] "the issue here is whether the Boards should add *true and fair view* as a qualitative characteristic of financial reporting information - not whether the authoritative literature should provide an exception to the application of accounting standards in some circumstances (BC2.48) (…) The Boards concluded that *true and fair view* or *present fairly* is not a qualitative characteristic. Instead, a true and fair view should result from applying the qualitative characteristics (…) The Boards also observed that for financial reports to *present fairly* or to *present a true and fair view* is much the same as for a financial report to *faithful represent*, which already is a qualitative characteristic" (B2.49).

As Whittington states [2008: 146]: “neither relevance nor representational faithfulness is an *absolute* property of accounting information; rather, there are different levels of relevance and faithful representation, which opens the possibility of a *trade-offs* between them”.

The next question to ponder is the relationship between the reliability of the accounting information and fair view. According to the Council of Unification of the IASB and the FASB, fair view should not be presented as the only component of reliability, given that it is a model riddled with subjective estimates and not always scientific facts, but it is possible to add, moreover, that from the cost-benefit analysis, certain information could be “avoided” with the understanding that it does not affect fair view, but that can be demonstrated as necessary in order to be worthy of confidence on the part of the users.

All this leads us to consider if it is possible to obtain a fair view through the conceptual framework, with respect to this one says: “the framework’s vision of the ideal financial reporting is unlikely to be achieved in full, at least, in the short term, because of consideration of technical feasibility and cost” and previously in the same article “financial reporting information is based on estimates rather than exact measures” (paragraph: OB15), as a result, is it really possible to obtain fair view? Or only an estimate of this reality? And if so, which should be estimated? and if it is thus, isn’t it subjective? From what has been said it may be concluded that the problem will continue over the coming years.

Conclusions

Fair view is not a scientific concept, it is more professional than academic, it emerges from professional ethics (accounting principles), and it is a mix of exactitude and judgment (professional), through estimations and responds to the degree of development of the practice. Furthermore, it is changeable, therefore, dynamic, approved by consensus and it serves as a flag of the profession in order to have exclusive knowledge, and with high dependence on cultural context. Moreover, it is very clear what it is not: intentional distortions, manipulation, and omission.

The concept is necessary and important from the professional and legal point of view, whether only for the legislator, or also for the professional.

It is not possible to affirm that fair view conforms to the accounting regulations (accept when it emanates from the aforementioned) in all cases, the aforementioned leads to a determined fair view, that will be a representative model of reality that, as such, has important limitations. The first and perhaps essential is to question whether information should provide a principle (extending to a standard, a rule), how many terms should be defined, with what level of detail, as well as what exceptions and alternative processes should be permitted. But, in addition, it is possible to consider that it does not always reflect the economic rationality that should be followed, but, that, other factors, such as cultural ones, evolutionary or even the pressure that can be exerted by certain groups act like determinants to establish what at any given moment and in concrete surroundings is due to be understood as faithful representation.

Adding that, even in the hypothetical case that the conceptual frameworks were identical, it would not arrive either at equal standards or even, convergent ones for two reasons: first, because the weight of the conceptual framework is not a simple or automatic question; and second, because there are external factors (like the indicated ones) that influence the importance of the same.

A question related to the previous statement is the processing of exceptional cases, for instance, the authors cannot come to an agreement and while some advocate a general lawful action because it transcends a legal level, others opt for finding case by case solutions.

With respect to the IASB-FASB Conceptual Framework project, the most notable element is that it is more comprehensive and at the same time more diffused than what both members have alone (mainly the IASB), with greater weight on the narrative part and it emphasis the fact that fair view is subjected to relevance as well as considering its possible effects. Also of interest is the fact that prudence is removed from the framework and there is not explicit consideration of the expression true and fair view.

Considering, then, that fair view is an emergent concept more than the practical application of regulations that give an objective to which it is subjected, should it continue being the principle or deduction to the whole collection of hypotheses and accounting principles, above relevance or whatever other consideration. If it falls into the background, it may lose a large part of its social and economic value, in a discipline like accounting. The social credibility of accounts that, with major or minor limitations, represent an underlying reality that hang on the commitment that these parts (company, auditors, etc) establish with this fundamental principle.

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Annexes

CONCEPTUAL FRAMEWORK	IASB	IASB-FASB
OBJECTIVE	Usefulness to users in making decisions, especially for investors	Usefulness to users in information, especially for investors and creditors.
FUNDAMENTAL HYPOTHESIS	Accrual Going concern	There is no reference.
QUALITATIVE CHARACTERISTICS	Understandability Relevance: Reliability, Neutrality, Faithful representation, Preeminence of substance over form, Integrity, prudence Comparability	Relevance Faithful Representation: verificability, neutrality, integrity Comparability Understandibility
LIMITATIONS	Opportunity Balance between cost and benefit Balance between qualitative characteristics	Materiality Cost-benefit
PATRIMONIALE ELEMENTS	Definition Criterias of recognition	There is no reference.
CRITERIA OF APPRAISAL	Historical cost Replacement value Realization value Actual net value	There is no reference.
CONCEPTS OF CAPITAL	Physical capital Financial capital	

Figure 1. Comparison of elements between IASB and the IASB-FASB project

Characteristics	Definition
Relevance	Relevant information is that which can make a difference in the making of decisions.
Predictive and confirmative value	Information has value like input in a predictive process, which by itself does not imply that it is a prediction or a prognosis.
Opportunity	It is the other aspect of relevance, to make use of information before it loses its ability to influence decision making.
Faithful representation	The information must be verifiable, neutral, complete and with prevalence of the substance over form. **Verifiability** implies that different observers with distinct knowledge reach a general consensus, but not necessarily an agreement, whether the information represents economic phenomena without error or slant and if the method of recognition has been applied without error or slant. **Neutrality** is the absence of slant that tries to obtain a determinate result or a given behavior. **Integrity** implies to include in the financial report all the information for the faithful representation of the phenomena that the information tries to represent. **Comparability** permits the users to establish similarities and differences between the collections of economic phenomena. **Consistency** is the continual use, period to period, of the same accounting policies and procedures. **Understandability** is the quality of the information that permits the users that have reasonable knowledge of business and financial reporting, to study their significance.

Figure 2. Qualitative characteristics according to the IASB-FASB project

Qualitative characteristics	**IASB-FASB project**	**IASB**
Relevance	Yes	Yes
Reliability		Yes
Comparability	Yes	Yes
Imparciality / Neutrality	Yes	Yes
Verifiability	Yes	
Opportunity	Yes	Yes
Economic nature		Yes
Fair view	Yes	
Integrity	yes F	Yes
Substance about form		Yes
Prudence		Yes
Understandability	Yes	Yes
Predictive value	Yes	
Relative importance		Yes
Consistency	Yes	

Figure 3. Comparison of qualitative characteristics between IASB and the IASB-FASB project

RELEV / TFV	YES	NO
YES	It fulfills both requirements	The information is not relevant to the user; even if it is fair view of reality.
NO	**PROBLEM: fair view is that which prevails. It is relevant, but it is not true: the information is not useful.**	The information lacks value; it is not relevant to the user nor does it correspond with reality.

Figure 4. Relevance *versus* fair view