Global Advanced Research Journal of Economics, Accounting and Finance Vol. 2(3) pp. 045-061, April, 2013
Available online http://garj.org/garjeaf/index.htm

Review

Cash Wealth Maximization: The Panacea

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Accepted 03 April, 2013

The tendency of the most important documents related to the formulation of the objectives of financial reporting (statements) issued by the most influential professional accounting bodies (AICPA, FASB and IASB) in the world reflects a bias towards the provision of accounting information fundamentally relevant to the goal of cash wealth maximization. There are two assumptions; explicit and implicit. The explicit assumption is that the information needed to achieve the goals of all interested non-owners groups, the goal of management accountability and social goals can simply be satisfied by the same accounting information required for achieving the goal of cash wealth maximization. The implicit assumption is that achieving the goal of cash wealth maximization would automatically lead to the attainment of other goals. Thus, the goal of cash wealth maximization is assumed to be panacea that solves all problems. This simply means that cash wealth maximization is the only prime goal that must be given the most priority when formulating the objectives of financial reporting (statements) which would lead to force homogeneity on what is fundamentally heterogeneous.

Keywords: Cash wealth maximization, common information need, management accountability, panacea, social goals.

INTRODUCTION

Report of the Study Group on the Objectives of Financial Statements (hereafter Trueblood Committee's Report) issued by the American Institute of Certified Public Accountants (AICPA) in 1973, Statement of Financial Accounting Concept No. 1 (hereafter SFAC No. 1) issued by the Financial Accounting Standards Board (FASB) in 1978, amended and reissued in 2008, Framework for the Preparation and Presentation of Financial Statements issued by the International Accounting Standards Committee (IASC) in 1989 and adopted by the International Accounting Standards Board (IASB) in 2001 (hereafter IASB's CF), and the Conceptual Framework for Financial Reporting: Chapter 1, The Objectives of General Purpose Financial Reporting developed jointly by IASB and FASB (hereafter IASB-FASB's Joint CF)[1] are the most

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[1] There are two versions of the IASB-FASB's Joint CF. One was issued by FASB and known as SFAC No. 8 (FASB, 2010). The other one was issued by IASB under the title "Conceptual Framework for Financial Reporting (IASB, 2010). There are very minor differences between these two versions (e.g. page numbering). In this paper, the FASB's version is used. The IASB and FASB jointly started cooperating to develop a joint conceptual framework. Their project of cooperation consists of

important four documents (hereafter FDs) that deal with the formulation of the objectives of financial reporting (statements) in the contemporary accounting era by the well-known and dominating professional accounting bodies.

It is quite reasonable to expect that these FDs give adequate, if not balanced, consideration to the main issues usually agreed upon to be of interest to all those who have stake in the information provided by a commercial enterprise. These issues include the goal sought by the owners (shareholders), the goals of non-owners interested groups, management accountability and social goals.

Despite the possible autonomous existence of issues related to the goals of the non-owners interested groups, management accountability and social goals, they are treated as though they do not have an existence separate from the prominent hegemony given to the primary goal of the owners; which is cash wealth maximization.

Although the FDs refer to other issues, no information beyond that necessary to achieve the goal of cash wealth maximization is dealt with in the objectives formulated in the FDs. A careful look at the objectives of financial reporting (statements) formulated in the FDs leave us with no doubt that accounting information to be provided must achieve two requirements simultaneously: helping the owners group to maximize their cash wealth and reflecting whether or not a commercial enterprise maximizes the wealth cash invested by the owners group.

We agree with Murphy et al. (2013) that the issue of management accountability is dropped by IASB-FASB's Joint CF as a primary financial reporting goal. We add that all the FDs drop management accountability as well as the goals of non-owners groups and social goals as primary issues or goals. However, the goal of management accountability, the goals of non-owners groups and social goals and their information needs are not left without being addressed. It is assumed that the information needs of these goals and the goals themselves can be achieved either through satisfying the information need necessary for the achievement of the goal of cash wealth maximization or through the achievement of the goal of cash wealth maximization itself.

It is the well-entrenched capitalism dogmas that historically and traditionally dominate accounting at the educational and practical levels which mold the approach to solve all issues related to the provision of financial accounting information within the narrow perspective of the goal of cash wealth maximization. At the educational level, students are indoctrinated to strongly espouse that the goal of a commercial enterprise is to maximize shareholder value, or the so-called mantra of capitalism (Kochan, 2002; Ravenscroft and Williams, 2004; Waddock, 2004; Sikka et al., 2007). At the practical level, accounting is oriented to focus mainly on the requirements of financial reporting. The emphasis in this reporting is on shareholder's interests. The income statement, according to Kelly (2001), focuses on shareholder gains. The balance sheet is influenced by the well-known accounting equation: Assets - Liabilities = Owners' Equity (or residual equity). The bottom line figure in the income statement is intimately and directly connected to the owners' equity. This bottom line figure of the income statement is treated as though it represents the sole right of owners. Thus, accounting at the practical level forces us to be preoccupied with the movements of the owners' equity amount from period to period.

The FDs evaluated in this paper are the natural result of the interaction between the influences at the educational and practical levels. They themselves also become part of the educational and practical tools in indoctrinating the dogmas implied in the capitalistic model of accounting. The objectives of financial reporting (statements) formulated by the FDs is a case in point. One would be overwhelmingly bewildered with the unbelievable focus in the FDs on words and phrases such as cash, cash invested, cash returns on cash invested, favorable cash returns, more cash than that invested … etc. These and other documents containing various pronouncements are intended to influence accounting at the practical level.

Based on the above arguments, we hypothesize that the FDs consider the goal of cash wealth maximization as a panacea; something that is capable to resolve all issues or satisfy the information needs necessary for resolving all issues.

This paper has the following contribution to the literature[2]: First, it evaluates the importance accorded to the goal of cash wealth maximization as is shown through excuses and justifications advanced by the very influential FDs that deal with the formulation of the objectives of financial reporting (statements) in the contemporary accounting era. We find that the goal of cash wealth maximization is fundamentally targeted. Second, the paper investigates the attention given to the goals (interests) of non-owners groups. We find that the FDs assume that information useful for achieving the goal of cash wealth maximization is equally useful for

eight phases. The first phase related to the Objectives of Financial Reporting (Chapter 1) and Qualitative Characteristics of Useful Financial Reporting (Chapter 3) was completed and issued in 2010. This final version was preceded by an exposure draft issued in 2008(IASB, 2008).

[2] This paper is one of three papers that are related and compliment each other. One is entitled "The domination of the pure form of capitalism over the objectives of financial statements (reporting)". This paper is published in Journal of Accounting and Taxation in December 2012 in Volume 3, Number 3. The other one is entitled " Cash Wealth Maximization: A Jewel in the Crown (Reductionism in its Worst Form). This paper is not published yet.

achieving the goals (interests) of all non-owners interested groups. Third, the paper analyzes how the FDs look at management accountability through both backward and forward perspectives with an implicit assumption that owners, as human beings, have a metaphysical capability to see through horizon and transfer backward looking information into forward looking information. Only if the forward looking information is useful for the achievement of the goal of cash wealth maximization then this information is regarded as useful for judging on management performance. Thus we find that the information assumed to be necessary for the achievement of the goal of cash wealth maximization is also assumed to be useful for accountability purpose as long as the backward looking information (historically based information) can be converted into forward looking information which in turn is assumed to be ideal for ensuring signal related to achieving the goal of cash wealth maximization. Fourth, the paper studies the degree of the interest by the FDs in achieving the social goals. We find that the FDs are, implicitly or explicitly, interested in the social goals but their attainment is tied to the attainment of the fundamental goal of cash wealth maximization. The information needs of social goals are never addressed. The impression given by the FDs is that the achievement of social goal is directly related to the achievement of the goal of cash wealth maximization, that is, the achievement of social goals is directly tied to the achievement of the goal of cash wealth maximization.

This paper consists of three more sections. Section 2 demonstrates the hegemony of the goal of cash wealth maximization on the formulation of the objectives of financial reporting (statements). Section 3 introduces the concept of the panacea which demonstrates that either the provision of accounting information targeting the achievement of the goal of cash wealth maximization is more than enough to satisfy the information needs of the non-owners interested groups and management accountability, or the achievement of the goal of cash wealth maximization itself is enough to achieve other goals, particularly social goals. Section 4 summarizes and concludes the study.

The Goal of Cash Wealth Maximization and Nothing Else

Trueblood Committee's Report

The Trueblood Committee's Report considers the goal of cash wealth maximization as a centrality for all actions by a commercial enterprise, since "whatever activities the enterprise pursues, its primary goal of maximizing wealth by using cash to generate more cash remains essentially unchanged" (AICPA, 1973, 21). Therefore, the Trueblood Committee's Report requires a commercial enterprise to echo what its owner's desire. Ownership, through only cash investment, is assumed to be more than enough to impose on a commercial enterprise the goal of its owners as the most fundamental one. Thus, a commercial enterprise has no choice but to be preoccupied with achieving the single ambition of cash wealth maximization dictated by its owners. The relationship between a commercial enterprise and its owners is restricted to cash invested and all actions taken by a commercial enterprise must lead to maximization of cash invested, since the Trueblood Committee's Report considers that those "who make economic decisions prefer to increase and accelerate benefits and to defer and reduce sacrifices" (AICP, 1973, 18). However, the Trueblood Committee's Report formulates an explicit[3] model of goal cash wealth maximization that is based on a long-term perspective with the sole purpose of making cash wealth maximization an everlasting goal for both the owners and the commercial enterprise in which they invest their cash. First, current gains must be forgone for the sake of greater gains in the long-term (AICPA, 1973, 17). Second, the notion of earning power is fundamentally relied on. Earning power's core idea is deep-rooted in three constituents to judge on a commercial enterprise's ability to achieve cash wealth maximization: earnings, the conversion of earnings into cash and futurism. An earnings is simply a manifestation of a commercial entity's endeavour to bring about maximization. The most important duty that must be assumed by a commercial enterprise is to convert earnings into cash. Third, the conversion of earnings into cash requires a futuristic horizon extending over many periods since, in the short-term; this conversion usually does not reach the point of completeness. Over the long-term, cash generation and earnings are required to be identical (AICPA, 1973, 23). The futuristic perspective imposes on a commercial enterprise the preoccupation with the goal of cash wealth maximization on a daily basis (AICPA, 1973, 23). Thus, all actions by a commercial enterprise in all periods must be carried out with a full awareness that there is responsibility of achieving in the long-term the "goal of producing the most cash to its owners" and, accordingly, an enterprise's success is specifically judged on according to its ability in "using cash to generate maximum cash" (AICPA, 1973, 22).

SFAC No. 1

SFAC No. 1 differs from the Trueblood Committee's Report in its wording. However, the essence of its logic confirming

[3] The other three documents also consider a long-term perspective for the goal of cash wealth maximization. It is only the Trueblood Committee's Report that formulates an explicit long-term formulation for the goal of cash wealth maximization.

the imperativeness of securing the achievement of the goal of cash wealth maximization indicates the sameness of the orientation of both the Trueblood Committee's Report and SFAC No. 1. SFAC No. 1 emphasizes “the ability of an enterprise to generate favorable cash inflows” (FASB, 2008, 9 and 10) as the prime information that must be provided, since the generation of favorable cash inflows reflects a preoccupation with a goal that its owners and lenders are preoccupied with. In addition, it is supposed that all participants in the capital market also consider an enterprise as successful only if it generates favorable cash inflows (FASB, 2008, 12). Earning power notion is also heavily relied on since, according to SFAC No. 1, total reported earnings equal net cash receipts excluding those from capital changes” (FASB, 2008, 14). Therefore, SFAC No. 1 reiterates, albeit in different wording, what is emphasized by the Trueblood Committee's Report about the inseparable relationships between earnings, the conversion of earnings into cash and futurism. However, there is one single difference at the ostensible level rather than at the essence level. In par. 25, SFAC No. 1 tries to give the impression that the formulated objectives of financial reporting are intended to secure more favorable cash to owners, lenders, creditors, suppliers and employees (FASB, 2008, 9). The essence of SFAC No. 1 is to establish objectives of financial reporting that seek fundamentally the achievement of the owners' cash wealth maximization. In par. 12 and par. 50, SFAC No. 1 accepts that management is only accountable to investors-owners, directly and indirectly (FASB, 2008, 6 and 14). Restricting the accountability process between owners and management would naturally impose on management to give a statement reflecting its effort related to what most matters to the owners.

IASB's CF

IASB's CF is similar to both the Trueblood Committee's Report and SFAC No. 1 in advocating the goal of cash wealth maximization when formulating the objectives of financial statements. However, there are two characteristics that differentiate IASB's CF from the previous two documents. Essentially, it does not bother itself to offer any logic supporting its position on favoring the goal of cash wealth maximization whether in the preface to the 10 paragraphs (12-21) or in the 10 paragraphs themselves devoted to provide more explanations, excuses and justifications for the objective of financial statements (IASB, 2006, 36-37). Thus, the goal of cash wealth maximization is taken for granted; it is simply a formulation of objective without any real enhancing logic (i.e. it is almost logicless).

In addition, the terms “cash wealth maximization” and “earning power” are not used by IASB's CF. Nevertheless, both cash wealth maximization and earning power are deeply rooted in the IASB's CF. Each of the traditional financial statements (the financial position statement, the income statement and the statement of changes in financial position) is required to provide information relevant to the derivation of three further components of information: the ability of a commercial enterprise to generate cash and cash equivalents, the timing of this generation, and the uncertainty of this generation. These derived components of information are assumed to be all what is required for making economic decisions by users. Since information is required to indicate the amount, timing and uncertainty of the generation of cash and cash equivalents, then a futuristic perspective is required to dominate all actions taken by a commercial enterprise. This also means that management is implicitly required to be preoccupied with the goal of cash generation in every action already taken, considered to be currently taken or to be taken in the future. What we need is to find out the implicit, undeclared, goal of cash wealth maximization. An evaluation of the three traditional financial statements would offer a great assistance.

The financial position is required to provide three components of information supposed to be useful for the creation of the perceptions related to the amount of cash to be generated, its timing and uncertainty. Information about resources controlled by a commercial enterprise and modifications occurred to these resources represent fundamentally what is required to assist in creating perceptions about the generation of cash and cash equivalents, the timing and the uncertainty of this generation. Information about financial structure is assumed to be helpful in creating perceptions about future borrowings and the distribution of future profits and cash inflows among those having interests in a commercial enterprise. Information about solvency and liquidity is supposed to be useful in creating perceptions about an entity's ability to meet a commercial entity's financial commitments and raising future funds (IASB, 2006, 36). Future funds are mainly raised through the sale of shares in the capital markets. What is required through the provision of information on financial structure is the creation of perceptions about earning power manifested by future cash generation, future distributed profits and meeting financial commitments. Since meeting financial commitments is a natural outcome of both future cash generation and profit achieved, then it is both future cash generation and future profit that most matter. Both future cash generation and future profit are assumed to be the same in the long-term and they represent an indication of the earning power.

The income statement is also required to reflect the earning power ability of a commercial enterprise. In particular, variability in profit is taken to be a necessary check on both the goal of cash wealth maximization and earning power. There is one fundamental task assigned to the income statement through its disclosure of performance variability. This is the creation of a perception about a commercial enterprise's "capacity to generate cash flows from its existing resource base" (IASB, 2006, 37). Generation of cash from the existing resource base is a futuristic perspective. Therefore, all what is required through a series of past income statements is to reflect the historical variability in performance (profitability). In turn, it is assumed that this historical variability of performance provides an information base for the creation of a perception about long-term profit which is assumed to be identical to long-term cash generated. Accordingly, earning power is targeted by the IASB's CF. Once an emphasis is placed on variability of profitability and earning power, maximization is implicitly sought. Therefore, the single most important task of the income statement is to provide an information base for the creation of perceptions related to cash wealth maximization.

The required task assigned to the statement of changes in financial position is somehow vague and left without any explanation. It is quite understandable that this statement is required by IASB's CF to provide an information base useful for the creation of perceptions about cash and cash equivalents. However, it is very difficult to understand what is meant by "to assess … the needs of the entity to utilize those cash flows" (IASB, 2006, 37). We understand that this means one thing only; the statement of changes in financial position is redundant and both the statement of financial position and the statement of income are all what is required to provide the necessary information base for creating perceptions about a commercial enterprise's endeavour to secure the achievement of the goal of cash wealth maximization.

IASB-FASB's Joint CF

In a similar vain to that of IASB's CF, IASB-FASB's Joint CF avoids using the terms of cash wealth maximization and earning power. It also avoids setting any logic supporting the implicit goal of cash wealth maximization. However, the goal of cash wealth maximization is fundamentally targeted by IASB-FASB's Joint CF. The objective of financial reporting is strictly restricted in OB2 to be the provision of financial information that targets only economic decisions (FASB, 2010, 1). The goal of these economic decisions is made clear in OB3[4] as earning power is heavily relied. To achieve this objective, decision makers are assumed to seek information relevant to the formulation of perceptions about the amount, timing and uncertainty of future net cash inflows to the commercial enterprise, and these perceptions, in turn, help them establish their expectations about returns from their investment in a commercial enterprise (FASB, 2010, 1-2). Thus, financial information is looked upon as a basis for the formulation of perceptions about future cash inflows which are supposed to lead to the formulation of expectations about cash returns. Future cash returns on invested cash wealth means simply progressive increases in invested cash wealth. This is exactly the goal of cash wealth maximization.

OB4-OB20 give details about the financial information that must provided in order to formulate perceptions about the future net cash inflows[5]. In particular, OB16 is of paramount importance in that it tries to establish a link between earrings and earning power (FASB, 2010, 4). OB16 states that[6] "......information about the variability and components of that returns also is important, especially in assessing the uncertainty of future cash flows. Information about reporting entity's past financial performance and how management discharged its responsibilities usually are helpful in predicting the entity's future returns on its economic resources". Whenever variability of returns and its components are brought in an argument, then the implicit goal of cash wealth maximization is the real target. This is because returns based on accrual basis is required to help making predictions about future cash inflows. This represents establishing expectations about earning power through a conversion of earnings based on an accrual basis into future cash returns. Whenever there is an

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[4] The single objective of financial reporting is first stated in OB2 in the following way: "The objective of general purpose financial reporting is to provide financial information about the reporting entity to existing and potential investors, lenders, and other creditors *in making economic decisions* -emphasis added- about providing resources to the entity. These decisions involve buying, selling or holding equity and debt instruments and providing or selling loans and other forms of credit". In OB3, the goal of cash wealth maximization implicitly states that "Decisions existing and potential investors about buying, selling, or holding equity and debt instruments depend on the returns that they expect from an investment in those instruments; for example, dividends, principal and interest payments, or market price increases. Similarly, decisions by existing and potential lenders and other creditors about providing or selling loans and other forms of credit depend on the principal and interest payments or other returns that they expect. Investors', lenders' and other creditors' expectations about returns depend on their assessment of the amount, timing, and uncertainty of (the prospects for) future cash inflows to the entity. Consequently, investors, lenders and other creditors need information to help them assess the prospects for future net cash inflows to an entity" (FASB, 2010, 2-3).

[5] The details of information are similar to those required by the IASB's CF in paragraphs 15-21 (IASB, 2006, 36-37).

[6] OB16 is similar to par. 17 in the IASB's CF (IASB, 2006, 37)

interest in earning power, then there is an interest in cash wealth maximization.

The Panacea

The Non-owners Groups and the Hypothesis of "Common Information Need"

The Trueblood Committee's Report

Based on an espoused belief in the supremacy of the economic dimension within the U.S. cultural environment, the Trueblood Committee's Report divides users into three main groups: The group of users who are directly affected by their economic decisions. This group invests cash in an entity and consists of present and potential investors in equity securities (shareholders) and lenders. The group of users who are also directly affected by their economic decision. This group invests in an entity only time and effort; e.g. management. Finally, the group of users who are indirectly affected by their economic decisions; e.g. government (AICPA, 1973, 18).

To indicate that cash most matters, the classification of users into three groups is replaced with a dichotomization of users according to the type of their investment: cash investment and non-cash investment. The group that invests cash in an entity and directly affected by their economic decisions i.e. investors[7] and lenders, are given special privilege through the provision of information useful for predicting, comparing and evaluating the amount, timing and uncertainty of cash flows generated for them by an enterprise. However, the Trueblood Committee's Report circumvents the obstacle that shareholders and lenders are actually different groups. What is required is a proof that these two groups require essentially the same information. The Trueblood Committee's Report provides two-decision situations; one is related to a loan decision and the other is related to an investment decision. The purpose of these two-decision situations is to offer evidence in a bid to prove that the users (shareholders and lenders) who invest cash in an entity require almost similar information since, according to the Trueblood Committee's Report, "the distinction between investment and credit decision often is not sharp" (AICPA, 1973, 15). Although the Trueblood Committee's Report admits the existence of differences between various variables related to these two-decision situations, it generally tries to exaggerate the possibilities of similarities that usually exist at an abstract level and undermine the importance of deep-rooted differences that exist at the real world level. It is true that both are involved in economic decisions, i.e. an investment of cash, and a hope to receive future returns on investment as well as a returns of the investment. The real issue is the difference in the mentality of those making investment decisions and those making loan decisions. It is the psychological attitude that most matters in getting involved in this economic decision situation rather than the other. This psychological attitude influences the measurement approach in accounting and consequently the type of information that supports particular type of economic decision.

Therefore, there are essential differences between shareholders and lenders. Examples of these differences are the level of uncertainty and risk (a lender prefers low uncertainty and low risk; a shareholder accepts high uncertainty and high risk), the amount of returns on investment sought (a lender accepts low and fixed amount; a shareholder prefers variable and almost unlimited amount), the amount of the investment returned back (a lender is content with the returns of an amount identical to the that originally invested; a shareholder has always hopes for higher returns of investment when he/she sells his/her shares), timing of a returns (a lender prefers fixed and regular timing; an investor accepts the possibility of a postponement of a returns due to either a shortage of cash or for reinvestment purpose hoping for higher returns on investment in future periods). It is words like -prefer, hope, accept, look for and content- that most matter in an economic decision situation. These words represent a manifestation of the psychological mentality involved in any economic decision situation and at the same time a stimulus motivating a human being to be involved in this or that decision making situation. Marshall (1920), in his famous book "Principles of Economics", clearly alludes to psychological dimension of economics based on "man's character". It is a man's/women's character that creates the true and influential differences between being an investor or a lender. All these differences have their reflection on the information provided.

Generally, lenders prefer conservative perspective, whereas shareholders prefer an optimistic perspective. Positive accounting literature provides empirical evidence for the different quality of information required by lenders; a quality that leans more on pessimism. According to this literature (e.g. Jensen and Meckling, 1976), the mere existence of a debt as part of the capital structure induces agency conflict. One way to mitigate this conflict is through the injection of some information required by debtholders in the financial statements. For example, debtholders insist that certain measures are taken by management that reduce management's tendency towards optimism. Through various debt covenants, debtholders prefer to force management to lean more on conservative (Gigler et al, 2009; Nikoleav, 2010) and want to see this conservatism manifested in the financial statements to balance management's optimistic attitude. The mere fact that debtholders insist on providing (disclosing) certain

[7] Investors, owners and shareholders are used interchangeably by the Trueblood Committee's Report.

accounting information on financial statements is by itself a proof that they wish always see a conservatively oriented information whether there are debt covenants or not. The conservatively oriented information is supposed to be a reflection of actual behavior by management [e.g. the influence of accounting-based debt covenants on managerial investment decisions (Frantz, 1997; Douglas, 2003)]. Then, what debtholders want to achieve through debt covenants is an imposition of a restriction on management's maneuverability in its choices of investment decisions and accounting methods.

The conservatism-optimism dichotomy is even used to classify countries and the orientation of their accounting systems. A conservative approach to financial reporting is emphasized in those countries where the major source of financing comes from lenders (e.g. Japan and Germany). Thus, more emphasis is given to information provided by the balance sheet. On the other hand, an optimistic approach to financial reporting is emphasized in those countries where the major source of financing comes from shareholders (e.g. U.S.A. and U.K.). Accordingly, more emphasis is given to information provided by the income statement.

The Trueblood Committee's Report insists that there is something in common between shareholders and lenders, that is, both are concerned with the entity's "ability to generate cash flows to them ……." (AICPA, 1973, 20). The Trueblood Committee's Report replaces logic based on logic that causes one human being to prefer to be a shareholder rather than a lender with an excuse that is only useful at a very abstract level. It is not difficult to understand the purpose of this abstractionism-based excuse which is to impose any possible attitude useful for claiming the existence of a correspondence of interest of both a shareholder and a lender. At the abstract level, there is a correspondence of interests among all segments of a society. The question is whether it is logical to resort to abstractionism in order to force the provision of information with specific characteristics to fit specifically assumed phenomenon.

Even if we accept the argument that both shareholders and lenders are interested in the ability of an entity to generate cash flows, there are still great differences between these two groups related to the amount of cash to be realized, the time duration of this realization and degree of uncertainty of this realization. However, "more cash returns" sought by both shareholders and lenders is assumed to be the exact justification or sufficient causality for the provision of information useful in predicting the amount, timing and uncertainty of cash flow.

Since it is difficult to talk directly about providing accounting information that is explicitly based on favoring a specific group of users, the Trueblood Committee's Report implicitly uses the assumed "common interest" phenomenon as a major premise in its justification to promote the provision of information favoring mainly those who invest cash in an entity. This means an extension of the relevance of investors' information to all other users. With the help of "common interest" hypothesis, the Trueblood Committee's Report tries to demonstrate that there is no problem in providing the same information to all users. The common interest is centered on cash amount, timing and uncertainty since it is assumed that all users seek to maximize the outcome of their economic decisions through accelerating and increasing the benefits and deferring and reducing the sacrifices (AICPA, 1973, 17). However, cash wealth maximization is assumed to be a goal sought by all interested parties (accelerating and increasing the benefits and delaying and decreasing the sacrifices) and the solution of the problem of providing accounting information to many and diverse interested groups is simple and straight forward since all interested parties have one fundamental common interest.

The argument based on a deliberately chosen "common interest" could be considered logic less. This is because there are many common interests. Any common interest can be chosen and argued for. To say that all parties are interested in "cash amount, timing and uncertainty" as a common interest without providing any reasonably argued for causality, simply represents baseless argument and the involved phenomenon is only perceived at an abstract level with no real world counterpart. In addition, the common interest in the amount, timing and uncertainty is implicitly assumed to be the most dominating among all other common interests. This is not supported by any real world evidence. Many would argue that other common interests such as a better welloffness for all segments in any society could be chosen as the most dominating common interest. Their logic is that the welloffness of all segments in a society must override the welloffness of one group (i.e. shareholders) or even two groups (i.e. shareholders and lenders) since the creation and continuity of a commercial entity require the consent and satisfaction of all segments of a society (Mathews, 1993). Thus, the "common interest" argument used by the Trueblood Committee's Report is either based on an excuse created out of an abstractionism or logic less argument.

SFAC No. 1

SFAC No. 1 starts its discussion on users of financial statements with the provision of a broad list of users and gradually shrinks this list to one group of users, that is, owners[8]. At the top of the list is the owners group. At the

[8] The broad list consists of "*owners,*-emphasis added- lenders, suppliers, potential investors and creditors, employees, management, directors, customers, financial analysts and advisors, brokers, underwriters, stock exchanges, lawyers,

bottom of the list is the public. This must give an indication of the type of favoritism and priority implicitly adopted by SFAC No. 1.

SFAC No. 1 relies on a dichotomized classification approach based on an assumed commonality for grouping interested parties to create the required excuse for favoring the provision of financial information useful to investors-owners in the first place. There are three dichotomies of a descending order (from the most general to the most specific) adopted by the SFAC No. 1

The dichotomization of users in the most general form is to group them based on the demarcation between direct and indirect economic interest. There are two commonalities: direct economic interest and indirect economic interest. Users who have direct economic interest include, among others, owners, creditors, employees, managers and directors. These users need accounting information in order to make rational investment, credit and similar decisions (FASB, 2008, 1). Users who have indirect economic interest include, among others, financial analysts and advisors, regulatory authorities and labor unions.

The group of users with direct economic interest is further dichotomized according to the type of economic decisions. The first group consists of present and potential investors and creditors. The second group consists of other users. This dichotomization is reaffirmed when it is stipulated that "The function of financial reporting is to provide information that is useful to those who make economic decisions about business enterprises and about investments in or loans to business enterprises" (FASB, 2008, 7). This dichotomization is accompanied by a shift in the type of commonality from economic interest to decision. The classification here is based on investment and lending decisions and other decisions. Therefore, there is a group of users who make investment and lending decisions and another group who make non-investment and non-lending decisions.

The dichotomization of users in the most specific form is based on the privileged position assigned to a single particular group of users in an accountability situation. There is the group that consists of users to whom management is held accountable. Then, there is the group that consists of users to whom management is not held accountable. Shareholders are segregated from lenders since it is made crystal clear in par. 50 (P. 14) that management is only accountable to the owners. The commonality is drastically changed from being based on the type of economic decision to being based on accountability. Those who own shares (risk capital) are allowed to have a total hegemony over the accountability issue. The dichotomization is based on the right to hold management accountable and the lack of this right. Shareholders are alone given this right. All other groups, including the group of lenders, are deprived the right to hold management accountable.

However, the dichotomization of groups of users is always accompanied by a single commonality of information among the dichotomized groups rather than commonality of information among users within a specific group. The commonalities of information need swing from a most general one to a most specific one. The most general is manifested by the requirement that "… information provided to meet investors and creditors is likely to be useful to members of other groups who are interested in essentially the same financial aspects of business enterprises as investors and creditors" (FASB, 2008, 10). Then, more specificity is repeatedly employed when we are told that those users who have direct economic interest are assumed to have a common interest centered on an enterprise's ability to generate favorable cash flows (FASB, 2008, 1, 9, 10, 12 and 13). The assumption that all users are assumed to seek the same information need is based on an ambition "to avoid being vague or highly abstract" (FASB, 2008, 10). An assumed major orientation in the U.S. culture is used to support this commonality tendency and at the same time to provide a solution for avoiding vagueness and high abstractionism. This culture is assumed to be mainly dominated by economic tenets. Perhaps the most important tenet is that "Most productive activity in the United States is carried on through investor-owned business enterprises ..." (FASB, 2008, 3). Other productive sources, such as employees, are either assumed to be non-productive or at least not contributors in the "most productive activity in the United States".

Commonality of information also is used for serving the interests of the rest of users in financial information. In par. 25, SFAC No. 1 assumes that common interest (i.e., an enterprise's ability to generate favorable cash flows) is shared by all users of financial statements since "Other potential users of financial information share the same interest, derived from investors, creditors, employees, customers, or managers whom they advise or represent or derived from an interest in the how those groups (and especially *stockholders*-emphasis added) are faring" (FASB, 2008, 9).

Another justification for the commonality of information is also emphasized in par. 51/PP. 14-15: "A central question for owners, managers, potential investors, the public, and government is how an enterprise and its *owners* –emphasis added- are faring". Par. 52/P.15 states that "Financial reporting should provide information that is useful to managers and creditors in making decisions in the interest of owners .... Thus, how owners are fared during a period is of *equal concern* -emphasis added- to managers and

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economists, taxing authorities, regulatory authorities, legislators, financial press and reporting agencies, labor unions, trade associations, business researchers, teachers and students, and the *public*-emphasis added" (FASB, 2008, 8).

owners, and information provided should be useful to both in meeting their common goal".

Since favorable cash flows (or cash wealth maximization) please the owners, then all users are assumed to be pleased. Cash wealth maximization solves the dilemma of the necessity of providing different information for different groups having different interests and goals since a common interest is shared by all groups. However, SFAC No. 1 is not quite sure about the degree of this sharing among all users in this common interest since this sharing swings between the term "generally" used for all potential users (investors, lenders, suppliers and employees) of financial information most directly interested in an entity's ability to generate favorable cash flows and the term "significantly" used for investors, creditors, employees, customers and managers (Par. 25/P. 9)[9]. Definitely, there is a difference between "generally" and "significantly". "Significantly" denotes something that is special to the extent of being capable of making a marked difference. "Generally" disregards specific differences and focuses on the commonality without paying any attention to the degree of this commonality. Then, the type of information sought by other groups other than those mentioned must be different. Accordingly, there is no possibility for extending the "generality" and "significantly" to all parties interested in an entity.

The objective of avoiding vagueness and abstraction is not adhered to by SFAC No. 1. Commonality is heavily relied on using a very loose justification, and thus more vagueness and abstraction are created. With commonality, SFAC No. 1 either uses abstract logic or logicless extended commonality. The commonalities adopted by the SFAC No. 1 require more abstraction. For example, an abstract excuse is used to argue for a single common interest between the group of owners and the group of lenders based on a very broad phenomenon that both these groups invest cash in a commercial enterprise to suggest that information ought to be provided to help predict future cash flows and the attainment of the goal of cash wealth maximization. A commonality of common interest in amount, timing and uncertainty of cash flows is further extended to all other groups of users without giving an answer to the implicit "Why" question. The commonality is imposed without any supporting logic. Vagueness and abstractionism are definitely not avoided but heavily relied on.

IASB's CF

In IASB's CF, users are classified into seven groups. Investors are located at the top of the list and the public are located at the bottom of the list[10]. Although the list in IASB's CF is shorter than that in SFAC No. 1, they are identical in that both start with investors and end with public. In addition, this ranking is not an ad hoc one, especially in the case of investors or, according to IASB's preferred terminology, providers of risk capital. It is assumed in par. 9/P. 35 that the information provided to shareholders should allow them to take the buy-hold-sell decisions and assess an entity's ability to pay dividends. Since buy-hold-sell decisions and assessment of dividend payment ability are required to be solely based on information about an entity's ability to generate cash and cash equivalents, their timing and uncertainty, then cash wealth maximization is implicitly assumed to be all that is sought by shareholders.

IASB's CF does not bother itself with various groupings and dichotomies. It swiftly dichotomizes all users according to the notion of risk capital. The "risk capital" is the fundamental or, perhaps, the only excuse used by IASB's CF to promote the primacy of shareholders' (investors') information need. It is stated in par. 10 that "While all of the information needs of these users cannot be met by financial statements, there are needs which are *common*-emphasis added- to all users. As investors are providers of risk capital to the entity, the provision of financial statements that meets their needs also meets most of the needs of other users that financial statements can satisfy" (IASB, 2006, P. 35). Therefore, IASB's FC does not encourage the provision of information in the financial statements beyond that is relevant to providers of risk capital. What is relevant to the providers of risk capital is also assumed to cover most of the information needs by all other users. It is a bizarre assumption. It is definitely true that, at least for legitimacy purpose, society at large is more interested in information beyond that related specifically to economic decisions of the types buy-hold-sell of shares.

Par. 10 is perhaps the most important in the whole IASB's CF. After specifying and delineating in a clear way the objectives of each of the seven user groups in par. 9, IASB's CF uses in par. 10 "the providers of risk capital" to evade even suggesting general and broad guidelines on how to construct financial statements that provide information useful to each group mentioned in par. 9. Two consequences follow from IASB's CF position. First, IASB's CF does not move gradually from a broad list of users to a short one. As is shown in the quotation from par. 10, IASB's CF moves swiftly from a broad list to a single-group list, that

[9] When managers are added to the groups that have common interest in favorable cash flows "generally" is replaced with "significantly". It is difficult to infer that the addition of the group of managers could lead to a shift from "generally" to "significantly". We think that this is resulted from an uncalculated use of words.

[10] The list includes "*investors*-emphasis added-, employees, lenders, suppliers and other trade creditors, customers, governments and their agencies, and *public*-emphasis added" (IASB, 2006, P. 35).

is, owners. “Common needs” hypothesis is used as justification to restrict the provision of financial information within that useful only to the providers of risk capital. Second, IASB's CF uses “risk capital” notion as an excuse for justifying its position on favoring the provision of information needs of owners. The providers of “risk capital” are assumed to be on the top of all altruists or perhaps the only altruists in the universe.

It is impossible to deny the existence of other “common information needs” required for satisfying other common interests. The information required by employees (item b in paragraph 9 of IASB's CF) can also be considered as a response to “common interest” among all other groups. The single “common interest” hypothesis is only used by IASB's CF as a scapegoat to promote favoring one specific group of users, that is, shareholders.

In addition, the two excuses or justifications used by IASB's CF, i.e. risk capital and a single "common interest" leading to a single information need, are also intended to create a perception related to the attribution of income (i.e. to whom it solely belongs). This will deny any fundamental participation by productivity **-**employees' group**-** in the creation of income (Kelly, 2001). Accounting is used by IASB's CF as an instrument to construct the required perception and consciousness that income is created by the risk capital. IASB's CF uses both “providers of risk capital” and the single “common information need” to create perception and consciousness in the minds of all interested parties in accounting information about the primacy of the providers of risk capital and their sole right in income. Thus, a myth (i.e. only the information need of providers of risk capital represents an adequate or even an ideal response to common interests by all other user groups) is used to perpetuate what actually has been practiced through traditional financial accounting. Through history, practiced financial accounting is about the provision of financial information to the owners. The well-known Sombart-Yamey's debate in the accounting literature on the relationship between accounting and capitalism is a case in point. Neither Sombart nor Yamey disagree on the dominating and pervasive position of the businessmen (owners) and their undisputed right to specific type of information. They simply disagree on whether accounting was unique and significant in its connection to capitalism (Sombart, 1915; Yamey, 1949 and 1964; and Wnijum, 1971).

IASB-FASB's Joint CF

In OB2 and OB3, related specifically to the single objective of financial reporting, IASB-FASB's CF constructs the following five generalizations (FASB, 2010, 2): First, the objective of financial reporting is stated to be the provision of information targeting specifically economic decision makers; or primary users. Second, all primary users (existing and potential investors, bondholders, lenders and other creditors) of accounting information are assumed to have only economic interests in a commercial entity. Third, primary users are classified according to their existence in the capital structure. Thus, there are two groups. The group that has an existence in the capital structure. This group consists of shareholders and bondholders. The other group that does not have an existence in the capital structure. This group consists of lenders and other creditors. Fourth, all economic decisions by all the primary users are based on the formulation of expectations about future returns or net cash inflows. Fifth, formulation of expectations about net cash inflows is based on assessment of information related to the amount, timing and uncertainty of cash.

Two important consequences follow from the above generalizations: dichotomization and commonality. The dichotomization is usually based on unexplained extension of the intentionally chosen commonality of the cash wealth maximization. Initially, users are dichotomized into primary users (economic decision makers) and other; i.e. non-primary users. The primary users are, then, dichotomized into participants in the capital structure and non-participants in the capital structure. The participants in capital structure are then dichotomized into shareholders and bondholders. An unexplained extension of commonality of the goal of cash wealth maximization is imposed three times. In the first part of OB3, the commonality of the goal of cash wealth maximization is imposed on the investors group[11]. Unlike the Trueblood Committee's Report, IASB-FASB's Joint CF does not give any justification for homogenizing the shareholders and bondholders. For the reasons mentioned in sub-section 3.1.3, shareholders and bondholders cannot be homogenized. Without offering any justification, the commonality of an interest in the goal of cash wealth maximization is extended for the second time to other primary users; i.e. lenders and other creditors.

An extension of the commonality of cash wealth maximization is imposed on all users. Thus, although the common information need is assumed to be primarily shared by the primary users and not by all users of financial reporting information, in BC1.15/c, an unexplained commonality of the goal cash wealth maximization is extended to other “users both in jurisdictions with a corporate governance model defined in the context of shareholders and those with a corporate governance model defined in the context of all types of stakeholders” (FASB, 2010, 9). It is difficult to understand how the information that is useful to participants in capital market could be equally useful to employees, governments and public at large. IASB-FASB's Joint CF could adopt data expansion approach to satisfy as many groups of users as possible.

[11] See our discussion in sub-section 2.4 on the formulation of the goal of cash wealth maximization through OB3 and OB16.

This is necessary since IASB-FASB's Joint CF ought to address the issue of the provision of accounting information of different users worldwide rather than the provision of accounting information to satisfy the information needs of participants in capital markets. Although, IASB-FASB's Joint CF in OB8 explicitly uses the term “common information needs”(plural), the real target in OB3 is “common information need” (singular). What is sought in OB3 is a single type of information related specifically to "returns" that is supposed to be useful for arriving at expectations about the amount, timing and uncertainty future net cash inflows to the entity or future returns. Thus, any possibility to go beyond an interest in cash wealth which requires more than a single common information need is implicitly dismissed. The “common information need” is based on common interest in cash wealth maximization.

Management Accountability

Trueblood Committee's Report

The Trueblood Committee's Report favors the use of only the information relevant to the creation of perception about earning power for judging management performance. This is done through the requirement to provide past information useful for the assessment of past earning power as well as useful for the assessment of future earning power “since the principal goal of a commercial enterprise is to maximize cash returns to owners, its management is accountable for *progress* –emphasis added- toward this goal. Information useful for estimating earning power becomes equally useful for assessing accountability” (AICPA, 1973, 25). The backward looking information on earning power is secured through the reporting of periodic measures of progress toward the commercial enterprise's forward looking goal of maximizing cash returns. Management accountability is based on the degree of the progress in the attainment of the goal of cash wealth maximization. Thus, it is assumed that management accountability can only be established if backward looking information can be of help to provide forward looking information indicating the progress achieved in the goal of cash wealth maximization.

The position of the Trueblood Committee's Report should be looked upon in a proper perspective as far as the time dimension of accountability is concerned. On the one hand, it is imposed on management accountability to require backward looking information necessarily capable of creating forward looking information. On the other hand, there is a need to choose something capable of connecting backward looking information with forward looking information. In order to fit the long-term perspective of the goal of cash wealth maximization, the Trueblood Committee's Report has no choice but to resort to the concept of earning power as the right bridge connecting the backward looking information and the forward looking information with an obvious bias towards the latter.

The management of a commercial enterprise is supposed to be a management of an entity in its own right. This means an entity enjoys independent existence from its owners. The law stipulates this independent existence. The whole field of financial accounting is supposed to be based on this independence criterion. The Trueblood Committee's Report wants judgment on management to be based on cash wealth maximization which violates the principle of an entity in its own right. If we are dealing with an entity in its own right, then it is impossible to ensure proper accountability from only the perspective of owners' eyes. Accordingly, the goal of cash wealth maximization alone cannot be used for accountability purpose. It seems that all principles can be consciously or unconsciously violated for the sake of pleasing the owners. In plain language, the Trueblood Committee's Report assumes implicitly that the owners are the entity. These owners have one question in their minds related to a single matter requiring a continuous answer; is cash wealth maximized? What is imposed on accounting in general and financial reporting in particular is the provision of information of a backward looking perspective with a built-in capability of generating forward looking information specifically related to the goal of cash wealth maximization. Since this built-in capability is not identified even with minimum number of guidelines, then the conversion of backward looking information into forward looking information assumes the existence of metaphysical capacity by those conducting the conversion. Thus, what we have is an ad hoc assumption that the goal of cash wealth maximization creates for management accountability purpose the simultaneous existence through a mere suggestion that information of a backward nature must lead to the generation of information of a forward looking nature. What is abundantly clear is that all these justifications and excuses are simply cosmetic logic to secure the perpetuation of an ancient financial reporting tradition for the perpetuation of certain vested interests.

SFAC No. 1

SFAC No. 1 does not hide its bias regarding to whom management is accountable. SFAC No. 1 repeats twice in an emphatic approach its position on to whom management is accountable and the type of goal for which management is held accountable. In par. 12, it is stated that “Management is accountable to *owners-investors*- emphasis added- directly or through an elected board of directors, for planning and controlling enterprise operations *in their interest* -emphasis added- ...” (FASB, 2008, 6). Thus, management is only accountable to owners and this accountability is only restricted to particular interest of owners. In par. 50, it is stated that “Financial reporting should provide information about how management has discharged its stewardship responsibility to *owners* -emphasis added- not only for both the custody and safekeeping of enterprise resources but also for the efficient and profitable use of and for protecting *them* **-**emphasis added- to the extent possible from unfavorable economic impacts...” (P. 14). In par. 51, management, among other interested groups, is assumed to be preoccupied with the “central question ... of how an enterprise and its owners are faring” (PP. 14-15). All these quotations emphasize the fundamental requirement that a commercial entity is created and operated to please the owners group, and accounting information, as far as management accountability is concerned, must disclose whether management was successful in pleasing the owners group or not.

As to the time dimension, SFAC No.1 wants accountability to be both a backward and forward looking concept. It is obvious from par. 50 that the accountability of management is based on historical information. On the other hand, SFAC No. 1 in par. 51 shows its bias towards the forward looking perspective to management accountability since it suggests that information related to earnings and its components should be useful for estimating “earning power” by owners and others. Thus, the same information used for estimating “earning power” conducive to cash wealth maximization is also used for assessing management and used as a bridge connecting the forward and backward looking perspectives (P. 15). It is never explained how the conversion of backward looking information into forward looking information can be practically achieved.

IASB's CF

In par. 14, IASB's CF requires connect ability between the backward looking information and the forward looking information (IASB, 2006, P. 36). This requirement is not accompanied by any type of guidelines on how such connect ability can be achieved. In this paragraph, IASB's CF suggests that financial statements reflect the results of management's performance for the resources entrusted to it. This is clearly a historical or backward looking perspective. In the same paragraph, IASB's CF wants decisions related to management accountability to be an element in economic decisions. On the other hand, decisions to hold or sell investments and replacements or reappointment are included under one category entitled economic decisions since “… these decisions may include, for example, whether to hold or sell their investments or whether to reappoint or replace management”. It is emphasized time and again by IASB' CF in paragraphs 15-18 that the sole purpose of income statement, financial position statement and statement of changes in financial position is to provide information useful for judging on an entity's ability in generating cash or cash equivalents and the timing and uncertainty of this generation. Thus, forward looking information is targeted. Therefore, IASB's CF seeks the provision of information useful for assessing the performance of management based on backward looking information with connect ability to forward looking information. This connect ability is based the amount, timing and uncertainty of cash or cash equivalents. Thus, the goal of cash wealth maximization is involved in this connect ability and accordingly assumed to be useful for accountability purpose.

IASB-FASB's Joint CF

There are two distinctive aspects related to management accountability in IASB-FASB's Joint CF. In the OBs part of IASB-FASB's Joint CF[12], management's performance[13] is only once dealt with in OB16 (FASB, 2010, 4). This performance is judged on through one element; that is returns. This single element is assumed to be capable of indicating “how management has discharged its responsibilities to make efficient and effective use of the reporting entity's resources”. However; it seems that information on how management discharged its responsibilities is only looked upon within the context of being useful in predicting an entity's future returns on economic resources. Predicted future returns are assumed to be only useful according to OB3 if they are helpful in the assessment of an entity's ability to generate future cash inflows (FASB, 2010, 10). Therefore, it is the prospect of an entity's ability to generate cash inflows that represents the most fundamental piece of information on which management's performance is evaluated. In addition, there are five BCs (BC1.24-BC1.28) in IASB-FASB's Joint CF that deal with issues related to assessing management's discharge of its responsibilities (FASB, 2010, 11-12). BC1.24 emphasizes that providing information useful for

[12] Chapter 1 in SFAC No. 8 (IASB-FASB's Joint CF) consists of two parts. The first part (or the OBs part) is devoted to the objective of general purpose financial reporting (OB2/P. 1) and discussions on various consequences of the objective formulated including the nature of information to be provided, the economic decisions targeted, the users targeted, the financial statements and their roles in providing the required information. This part consists of 21 OBs. The second part (or the BCs part) is devoted to the basis for conclusions representing attempts to reflect excuses, justifications and explanations of various positions taken in the OBs part. Thus, the BCs part enhances the OBs part. The BCs part consists of 34 BCs.

[13] In BC1.28, the FASB gives its justification for using the term “management” instead of the term “stewardship” on the ground that there would be difficulties in translating it into other languages (FASB, 2010, 12).

decision making purpose is the fundamental objective of financial reporting. It is also stated in BC1.24 that the information useful for decision making purpose is also useful for assessing how management has discharged its responsibilities. The remaining BCs (BC1.25-BC1.28) represent the FASB's justifications for not favoring the use of different information from that useful for resource allocation[14]. Management accountability is, then, based on cash wealth maximization.

Therefore, IASB-FASB's Joint CF looks at management accountability through both backward and forward perspectives. Past returns (backward looking perspective) are used to form perceptions about future returns which indicate the direction of earning power (forward looking perspective). Yet, we are not given in any way how backward looking information is to be converted into forward looking information. The means of achieving this conversion is totally overlooked. The end, cash wealth maximization, which looks to emerge from nowhere, is imposed for the purpose of judging on management performance. Management performance cannot be judged but according to the goal of cash wealth maximization. Judging management efforts on any basis other than cash wealth maximization would definitely create a dilemma to the only prime goal of cash wealth maximization. The single goal of cash wealth maximization creates the nature of the theme of management accountability.

Social goals

The Trueblood Committee's Report

The Trueblood Committee's Report recalls the U.S. cultural background to promote the logic helpful in giving supremacy to the importance of focusing on information for making economic decisions. The Trueblood Committee's Report states that "This report … focuses on information to be used in predicting the monetary goal attainment of enterprises. This emphasis was adopted not because social goals are less important than economic goals, but rather *because our social and economic system* -emphasis added- assumes that the pursuit of private goals generally tends to fulfill the social ones" (AICPA, 1973, 53). It can be inferred, according to Trueblood Committee's Report, that the U.S. culture favors the trickle-down perspective to tackle social issues through cash wealth maximization-based sustainability. The cash wealth maximization is assumed to be in the interest of everybody since when the wealthy individuals become wealthier the trickle-down operates through various mechanisms (taxes, donations, more expenditure, etc.) for transferring money from the wealthy to finance various social programs. Therefore, it is assumed that more cash wealth maximization results in more and improved social programs.

Accounting is required by the Trueblood Committee's Report to be part of the U.S. cultural environment. Thus, a type of owners' supremacy must be imposed on financial reporting in order to focus on the information need of a commercial enterprise's owners. Since cash wealth maximization is assumed to actively contribute to the achievement of social goal, there is no need for information beyond that is required for cash wealth maximization.

It is very important to note that the Trueblood Committee's Report does not bother itself to tackle the issue related to the provision of any type of information useful for the attainment of the social goals. Even the "common interest" hypothesis and the related "common information need" are not used to justify the usefulness of information for the attainment of the goal of cash wealth maximization. Social goals are assumed to be achieved without the provision of any specific or common information. Their attainment is tied to the degree of attainment of the goal of cash wealth maximization. There is of course an ideological bias in this implicit assumption, that is, it is promoted to be in the interest of everybody to adhere to the fundamental goal of capitalism, which is cash wealth maximization, since the attainment of this goal secures the attainment of all other goals. The capitalistic sprit should be very clear.

SFAC No. 1

Although SFAC No. 1 provides and classifies (in par. 24, P. 8) a wide-ranging list of 28 interested groups in information provided by financial reporting. These groups of users are reclassified into two groups; those with direct economic interest and those with indirect economic interest. Moreover, it is assumed at the beginning of par. 24 that "Many people base economic decisions on their relationships to and knowledge about business enterprise..." Even when the specialized needs of certain groups are mentioned (in par. 26, P. 9), these needs are restricted to only those groups with an economic interest. Thus, one can infer that either the activities of all business entities lack the social dimension or, alternatively, the social dimension does not exist in the U.S. i.e., people in the U.S. do not have social goals. The position of SFAC No. 1 on social goals is not fundamentally different in essence from that of the Trueblood Committee's Report. The Trueblood Committee's Report assumes that achieving economic

[14] Resource allocation decisions are traditionally assumed to be based on maximization. To allocate resources (fundamentally meant cash resources), the allocators (shareholders) are assumed to need information that help them decide whether allocating cash to this or that share based on which of the available shares secures the maximization criterion.

goals, particularly the goal of cash wealth maximization, would automatically result in achieving social goals. SFAC No.1 gives the impression that the whole world is built on economic goals. As a matter of fact, SFAC No. 1 devotes 8 out of 53 paragraphs constituting the whole SFAC No. 1 (paragraphs 9-16) to explain in details only the economic environment of financial reporting in the U.S. Even when SFAC No. 1 mentions social environment in par. 9, it considers this social environment as though is a part of the economic environment not as an important constituent in its own right, and complementary to the wider U.S. environment. The conclusion to be drawn from these 8 paragraphs is that the U.S. environment is only an economic one.

Actually, the objectives formulated in SFAC No. 1 and the explanations accompanying them clearly reflect the real implicit goal behind them. First, the common interest of all parties is restricted in a commercial enterprise's ability in achieving favorable cash flows. Second, the types of decision to be served by the accounting information provided through financial reporting are specifically restricted to be investment, credit and similar decisions. Third, these economic decisions have one single characteristic, that is, of being rational. Rationality in economics literature means maximization. Thus, all commercial enterprises are assumed to seek one goal, that is, maximization of cash wealth. Rationality (i.e., maximization) is assumed to dominate the thinking of economic decision makers; human beings as well as commercial enterprises. Fourth, the accounting information provided through financial reporting is required to help economic decision makers formulate perceptions about the amounts, timing and uncertainty of cash inflows of a commercial enterprise. Fifth, management is only accountable to owners for the extent to which management is caring enough about only the interests of owners. Sixth, the whole society (owners, managers, potential investors, public and government) is always required to have an answer to the following recurring question: How an enterprise and its owners are faring? Is there really anything left for accounting information provided through financial reporting as far as social goals are concerned? There is one, and only one, goal required to be served by the accounting information based on the seven objectives in SFAC No.1; this is the goal of cash wealth maximization. There is no need for SFAC No. 1 to explicitly refer to this goal. Words speak for themselves.

Again, no information is sought for social goals. However, social goals are implicitly recognized by SFAC No. 1 in its list of parties interested in information on a commercial enterprise. Parties like the legislators, labor unions, researchers and the public at large are interested in social goals. Then, the implicit assumption is that the attainment of social goals is directly related to the attainment of the goal of cash wealth maximization.

IASB's CF

IASB's CF starts in par. 9 with a universal postulate that users have different needs for information (IASB, 2006, 34-35). In the same paragraph, a list of seven interested groups in financial information is provided. One would expect that the list of users and the universal postulate are followed by an adequate discussion on economic and other goals including social goals. Instead, only economic goals are considered.

At least two of the seven groups -government and their agencies and the public- must be preoccupied with social goals in addition to economic goals. Social goals are alluded to in a vague manner within the discussion related to the public group when it is stated in par. 9/(g) that "Financial statements *may* -emphasis added- assist the public by providing information about the trends and recent developments in the propensity of the entity and the range of its activities" (IASB, 2006, 35). It is only the economic goals that represent the sole focus of the information required to be provided in the financial statements.

Despite the fact that IASB's CF admits that various interested users have different needs for information, these needs are assumed to be satisfied through the same information provided to the shareholders. Then, it is implicitly assumed by IASB's CF that even if different needs for information required to cover other non-economic goals including social goals, the achievement of these goals require no information beyond those useful for the evaluation of the amount, timing and certainty related to the generation of cash and cash equivalent. Then, the implicit assumption is that the attainment of the goal of cash wealth maximization secures the attainment of social goals.

The IASB-FASB's Joint CF

IASB-FASB's Joint CF never considers the role of accounting information in achieving social goals. IASB-FASB's Joint CF does not mention anything related to a commercial enterprise's social responsibility. There is even a lack of a list of interested groups in financial information similar to those provided by IASB's CF and SFAC No1. There is a reference to a society in general in BC1.15c through "all types of stakeholders" (FASB, 2010, 9). However, BC1.15 through its three sub-paragraphs clarifies the focus of IASB-FASB's Joint CF. In sub-par. a, existing and potential investors, lenders and other creditors are assumed to be the only parties in any country in the world[15] to have "the most critical and immediate need for the

[15] The IASB-FASB's Joint CF is required to be adopted globally. The FASB now joins IASB in order to transcend the U.S. borders to the whole universe. Capitalistic dogma-based accounting assumed to fit the U.S. culture is now more globally promoted.

information in financial reports…" In sub-par. b, the responsibilities of both the FASB and the IASB are restricted to focus on needs of capital market participants. Thus, they bear no responsibilities to various groups outside the capital markets in any country in the world. In sub-par c, it is assumed that the information needs of "all types of stakeholders" are likely met through the information that meets the needs of the specified primary users. Is there really anything left for social goals? It is quite reasonable to conclude that the implicit assumption is that the attainment of goal of cash wealth maximization would by itself secure the attainment of all social goals.

Conclusions: Homogenization of the heterogeneous

Three implicit generalizations, restricted to the U.S. environmental culture, emerge out of a careful analysis and evaluation of the Trueblood Committee's Report and SFAC No. 1. First, cash is always invested for the purpose of generating as maximum cash as possible. Second, human beings and commercial entities seek unlimited cash wealth maximization. Third, commercial enterprises' thinking, as far as cash wealth maximization is concerned, is identical to (a replication of) owners' thinking.

These three generalizations are intimately related to the assumption that owners alone own a commercial enterprise. Out of the spectrum of the [who owns] a commercial enterprise with its well-known two extremes, ownership by providers of risk cash capital and ownership by society, the goal of cash wealth maximization would impose, as a natural consequence of its adoption, the extreme that providers of risk cash capital are the sole owners of a commercial enterprise. This leads to a total domination by the goal of cash wealth maximization. Accordingly, all other issues such as the interests of all other non-owners interested groups, accountability of management and the social goals are suppressed and treated as though they are totally dependent followers of goal of cash wealth maximization. This definitely results in specific types of the objectives of financial reporting (statements) and consequently the specific types of information to be provided. The objectives and the information are molded to fit the goal of cash wealth maximization.

All the FDs admit implicitly or explicitly that there are other important issues such as the goals (interests) of all other non-owners interested groups, the accountability of management and the social goals. They also admit that these other issues have information needs. However, the approach to their information needs is that the information provided to achieve the goal of cash wealth maximization is enough to address the information needs of all other issues. Or, the achievement of the goal of cash wealth maximization per se is enough to achieve all other goals.

IASB's CF and IASB-FASB's Joint CF reflect the above three generalizations but without being bounded by any cultural differences among countries. Then, these two documents also embrace the cultural dimensions of the U.S.

Although the FDs are constructed through different phrases, the end result is identical. All the FDs give considerable attention, implicitly or explicitly, to the goal of cash wealth maximization and the structuring of accounting information based on biased financial reporting objectives closely related to cash wealth maximization. For all these documents, the entity is simply considered as instrument created only by owners to achieve the goal of cash wealth maximization.

Cash wealth maximization is fundamentally the most important feature in the FDs analyzed. It enjoys the undisputed constellation for being the panacea. First, the FDs consider the goal of cash wealth maximization to be a "MUST". For both the Trueblood Committee's Report and SFAC No. 1, the "MUST" is an explicit conclusion resulted from their explicit description of U.S. culture. IASB's CF and IASB-FASB's Joint CF indicate, albeit implicitly, that cash wealth maximization is a "MUST". The reason for the implicit "MUST" in case of IASB's CF and IASB-FASB's Joint CF is the lack of an explicit discussion on a cultural background. There is of course a cultural background for both the IASB's CF and IASB-FASB's Joint CF. Their cultural background resembles more or less the U.S. culture. This is because both IASB's CF and IASB-FASB's Joint CF advocate the provision of financial information based on a shareholder's perspective. However, the difference between the first two documents (Trueblood Committee's Report and SFAC No. 1) and the other two documents (IASB's CF and IASB-FASB's Joint CF) is that the Trueblood Committee's Report and SFAC No. 1 explicitly connect the goal of cash wealth maximization to the U.S. culture. Such a connection is an embarrassing one at the international level. Thus, cultural background of both the IASB's CF and IASB-FASB's Joint CF is an implicit one. Second, although each document expresses the goal of cash wealth maximization using different phrases or words, the essence of cash wealth maximization is crystal clear. The Trueblood Committee's Report uses the term "earning power" which is defined as the ability to generate more cash though the conversion of earnings into cash (AICPA, 1973, 23). SFAC No. 1 argues about an entity's "ability to generate favorable cash inflows" (FASB, 2008, 9-10). IASB's CF uses "the ability of an entity to generate cash and cash equivalents" and "the capacity of the entity to generate cash flows from its existing resource base" (IASB, 2006, 36-37). IASB-FASB's Joint CF prefers to argue about " future net cash inflows to an entity", "future cash flows from the reporting entity", "ability to generate cash flows" and "future cash flows" (FASB, 2010, 2-4). Third, all the FDs advocate the position that cash wealth maximization has the capability of solving all problems. In other words, information provided that satisfies the needs for judging on an entity's ability to achieve cash wealth maximization is assumed to be the right information for taking economic decisions by all users of accounting information and for judging on management's performance. Fourth, social goals are assumed to require no information need. The mere achievement of the goal of cash wealth maximization is considered enough for the achievement of social goals.

The fundamental flaw in the universal usefulness of cash wealth maximization is the assumption of commonality for both the information need to achieve the goal of cash wealth maximization and the goal of cash wealth maximization per se. In the case of the goals of all non-owners groups and management accountability, the commonality used is based on information needs. It is assumed that the information needs for the achievement of the goals of all non-owners groups and for accountability purpose are not different from the information need of owners. In the case of social goals, the commonality used is based on the goal of cash wealth maximization itself. It is assumed that all parties interested in social goals would find that the goal of cash wealth maximization is enough to achieve all social goals.

It is taken for granted by the FDs that the owners' goal truly represents the most important common goal shared by all other interested parties. Empirical evidence about which universal common goal truly dominates at a country level is lacking. Countries have different cultures even if they are grouped according to one characteristic such as “advanced capitalism” (Puxty et al, 1987). These different cultures lead to different modes of regulations which result in different roles and objectives for accounting. Any attempt to impose one specific common goal would be fundamentally an attempt to homogenize what is actually heterogeneous. Employees' satisfaction and society's well-offness also represent common goal shared by all users. The question then, which is the most important “common interest” to decide on common information need? Is it owners' cash wealth maximization, employees' satisfaction or society's well-offness? The FDs examined in this paper, implicitly or explicitly, consider cash maximization as the single most important common interest among all users. Justifications or excuses are then formulated to support almost logic less capabilities of the goal of cash wealth maximization as a panacea including satisfying the information needs for achieving the goals (interests) of all other interested non-owners groups, management (stewardship) accountability purpose and social goals. The FDs, after conducting dichotomization and assuming commonalities, end up with model for the formulation of the objective(s) of financial reporting that consists of a single-group list of users (i.e. owners), a single everlasting goal (i.e. cash wealth maximization) and a single information need centered around the amount, timing and uncertainty of cash to be generated assumed to be imperative for the formation of expectations/perceptions about future cash inflows leading to the achievement of the goal of cash wealth maximization, and all other goals can be achieved either through the same information provided for the achievement of the goal of cash wealth maximization or through the achievement of the goal of cash wealth maximization itself.

It is very important to point out that this model has been developed and advocated by professional bodies dominated by professional accountants. Then the question is whether the real target of this model is the interest of the owners group, the interest of professional accountants through the perpetuation of the traditional financial accounting system developed by professional accountants themselves through history, or the interests of both the owners group and those responsible for the running of financial accounting including financial reporting?. This is an interesting research area worthy of critical investigation.

The whole universe is now required to advocate this model that will be disseminated through the IASB-FASB's Joint CF. Accounting standardization is clearly intended to replace accounting harmonization (the single method approach vis-a-vis the reasonably constrained flexibility approach). This necessitates the following an inevitable: is accounting neutral or deliberately oriented for sustaining and enhancing the already achieved hegemony over the world through economic, political, military and media means? This is also an interesting research area worthy of critical investigation.

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