

The issues plaguing the accounting profession

[Finance](#)



What are some of the issues plaguing the profession? What conflicts-of-interest are identified? Many issues plague the accounting profession as would be outlined in the article "Getting the Accounting 'Right': Accounting and the Savings and Loan Crisis" as Ms. Joni M. Young would state. Some of those problems include fraud, abuse, incompetence, and laxity and those have been discussed many times over the years. The focus of this paper would have been to find methods to prevent such problems in place of explaining them or focusing on the criminal aspects. Understanding the problems that plague the profession and expressing the number and seriousness of the conflicts of interest is important to manage.

"The savings and loan industry is highly regulated." (Young, Joni; Getting the Accounting Right page 55) Miss Young goes on to say that the political process that guides the savings and loan industry focuses on state operation of bank facilities. These regulations specify a variety of things including assets and liabilities. Those assets and liabilities include mortgages, acquisitions, and so forth for asset purposes and personal accounts for liabilities. Accounting numbers in this instance play a significant role in regulation of financial entities like Savings and Loan organizations in the fact that the numbers are actually considered "facts" in these particular settings.

The ways in which these numbers consist of facts would include: the regulation of specific entities and justification of national financial policies as directed by government entities. In regulation of specific entities, the system focuses on whether or not operations would consist of normal operating

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procedure in accordance to the regulator. Also there are questions that must be answered in regard to the establishment answering whether the entity meets financial criteria established, is there more direct intervention necessary required for operations and so forth. Accounting permits the regulators the capacity to operate facilities to operate from a distance. This constitutes a problem that could plague the industry because numbers and accounting may only tell part of the story in this regard. In the second instance, nothing is closely examined in regard to national financial policies and their justification. Only the accounting numbers are looked at seriously, not their origins nor their construction. This is a failing for one reason, " numbers are taken for granted and assumed to represent some truth or underlying reality that is the focus of the policy process." (Young, Joni; Getting the Accounting Right; page 56)

The single largest series of problems plaguing the profession and the conflicts of interest that would exist would have no doubt but to be within the regulatory agencies themselves. The various " actors" in the accounting profession and regulating the savings and loans and other financial entities include: The Federal Home Loan Bank Board (FHLBB) and The Financial Accounting Standards Board (FASB). These actors, as the scandal over savings and loans grew, regardless that they had their federal authority to establish regulatory accounting practice, went many steps too far, creating a serious conflict of interest that plagued the industry. The regulatory accounting practices were originally meant to keep the two regulatory bodies in line with what had been mandated through legislative means. Generally Accepted Accounting Principles would have been established by the FASB.

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The problem emerged in conflict of interest by these actors attempting to construct a "right" method for accounting that was singularly their own and was based on their view of the "right" method of accounting as the crisis with savings and loans escalated.