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Accounting and philosophy: The construction of social reality framework

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Accounting scandals and their severe consequences shed light on the ambiguity of accounting. This paper attempts to explore the philosophical roots of accounting in an attempt to remove, or at least mitigate, this ambiguity. The study employs Searle's framework of the construction of social reality as an approach to achieve this aim. It is argued that the main problem of accounting is its failure to faithfully represent economic reality. The evaluation of recent developments in accounting suggests that although these attempts are a step towards reaching a better representation of economic reality, they are insufficient. A great deal of accounting ambiguity still exists, thus, future accounting scandals are likely. It is therefore suggested that a deeper understanding of the philosophical aspects of accounting should be taken into consideration by accounting standard setters.

Keywords: Accounting ambiguity, Searle's construction of social reality, representational faithfulness, accounting standard setters.

INTRODUCTION

The link between accounting and philosophy is arguably considered as an ambiguous one. Scholars sometimes hesitate to use the term "philosophy" in the context of accounting, due to the limited number of studies that address this link (Buys, 2008). Even in the past, there have been arguments against the idea of linking accounting to a philosophical approach (Husband, 1954). The term "philosophy" can be defined as "the questioning of basic fundamental concepts and the need to embrace a meaningful understanding of a particular field" (Burke, 2007). This could arguably mean that accounting, as a field of knowledge, can be underpinned by a philosophical approach. In this regard, Cluskey et al. (2007) investigate whether accounting is underpinned by an overarching theory. They report that although scholars know that an accounting theory exists, they rarely illustrate or even define it. In contrast, McKernan (2007) argues that accounting has no philosophical presupposition and that the difference between the objective accounts and the distorted accounts lies mainly in the accounting practice. However, practice shows that the ambiguity of accounting might be considered a major factor leading to accounting scandals. In this sense, Bayou et al. (2011) argue that all accounting scandals are linked directly or indirectly to

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untruthful and misleading accounting. Similarly, Macintosh (2006; 2009) argues that accounting and financial reporting are always inaccurate as well as providing imprecise information. Further, he criticises accountants who pretend to expressing the truth when in reality it is not possible. This is based on his view of accounting language, which he sees as a tool used in building the “truth” rather than being a transparent tool. Furthermore, Williams (2014) argues that accounting numbers are not precise because they are operational, numbers, thus, can lead to accounting crises.

These scandals have had severe social consequences, including the loss of investments and jobs. This has often led to public outrage that usually questions the role of accounting in society and whether it can faithfully represent economic reality. In this regard, Magnan and Markarian (2011) found that accounting suffers from weaknesses in its structural foundation as well as in its application, most importantly it fails to measure the impact of risk- taking alternatives on the financial statements, hence its potential weakness in expressing economic performance. Accordingly, the setters of accounting standards have come increasingly under the spotlight.

The Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) are considered the creators of accounting standards. Macintosh (2006) describes them as creators of a certain social reality. In response to scandals and the continued criticism of accounting, both bodies have attempted since 2001 to improve the ability of accounting to faithfully represent economic reality. Many of these efforts have focused on reaching convergence in order to produce a single conceptual framework for accounting standards. Two refined chapters of this framework were published in 2010. Further, fair value accounting has been introduced, attempting to provide a better representation of economic reality.

Furthermore, the gradual move towards principle- rather than rule-based accounting standards appears to have reduced exceptions and management discretion in the financial reporting process (Lee, 2006). Despite these efforts, in the financial crisis of 2007/2008, accounting systems received much criticism for their inability to faithfully represent economic reality. This study, therefore, attempts to explore the philosophical roots of accounting by applying Searle’s social construction framework (1995). This might help in understanding the reasons behind accounting failures and thereby offer opportunities for accounting regulators to improve accounting effectiveness.

The objective of accounting: Is it effectively achieved?

Financial reports are the main product of accounting. They provide historical information to users about the financial performance of a firm over a certain period (Damant, 2006), in order to help different stakeholders in the decision-making process. These include shareholders, potential investors, lenders, state authorities, employees and all other parties who may have interests in the corporation. The IASB (2010) stresses capital providers as the main users for whom financial information is provided.

Therefore, a major role of accounting standard setters is to identify the relevant information to be disclosed and the extent of disclosure (Buys, 2008). In addition, “reliability” had been introduced as a fundamental qualitative characteristic of accounting information (IASB, 2010). This arguably encourages stakeholders to depend largely on the financial reports.

Nevertheless, continuing accounting scandals,such as those of Enron, WorldCom, Parmalat, Satyam, and the Royal Bank of Scotland (Mallin, 2013), have led to severe losses to shareholders and other stakeholders. These have brought into question the usefulness of accounting information and whether it is able to sufficiently perform its required role. Moreover, its value in decision making is questioned, and whether decision usefulness itself should be the main aim of financial reporting is also questioned (Buys, 2008).

Despite the fact that the IASB has highlighted “decision usefulness” as a major aim of financial reporting (IASB, 2010), there has been much debate around whether to report financial results as they are, or to direct the financial reporting process in favour of the decision usefulness objective. The trade-off, therefore, is between preparing financial reports in a way that reflects the true income, even if with limited usefulness or to direct the financial reporting process towards decision usefulness even if not necessarily being objective (Buys, 2008). The *true income* approach is supported by Searle’s (1995) framework that the true value exists. However, in this approach the exact meaning of “true income” is not clear, nor is how this true income can be measured (Buys, 2008).

On the other hand, the *decision usefulness* approach is supported by the desire of reducing the state of uncertainty about firms’ operations. However, there is no agreement as to what kind of data can be considered most useful (Moore, 2009). Alexander (2015) argues that IFRS standards provide one particular reality that is mainly produced to satisfy finance providers’ needs, whereas other users of accounts may not find the information they require. Accordingly, decision-usefulness orientation in accounting is arguably considered as a recognition of its inability to faithfully represent the economic reality (McKernan, 2007). In addition, the increased disclosure that firms make beyond what they are required to shows that the traditional financial statements are unable to fully report on firm performance (Christie et al., 2013).

In contrast, Baker and Schaltegger (2015), based on a pragmatic view, defend the "decision usefulness" objective as they argue that the truth value of a statement depends on how useful it is, and the more useful it is, the better it can help users engage with the world. However,Williams and Ravenscroft (2015) refute this view, arguing that given the complexity and unpredictability of the global economy, it is very difficult to identify which items of accounting data have more productive value than others, particularly because decision usefulness feature is not inherent of any accounting data.

Moreover, Bay (2018) argues that accounting outputs themselves are not provided in an interpretable way to intended users. This arguably suggests that there is ambiguity associated with the role of accounting as well as with the way in which it can be effective.

Accounting and philosophical frameworks

The literature shows a number of attempts to link accounting to philosophical frameworks. According to Searle (1995), a real world exists "out there", and statements are considered "true" based on how things are in the real world. However, it is argued that the real world does not identify which sentences are deemed to be true and which are not (Akmal et al., 2012; Rorty, 1989).

In addition, Akmal et al. (2012) argue that truth is created by humans using language, which in turn is created by humans; thus, truth cannot exist separately from the human mind. Therefore, social reality is created through interaction between people, which results in social properties that turn into facts and then become part of social roles and legislations (Mattessich, 2003).

Economic reality, as part of social reality, is sometimes seen as being vague. This is due to the ambiguity related to: first, the exact meaning of the term "economic"; and second, the way economic reality can be meaningful independently of other kinds of realities (Williams, 2006). In this sense, it is arguably believed that economic reality has its roots in accounting since accounting can reflect an unbiased representation of economic reality (Maali and Jaara, 2014). However, accounting for economic reality itself is arguably ambiguous because economic reality is considered a branch of social reality that is established by humans and dependent on human observation (Lee, 2006).

Accordingly, the ontological approach to accounting, as part of economic reality, presumes that there is an economic reality "out there" and that accounting reflects it; whereas the epistemological approach assumes that the IASB and the FASB are considered as an objective way of extracting this economic reality (Akmal et al., 2012). However, Lee (2006) argues that there is subjectivity inherent in the human observation that is considered to be the means of constructing social reality. Therefore, he criticises accounting standard setters for confidently using terms like "faithful representation" and "reliability".

Similarly, Akmal et al. (2012) state that neither accounting vocabularies nor accounting standards exist "out there", waiting for accounting bodies to recognise them.

Rather, accounting standard setters make these standards using accounting language. This is arguably reflected in the continued changes to accounting language, vocabularies, and standards, which prove that what is deemed to be the truth regarding accounting is only what accounting standard setters deem to be the truth. For example, historical cost used to be the sole basis of financial reports, but this has recently been partially replaced in certain cases by fair value basis, producing different numbers. Lee (2013) argues that the current state of modern accounting remains subject to significant change. Thus, the truth in accounting changes according to changes in standard setters' thinking. This is consistent with the philosophical framework that considers that truth is determined by the real world.

Williams (2006) illustrates this thinking by an example of a fundamental equation in accounting, "net income = revenues – expenses". It can be recognised that both "revenues" and "expenses", and therefore "net income", are not "out there" according to Searle's (1995) concept of the objective natural world. Therefore, revenues, expenses and net income are human-made constructs which can only be deemed real from a social point of view and not from a natural worldview.

According to the FASB and the IASB, "net income" belongs to companies. However, the net income of a company means the net income of its owners. Given that an expense to one party is, at the same time, a revenue for another party, the equation could be reformulated as follows:

"Shareholders' income = Revenues – (Creditors' income + Suppliers' income + …. + Positive externalities – Negative externalities)".

The last two elements constitute "net benefits to commons that include the real world of nature" (Williams, 2006).

This analysis indicates that the previous equation of accounting illustrates a set of complicated economic realities, and thereby leads to a conclusion that accounting reality is a zero-sum reality and that one reality cannot be independent of other realities (Williams, 2006). This view supports Manicas (1993) who argues that many accounting objects, like income, do not exist independently; rather, their existence depends on accounting rules and standards, which are made and refined by humans. Therefore, these accounting objects are socially constructed. This is also consistent with the argument of Mattessich (2003), whose onion model of reality argues that reality has many layers, including physical, chemical, biological and social reality. He, indicates that accounting objects such as income and capital are real only on the social level because accounting itself has been invented.

On the other hand, McKernan (2007), based on the anti-representationalist philosophy approach of Davidson (1994), defends objectivity in accounting and argues that objectivity can be founded through intersubjectivity and that accounting as a social practice does not have strong links with philosophical beliefs. Moore (2009) supports this notion by arguing that true and fair accounting systems can be attained in a relative but not absolute way, due to having concepts in accounting such as emptiness, signlessness, and aimlessness. Whereas, Bayou et al. (2011), employing McCumber's (2005) temporality of truth argue that the reliability and comprehensiveness of the narrative that accounting provides about a firm's past constitutes the truthfulness in accounting.

Accordingly, the question arises, as to whether the setters of accounting standards and conceptual accounting frameworks deal with accounting from a philosophical perspective. To answer this question, it is important first to shed light on the ambiguity of accounting and to illustrate some real cases of such ambiguity.

The ambiguity of accounting in reflecting economic reality

Representational faithfulness can be defined as the correspondence between a measurement and the phenomena it represents (IASB, 2005). This means that accounting data should correspond to the events that it represents. In accounting, economic resources and obligations are the phenomena that accounting data represents, together with economic events that affect these resources and obligations (IASB, 2005).

Financial reports attempt to represent economic reality (ICAS, 1988). However, it has been argued that some methods of accounting measurement distort economic reality (Lee, 2006). For example, using historical cost as a measurement in recording assets in a firm's financial statements may distort the economic value of these assets and provide an inaccurate view of the firm's financial position.

In addition, in order to obtain a faithful representation, accounting measurements should not be affected by cultural, historical or any other values (McSweeney, 1997). However, a stream of studies has revealed that accounting systems and measurements are strongly influenced by national and cultural factors (Kuchta and Sukpen, 2011; McSweeney, 1997). For example, Hofstede's cultural factors, including uncertainty avoidance, power distance, individualism, and masculinity, were found to have an influence on accounting systems and measurements, resulting in the creation of specific trends in practice (Kuchta and Sukpen, 2011). This means that the same accounting phenomenon is expressed differently from one country to another, depending on national and cultural factors. This is supported by Albu et al. (2014), who conclude that countries are not homogenous in their accounting practices.

This arguably contradicts the core meaning of faithful representation and also shows the failure of accounting in independently reflecting economic reality. In addition, some accounting measurements include a great deal of judgment, calling into question their truthful representation of economic reality. For example, firms have to make a judgment about the expected bad debts for a certain period to create an expense (allowance for doubtful debts) that appears in the income statement (FASB, 1985).

Similarly, depreciation, which affects both the income statement and the statement of financial position, requires a judgment of the future economic benefits of the associated asset (FASB, 1985). This kind of judgment could arguably be seen as contradicting the representational faithfulness characteristic. However, it is significant that the FASB admitted that there are some exceptions to the "faithful representation" characteristic. This includes judging a phenomenon in order to indicate whether it is worth being presented on a materiality basis and whether it is too costly to be addressed on a cost-benefit analysis basis (FASB, 1980; McSweeney, 1997). Another exceptions is when faithful representation is not feasible (FASB, 1980). Examples of this are trademarks and patents that are listed among a firm's assets. It is argued that it is very difficult, even using advanced models, to estimate the exact economic benefits that such assets will bring in future. Therefore, these could be considered as areas where the FASB retreats from their position in assuring the faithfulness of accounting in representing economic reality. In this regard, McSweeney (1997) reports that judgment-free accounting is not possible, whereas Hines (1991) calls for rejecting the assumption of representational faithfulness. She argues that this rejection could liberate society from such inaccurate vocabularies. This is supported by Manicas (1993), who argues that this rejection could lead to eliminating false consciousness. Only truth makes people feel they are being guided by reality itself (Frankfurt, 2006).

On the other hand, others argue in favour of representational faithfulness. For example, Fish (1994) and Collins (1992) argue that rejecting it would lead to more ambiguity as well as to a loss in focus. This contradiction in thinking regarding the suitability of the representational faithfulness assumption of accounting increases confusion and ambiguity. This conclusion is supported by Macintosh (2006), who reports that there is a representation crisis in accounting.

Based on the above discussion, it can be concluded that without the representational faithfulness of the phenomenon being represented accounting information might be inaccurate and unreliable and thus misleading in decision- making process. This in turn might have severe consequences. These are discussed in the following section by drawing on real-world cases.

Accounting ambiguity: Real-world cases

Recent decades have witnessed a number of accounting scandals, including those involving giant corporations like Enron and WorldCom. In both cases, their reputable auditors confirmed in the last audit report before the failure that the companies' financial reports, which showed net profits, fairly represented their economic activities according to accounting standards (Cullinan, 2004).

Enron, which was one of the most profitable companies in the US, reported profits of $979m in December 2000 and then dramatically collapsed just ten months later (Mallin, 2013). Managerial fraud was discovered to be the main reason behind this collapse. In this case, some aspects of the economic reality were intentionally hidden so as not to appear in the financial reports. This was done by Enron's top management by establishing special purpose entities to which to transfer losses in order to hide the company's poor performance (Mallin, 2013). This was not considered a violation of accounting standards. However, it did show the extent to which accounting regulations were unhelpful in representing the true economic reality.

The WorldCom accounting scandal is another example of the failure of accounting measurements to reflect economic reality. It was discovered that the company recorded $3.8bn of expenses between 1999 and 2002 as a capital investment (Tran, 2002). Therefore, instead of being deducted from revenue, these expenses were listed among the company's assets. This led to an exaggeration of its revenue by $3.8bn, achieved through exploiting some flexibility of accounting measurements. This calls into question how accounting depicts economic reality.

Such scandals, in which economic reality is not represented faithfully, have severe consequences for society, as shareholders lose their investments, employees lose their jobs, lenders lose their loans, and the local and international communities in which the firms operate suffer from negative impacts (Mallin, 2013). This encourages accounting regulators to improve the ability of accounting to reflect economic reality. Furthermore the increasing prevalence of cross-border investments and globalisation also motivate regulators to improve the ability of accounting to faithfully represent the economic reality, due to investors' increased need for comparable and reliable information.

Recent developments in accounting and economic reality

As a direct response to these accounting scandals, as well as the criticism of accounting ambiguity, the US government passed the Sarbanes-Oxley Act in 2002. This government intervention in the accounting profession is argued to be a result of the failure of the accounting profession to regulate itself so as to produce accounting information represents the economic reality.

The act put into place regulations that aim mainly to strengthen corporate governance systems, with the expectation of preventing further accounting scandals. The act also urged the Securities Exchange Commission (SEC) to evaluate the possibility and suitability of producing principle- based accounting standards (section 108) in order to replace rule-based ones, where rule-based standards have long been criticised for being vague and unhelpful in reaching objective decisions (Penno, 2008). This was an attempt to reduce exceptions and management discretion in the financial reporting process and to harmonise accounting standards internationally.

In addition, the FASB started a project to evaluate the feasibility of Principle-Based Accounting Standards (PBAS). Specifically, the FASB's proposals focus on producing neutral standards that bring about information exhibiting desirable characteristics of accounting information (FASB, 2002; Lee, 2006). The core of these proposals was to limit exceptions, seeking a more realistic representation of economic reality (FASB, 2002). The FASB further stated that inherent professional judgment should clearly express the economic value of the relevant events and transactions. It proposed developing a conceptual framework within which accounting standards could be produced. The proposed development was related to accounting measurements as well as the trade-off between reporting quality and conceptual inconsistencies (Lee, 2006). In addition, the American Accounting Association (AAA) supported the FASB's proposals and made a number of recommendations. including developing the objective of accounting to put more focus on representing economic reality (AAA, 2003 cited in Lee, 2006).

The joint efforts of the FASB and the IASB resulted in replacing "reliability" with "representational faithfulness" in an attempt to enhance the ability of accounting information to reflect the economic reality (Erb and Pelger, 2015). In addition, these efforts resulted in the introduction of a set of international accounting standards produced by the IASB. These standards, known as International Financial Accounting Standards (IFRS), are revised on a regular basis. They were adopted by the

European Union in January 2005, followed by other countries. By January 2018, IFRS had been adopted by 150 jurisdictions and supported by a number of international organisations including the World Bank, the International Monetary Fund (IMF), the G20, the International Federation of Accountants (IFAC) and the Basel Committee (IASB, 2018).

The cooperation between the FASB and the IASB further resulted in other achievements. For example, they issued a discussion paper for public comment in 2006, followed by an exposure draft in 2008, which eventually led to introducing two chapters of a refined conceptual framework (IASB, 2010). These chapters focus on the objectives of financial reporting and the qualitative characteristics that lend usefulness to financial information. In January 2016, "Disclosure" was added to the FASB agenda (FASB, 2016). These efforts have contributed to the improvement in accounting so that it can better reflect economic reality. A clear example of this was the call for a discussion paper, issued in 2013, for reducing alternatives of measurement (IASB, 2013).

Critical analysis of recent accounting developments based on the construction of social reality framework

Based on the presentation of recent developments in accounting, it can be concluded that there have been significant developments in how accounting expresses economic reality. These include, particularly, producing a single conceptual framework, shifting towards principle-based accounting standards, the convergence of the FASB and the IASB and, arguably more significantly, moving from historical cost accounting to fair value accounting. Sundgren (2013) considers this last move as one of the most important developments in accounting in recent decades, because of its direct effect on how accounting represents economic reality.

Accounting measurement is always an area of much debate, including historical cost basis, which simply recognises an asset's value through the amount of money spent on obtaining it, and which is widely considered an objective method of valuation (Buys, 2008). The main criticism of historical cost basis is its failure to reflect the true value of an asset in the years following its acquisition, and thereby, its failure to represent economic reality. For example, if a firm bought land ten years ago for £1m but its market value is now £3m, under the historical cost basis, the firm has to recognise this land in its balance sheet as £1m, not £3m, because £1m is the cost incurred in acquiring the asset. This basis, therefore, clearly does not reflect the true financial position of the firm and in turns does not reflect economic reality.

On the other hand, the fair value basis means recognising an asset or settling a liability based on its exchangeable value between independent, knowledgeable and willing parties, based on the estimated market value or mathematical models (Buys, 2008; Reis and Stocken, 2007). Fair value basis is regulated by IFRS 13, as a hierarchy consisting of three levels, with level one at the top and having first priority. This level is based on the quoted prices in an active market for identical assets and liabilities. For example, this level can be applied for shares, whose value can be recognised through their market price in the stock market on the date of the statement of financial position of each company. If there is no active market for an identical asset or liability, then level two is applied. This level has three sub-levels: the first is based on the quoted price for similar assets or liabilities in the active market; the second on the quoted price for identical or similar assets or liabilities; and the third on observable input prices such as price per square metre for a building.

Finally, level three, which has the lowest priority, uses unobservable inputs such as calculating the expected future cash flows for an asset (IASB, 2011). Evaluating these measures according to how well they reflect economic reality shows that the first level could be considered a reasonable measurement for economic reality. However, even this level is subject to criticism. For example, it can be argued that in some cases the share market price is not an accurate reflection of the share's fair value therefore, this price does not accurately reflect the economic reality speculation by big players in the stock market could affect its fair value. Another area in which level one faces criticism is in an imperfect market conditions, such as at the time of the 2007/2008 financial crisis , when market prices tended to reflect the buyers' lack of liquidity rather than fair prices (Allen and Carletti, 2008).

Nevertheless, it can be argued that level one faithfully represents economic reality in most cases. However, in levels two and three, where an active market for the identical assets or liabilities is absent, subjectivity starts to play a role. Examples of this subjectivity begin with the interpretation of "similar" assets or liabilities. Another example is calculating the expected future cash flows of an asset internally without depending on any market. This subjectivity could be exploited and used in manipulation. For example, Dechow et al. (2010) find evidence that fair value can be used as a way of engaging earnings management. Laux and Leuz (2009) add that fair value valuation leads to volatility in markets. Indeed, fair value accounting, among other factors, was blamed for the occurrence of the 2007/2008 financial crisis (Fahnestock and Bostwick, 2011). It can thus be argued that fair value basis is generally a move towards better representation of economic reality, but still suffers from inherent subjectivity.

Another crucial area of improvement in accounting is the joint efforts of the FASB and the IASB towards reaching congruence and producing a single conceptual framework. This has led to a set of international standards and revised chapters of a single conceptual framework, which correspond to the increasing demands of investors for comparable financial information.

However, the question arises as to whether a single set of standards fits all countries regardless of their cultural, economic political differences, which have an impact on accounting practices and values (Lee, 2006; Fechner and Kilgore, 1994). For example, there are clear differences in financial reporting systems between the US and the UK. The former is known to be very strict, with severe sanctions in cases of violation, whereas the latter is known for its approach of recognising the spirit of the rules, and bending them if sufficient justification is provided (Alexander and Archer, 2003; Lee, 2006).

The further question is, do the differences between developed and developing countries allow the latter to adopt the same set of standards as the former? If not, does the adoption of different accounting standards and practices depend on every country's circumstances? If so, this would arguably contradict the main role of accounting, reflecting economic reality, which should exist, independently of circumstances.

Therefore, financial reports should say the same things in different countries, as long as they represent the same economic events and transactions regardless of the surrounding circumstances. This discussion shows that ambiguity in accounting still exists and that ways for accounting to faithfully represent economic reality are still needed.

Conclusion

This paper has shed light on links between accounting and philosophical frameworks. In particular, relying on Searle's framework of social reality (1995), this paper explores the philosophical roots of accounting to evaluate whether it can faithfully represent economic reality.

Drawing on Searle's framework, it can be observed that accounting standard setters imply, through their decisions, that there is a real world of facts and that this world can be represented. Nevertheless, the main problem faced by accounting is how to represent this world faithfully. The failure of accounting systems to reflect economic reality has arguably resulted in severe social consequences. For example, the collapse of giant companies like Enron and WorldCom negatively affected many parties of society: including investors, creditors, employees and related local and international communities.

Efforts have been made to improve the correspondence between accounting and the economic phenomena that it represents. These efforts have centered on basing these standards on principles that reduce exceptions and management intervention, particularly in financial reporting. Moving to fair value accounting is probably the most significant recent development in accounting. A close second is arguably the convergence of the FASB and the IASB leading to the production of a single conceptual framework in accounting, in order to make financial information comparable across companies worldwide and across time.

However, an analysis of these trends has shown that, despite their general usefulness, they remain subject to debate. For example, the fair value basis, which may be considered as the most important improvement regarding the representation of economic reality, involves a great deal of human intervention. Moreover, achieving convergence, which helps in comparability, is criticised because it does not take into consideration the differences between countries.

Therefore, these improvements might be considered as just a step in improving the ability of accounting to represent economic reality, as a consideration of philosophical frameworks is arguably required by accounting standard setters. This is in order to clarify the current ambiguous link between accounting and philosophy, as well as to clearly identify the objectives of accounting and how these objectives can be effectively achieved.

The results of this study therefore can be used by accounting standard setters when they consider the philosophical aspects of accounting. The results can also be used by scholars, who are encouraged to build on them and to conduct further work in this area.

In this paper, a single philosophical approach was employed, and this can be considered the main limitation of the study. Therefore, future research should attempt to establish a link between other philosophical approaches and accounting, in order to reach a deeper understanding. In-depth and intensive studies linking accounting to the construction of social reality framework, supported by interviews with accounting standard setters, are also encouraged.

CONFLICT OF INTERESTS

The authors have not declared any conflict of interests.

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