Carving Nature at its Joints: Philosophical Perspectives on Accounting Entities

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CARVING NATURE AT ITS JOINTS:
PHILOSOPHICAL PERSPECTIVES ON ACCOUNTING ENTITIES

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ABSTRACT

The complex task of carving nature at its joints is central to financial accounting practice. Yet basic philosophical problems and assumptions inherent in categorizing and representing selected aspects of reality are set aside by influential conceptual framework projects that claim the boundaries of accounting entities are self-evident and objectively determinable. This paper argues that questions about the dividing line between financial reporting entities and the separate elements within financial statements are at the heart of many significant problems in accounting practice. Scott’s (1931) classic monograph on The Cultural Significance of Accounts is used to revisit objectivity and individualism as cultural foundations that seem to underpin dominant standard setters’ claims that accounting entities are self-evident. The paper then discusses taxonomic principles, philosophical foundations of the unbounded self, and perspectives from quantum physics that all point to the nature of entities as being inherently interwoven, unbounded, and not at all self-evident or easily objectified. The paper concludes by weighing forces that point to a sea change in how organizations might be conceptualized against institutional structures that support conventional views.

KEY WORDS: Accounting entity concept, accounting history, philosophy, physics, pragmatism

I. INTRODUCTION

The very essence of accounting practice is to carve the world into categories, but how does one know where to make the cuts? Influential conceptual frameworks claim that accounting entities are self-evident. While it is true that the act of accounting presumes the existence of something, the accounting profession has done little to articulate the basic philosophical problems and assumptions inherent in its efforts to categorize and represent selected aspects of reality. Bell (1986) claims there is a tendency among accountants “to avoid, like the plague, grappling with the larger philosophical issues that are inevitably involved in the study, and indeed practice of our discipline (339).” It is often assumed that the pragmatic nature of accounting elevates experience over theoretical analysis. While some academic conversations about the philosophical nature of accounting are beginning to surface (Mattessich 2003 & 2009; Lee, 2006a&b, 2009; Macintosh 2006, Williams 2006), the accounting profession has done little to articulate the conceptual problems inherent in locating natural joints in an interdependent, global society.

The aim of this paper is to explore alternative views on boundaries of accounting entities and the practical ramifications of the conventional rhetorical that entity boundaries are unproblematic. While simplistic lines in the sand can be used to separate one organizational unit from another and to rope off seemingly natural categories within the associated financial statements, it is unclear whether that approach is appropriate to the demands for accountability in an evolving society. The analysis begins with a brief review of the historical development of the self-evident view of accounting entities that underpins current FASB (Financial Accounting Standards Board) and IASB (International Accounting Standards Board) discourse. This is followed with illustrations of a wide ranging set of practical problems associated with entity boundaries that belie the conventional self-evident conceptualization. DR Scott’s (1931) classic work The Cultural Significance of Accounts is revisited as an explanation for this disparity between the rhetoric of objectively determinable dividing lines between and within entities in contrast with an abundance of practical issues inherent in the parsing of entity boundaries. The paper then turns to the taxonomic
problems in science and philosophy to explore alternatives to the bounded self. The concluding section of the paper weighs factors that argue for new perspectives mimicking the interdependent, fuzzy set logic of quantum science against institutional factors that are likely to continue to uphold the conventional individualist, objectivist rhetoric of self-evident accounting entities and elements.

The paper is related to academic discussions on the nature of reality and the manner in which accounting represents some version of reality (Armenic 2005, Bayou, Reinstein & Williams 2011, Bruton & Cunningham 2009, Chambers 1999, Clarke, Dean & Wolinski 2005, Lee 2005, 2006a/b & 2009, Macintosh 2006, Mattessich 1972, 1995a/b, 2002, 2003, 2004, 2005, 2008 & 2009, Ravenscroft & Williams 2009, Tinker 2005, Williams 2006). This paper does not revisit the detailed arguments of those works, but examines the entity concept as a means of expanding on these foundational ideas gleaned from prior literature: 1) accounting can never perfectly represent physical reality, 2) physical reality is not the only reality, 3) subjective, cultural views are imbedded in accounting representations and interpretations, and 4) institutional forces in the accounting field can be instrumental in blocking or driving changes in cultural paradigms. The paper focuses on the entity postulate or concept that appears in current FASB and IASB conceptual frameworks as indicative of a conventional perspective about entities that appears in these influential documents. Entity vs. parent perspectives on the mechanical details associated with the preparation of consolidated financial statements (Sprouse 1957) is not the question of interest. The paper focuses rather on the philosophical foundations of how to determine the boundaries that are used to establish the perimeters of the reporting unit and to make distinctions between accounting elements within financial reports. The discussion suggests that how one views the essence of entities has implications for the accounting profession’s role not just in conventional financial reporting, but in society at large.

II. CURRENT STATUS OF THE ENTITY CONSTRUCT

Historical Development of the Entity Assumption

Littleton (1933, 49-50) traces the impersonal entity view of accounting as far back as the sixteenth century. Mattessich (2008, p. 29) finds no less than a dozen instances of the entity concept in Italian, French, Dutch, English, American, and German works in the nineteenth century, but claims the entity concept only gained popularity after the turn of the twentieth century. Mattessich (2008, p. 30) opines that the entity concept supplanted the personification/individualist foundations of double entry accounting because it was better suited to the needs of modern corporations.

Professional judgment rather than rules and standards or codified theories served were central to accounting practice in Western society prior to the 1920's. Formal accounting rules and standards setting processes in the U.S. evolved in response to the 1929 depression and stock market collapse, though informal development was taking place from the turn of the century (Ahlawat & Ahlawat 2013). Early contributions were overwhelmingly inductive or descriptive in nature (Paton, 1922; Canning 1929; Sweeney 1936; MacNeal 1930; Sanders, Hatfield & Moore 1939; Gilman 1939; Paton & Littleton 1940; Littleton 1933). The quest for an institutionalized statement of accounting theory began in earnest in the 1940s as a reaction to discord over controversial issues such as accounting for deferred taxes and price changes (Zeff 1999, 91-92). Committees operating under the direction of the Accounting Principles Board (APB) then undertook to write a deductive system articulating postulates, axioms, and principles of accounting presentation which resulted in Accounting Research Study (ARS) No. 1, The Basic Postulates of Accounting, (Moonitz 1961) and ARS No. 3, A Tentative Set of Broad Accounting Principles for Business Enterprises (Sprouse & Moonitz 1962).

ARS No. 1 lists 14 postulates divided into 3 tiers. The A-level environmental tier of postulates include 1) quantification, 2) exchange, 3) entities, and 4) time periods. Postulate A-3 states that “Economic activities are carried on through specific units or entities. Any report on the activity must identify clearly the particular unit or entity involved.” Postulate B-3 reiterates that “The results of the accounting process are expressed in terms of specific units or entities.” Thus, ARS No. 1 seems to allow for flexibility in the specification of reporting boundaries as long as the parameters are disclosed.

While ARS No. 1 engendered little public controversy, ARS No. 3’s suggestion that historical cost might not always be the best basis for accounting causes it to be issued with a disclaimer that the board considered the statement too radical. Vatter (1963) notes that only one committee member chose not to insert a statement of
dissent. Switersinga (2011, 211) interprets killing ARS No. 3 on issuance as a signal that the APB was more interested in preserving the status quo than in developing a mechanism for fundamental change or improvement in accounting practice. Jeff (1987) notes that critics of the report typically substituted alternative postulates rather than addressing the report as written. Ijiri (1987) appropriates postulate language to advocate for an even more radical innovation — accounting for momentum. Echoing sentiments about the importance of truth, justice, and fairness in accounting put forth by Scott (1941, 342-3), Patillo (1965, 60-61) argues that fairness should be the only postulate in accounting. Arnett (1967) in turn criticizes Patillo for circular reasoning in failing to distinguish between ‘fair’ and ‘objective’ before concluding that “all development of accounting theory ... should be based on the scientific, or objective, point of view” (p. 292). The paper will return to this argument for scientific, objective truth as a common theme in accounting standard setting and political processes.

Mautz (1965) claims that the whole postulates episode arose from a misunderstanding of the committee charge. Mautz maintains that the group was expected merely to establish a program of research, but overstepped their charge when they attempted to articulate the actual foundations of accounting. A 1977 American Accounting Association study of the problems inherent in developing a theoretical foundation for accounting, Statement on Accounting Theory and Theory Acceptance concludes that “… a single universally accepted basic accounting theory does not exist at this time. Instead, a multiplicity of theories has been … and continues to be … proposed” (p. 1). Finding it difficult to develop a single, widely accepted perspective on accounting theory, the FASB subsequently began to work toward garnering political support for individual projects through exposure drafts, public hearings, and judicious selection of projects. Emphasis on seemingly neutral ‘positivist’ empirical research findings increasingly emerges as a mechanism to legitimate board positions (Zeff 1999). In the post-postulate environment the philosophical underpinnings of accounting standards come to be deemphasized along with claims that accounting changes might be used to effect significant change toward some normative goal. Lee (2006a) suggests that while standard setters’ rhetoric is that conceptual frameworks are intended to serve as the basis for deductive decision making, a legitimization role supporting the credibility of national and international regulatory and financial structures seems to be even more significant.

After the American postulates controversy, an “inventory” of generally accepted accounting principles (ARS No. 7, 1965) and Accounting Principles Board Statement (APBS) No. 4, “Basic Concepts and Accounting Principles Underlying Financial Statements of Business Enterprises” are used to carry on the conventional, deductive approach to establishing accounting foundations. APBS No. 4 carries forward the flexibility implied by ARS No. 3, specifying that “economic activities of individual entities are the focus of financial accounting” (AICPA 1970, para. 25). Entities are described as “circumscribed areas of interest [whose] boundaries ... may not be the same as for the legal entity, for example, a parent corporation and its subsidiaries treated as a single business enterprise” (para. 116).

The current FASB and IASB conceptual frameworks frequently refer to “entity” resources, elements, and financial statements, but are still in the process of formulating an official position on the meaning of the entity concept; to that end, a chapter in Concept Statement No. 8 is being reserved for treatment of entity issues. In an exposure draft on The Reporting Entity (2010), a draft issued jointly by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB), a reporting entity is described as

a circumscribed area of economic activities whose financial information has the potential to be useful to existing and potential equity investors, lenders, and other creditors who cannot directly obtain the information they need in making decisions about providing resources to the entity and in assessing whether the management and the governing board of that entity have made efficient and effective use of the resources provided. (FASB 2010, 1)

In describing how the boundaries of a reporting entity are to be determined, the draft lists only three very broad criteria:

1) Economic activities are being conducted, have been conducted, or will be conducted,
2) Those economic activities can be objectively distinguished [emphasis added] from those of other entities and from the economic environment in which the entity exists, and
3) Financial information ... has the potential to be useful in making decisions ... (FASB 2010, 1-2)
The ‘can be objectively distinguished’ language arguably goes beyond the prior notion of sanctioning flexibility of boundary determination as long as the parameters are disclosed to paint an impression that determination of entities is simple or inherently legitimate. Multiple respondents to the exposure draft suggest that the practical mechanics and theoretical foundations of how to determine those boundaries is a glaring omission (FASB Online Comment Letters). In continuing its own separate conceptual framework development work after 2012, the IASB’s Review of the Conceptual Framework for Financial Reporting (2013) identifies two primary deficiencies in the existing Conceptual Framework (CF) as the continuing lack of guidance on 1) measurement and 2) how to identify the reporting entity. The measurement problem has been reviewed by Barth (2014); this paper seeks to address issues inherent in the entity problem.

The search for the conceptual building blocks of accounting can be seen as a question of ontology – determining the underlying nature of that which is represented. Moravcsik (1992) distinguishes two approaches to ontology: 1) developing an inventory of reality, i.e., sorting out the different kinds of things there are, and 2) establishing what is fundamental and primary in reality, that on which things depend. These approaches need not be mutually exclusive. While the inventory approach seems to be common in many modern disciplines, ancient Greek, Roman, and Indian philosophers often took the approach of looking for fundamental essences that can serve as philosophical foundations. The modern FASB and IASB conceptual frameworks have developed lists of financial statement elements, but largely ignore questions about the underlying nature or essence of financial reporting entities and elements. Further, the detailed definitions of financial statement elements that appear in the FASB and IASB conceptual frameworks are built on an unquestioned assumption that it is possible to objectively delineate accounting boundaries. If one agrees with Bourdieu and Passeron (1977) that taken-for-granted values reflect the interests of dominant and powerful players in society, it is then important to reflect on concepts that are taken as ‘self-evident’ to determine how these values might disadvantage some players or need to be revised over time even for the achievement of ends pursued by the dominant actors. The next section of the paper gives an overview of practical problems that could be attributed to inherently indeterminate boundaries of entities and the constituent reporting elements. A later section of the paper will consider the problem of assuming that reality can be molded into mutually exclusive taxonomic categories.

III. PRACTICAL PROBLEMS OF ACCOUNTING CATEGORIZATION

A number of practical problems arise as one attempts to specify the boundaries of reporting entities and elements. Determining the constituent legal entities to be included in consolidated statements, dealing with the legal and practical aspects of tax domicile, deciding what method to use for pension and other fair value measures, and settling on an appropriate basis to use in allocating expenses between the business operating segments are examples of reporting entity problems. Hybrid financial instruments confound the quest for clean separations between debt and equity elements within the financial statements. Though interrelated, these entity and element level problems will be addressed separately.

Problems Delineating Entity Boundaries

Even in a rules-based environment, corporations still grapple with establishing which party in a merger is the parent. Determining which legal entities should be reported under a single umbrella is especially problematic for governments and not-for-profits that cannot rely on bright line metrics of stock ownership as surrogate indicators of control. Special/variable purpose entities (SPEs) were among the mechanisms used by Enron to keep debt off its balance sheet. Gorton & Souleles (2007, 550) argue that the connections between the parent and related SPEs raise important issues for the theory of a firm and its conceptual boundaries even when structured in a legal manner.

It has proven very difficult to resolve the theoretical and political issues involved in determining how to measure and present leases in financial statements. Issues of corporate personhood and tax domicile also pose thorny boundary problems between business and government entities. Tax codes are written to effect taxes from corporations domiciled within their geographic borders; but what does that really mean when the income measures associated with the sale of material goods in geographic space can be skewed by legal but crafty use of allocation and transfer pricing schemes or when businesses increasingly sell intangible services from an indeterminate space in the cyber cloud? The problem of policing the ‘fair’ tax to be paid on global commerce is an issue of concern in tax, legal, and political circles. For example, Michel, Zering, & Kim (2014) highlight the connection between the
American Internal Revenue Service and counterparts in Israel, India, and Switzerland in relation to HSBC and UBS banking transactions. The Google/Apple Irish tax cases are indicative of other problems assessing the proper tax home and appropriate levels of taxation across global borders (Schoenauer 2014, Drozdak & Schoenauer 2014).

There is even some question as to the point at which government grants, bailouts, and job creation incentives would make some businesses an inherent part of the government entity even if not legally constituted as state-owned enterprises. The interdependent nature of company pension plans and supervising government agencies poses accounting and legal issues as well. When interest rates and investment returns fall, governments and businesses alike typically move away from defined benefit to individual contribution plans; but it is not clear how this solves the problem of low levels of retirement income for the nation, state, or society as a whole. Privatizing the retirement problem merely shifts the balance off the company and government books to be dealt with by society at large. The underlying problem does not cease to exist just because the problem has been reframed to elude the boundaries of the official financial statements.

Problems of Elements within Reporting Entities

Even as the FASB and IASB spend significant amounts of time refining the precise definitions of assets, liabilities, and other financial statement elements, the market has historically exhibited a fondness for creating hybrid securities that defy simplistic, mutually exclusive either/or classifications. Further, in an environment of interlocking ownership interests, minority or non-controlling interests pose a problem of classification within the statements because of their indeterminate status between debt and owner’s equity. It is not even a black and white issue as to when expenditures should be regarded as assets rather than expenses. Individual research and development projects are expensed in the U.S. even though the overall portfolio of projects is undertaken by businesses with the intention of securing future benefits. Changes in the present value of a liability arising from deteriorating credit worthiness results in a bookkeeping credit, but standard setters have had differing opinions about whether the nature of this credit in that of an ordinary gain, a special or ‘extraordinary’ gain, or perhaps not even a positive event at all. Consider two more cases that demonstrate unclear theoretical positions: 1) goodwill can be viewed as either an asset or an unredeemed loss from overpaying for assets, and 2) environmental clean-up costs are treated as assets by some accounting standard setting authorities rather than losses in order to spread the cost to subsequent service periods in spite of the dubious ‘future benefits’ arising from clean-up operations.

Accounting for changes in prices over time has always been a conundrum for accounting theory and practice. Fair or market value reporting is typically viewed as an issue of decision relevance, but the choice of historical vs. current market value could just as readily be framed as a boundary problem. Accountants not only carve out which entities will appear in a set of financial statements, but also parse time into artificial segments. When an unusual event, such as a bubble in stock markets from countries entering or leaving a common economic block occurs at the end of a fiscal period it creates an artificial swing in income. In these circumstances company performance is clearly being impacted not just by internal management decisions but by the interdependent ties to the broader global market as well. Corporate and government support for fair value accounting seems to peak when stock market values are high and wane when falling markers create concerns that market based accounting could exacerbate economic downturns.

‘Fair’ value accounting measures are often referred to as ‘current’ values. These ‘current’ values can be conceptualized as entity carving problems arising from the non-dua1 or interdependent nature of these measures. So-called ‘current’ values are derived from market participants’ reflexive impressions from past events and their psychological interpretations of imagined future events, thus the seemingly fair and objective measures captured by market quotes are aReturn of today’s subjective psychological assessments crystallized in the hopes of instilling changes in subjective future-oriented psychological impressions. While fair values are often argued to be more relevant than historical costs, it is a rare critic who recognizes the inherent paradox of accounting for future events (Beaver 1991). While Marxist accounting theory decries the appropriation of current laborer’s value to management (Tinker 1985), it is much less widely recognized that so-called ‘current’ values treat subjective estimates of future work as an object that can be appropriated by current management and shareholders.

Many standards that have been issued by the FASB, GASB, IASB, and their predecessor bodies deal with entity issues. Lease and pension accounting pronouncements in particular are numerous. Determining how and when entities should be reported on a consolidated basis, determining when leases should be capitalized and how to
handle the residual value of leased assets, fine tuning of segment disclosures, and transparent reporting of relationships with related parties are frequently re-visited themes. These issues are arguably continuing to surface because of uncertain philosophical foundations or paradoxes inherent in the underlying problems which the profession refuses to admit (Tinker 1991). Entity issues are also central to current FASB/IASB agenda items for 1) inter-entity relationship in leases (FASB 2013, Topic 842) and 2) determination of principals and agents for purposes of revenue recognition (FASB606/IFRS15: Revenue from Contracts with Customers as of June 22, 2015).

Thomas (1969) argues that the accounting allocations inherent in accounting can never be completely philosophically defended, yet under Sarbanes-Oxley accounting professionals are required to sign certifications saying that financial statements are ‘accurate’ (SOX 302). While the accounting profession often claims that there is a gap between public expectations and what can reasonably be accomplished in an audit (Zhang 2007; Dennis 2010), these unrealistic expectations seem to be encouraged by institutional structures that require management to sign black and white statements about the ‘accuracy’ of financial statements which are a product of numerous allocation, entity, and element problem areas in accounting. The issue of unquestioned assumptions that accounting entity boundaries can be ‘objectively’ drawn and that financial statements can be rendered ‘accurate’ bears consideration in light of philosophical and cultural perspectives on the role that created ‘objectivity’ plays in accounting representations.

IV. REVISITING “THE CULTURAL SIGNIFICANCE OF ACCOUNTS”

Scott’s (1931) work on The Cultural Significance of Accounts provides some clues as to why dominant accounting institutions would be reticent to address the philosophical foundations inherent in the fundamental task of establishing the boundaries between accounting entities and elements. Scott’s classic work looks at a span of more than 1000 years, from roughly 800 years back and up to 500 or 400 years forward. Scott argues that cultural viewpoints and accounting representations evolve over a long period of time with only piecemeal adaptations to new facts until social organization changes drastically (p. 10, 20). Scott argues that systems of training and academic research tend to promote conservatism in abstractions and generalizations. He suggests that scientific or accounting paradigms are most likely to evolve by reinterpretation from beyond the bounds of the specific field because minority views from within the same discipline are likely to be severely censured (p. 29).

Scott (1931) argues that the worldviews inherent in modern accounting practice are individualism and managed impressions of scientific objectivity. Writing as he did at the height of the Great Depression with the attendant public awareness of economic inequality and increasing sentiment in favor of interventions in markets, Scott was convinced that markets and value theory itself had outlived the basis of exchange originally developed when individual enterprises supplanted the medieval guild system. Still, the individualistic viewpoint was hanging on because disintegration of general confidence in the machinery of social organization is very slow (p. 63) and because of popular belief in the ideals of seemingly objective or ‘scientific’ measurement and the potential to use these measures and ‘facts’ to control the environment (p. 120). Though the statistical techniques of the 1930’s were crude in comparison to modern methods of acquiring, sorting, and analyzing mass amounts of data, Scott (1931) saw modern large scale enterprise as existing within a matrix of exceedingly elusive goals, yet with the need to marshal that data to serve multiple ends. Scott (1931) might be seen as prescient in his prediction that management would become more and more beholden to utilize statistical data, “Big” data we would call it today, to maximize returns for a dynamic body of shareholders rather than to meet the goals of a smaller body of conservative individual shareholders (p. 153).

Scott interprets Taylor’s scientific management principles as a means to objectively bring more efficiency to production, but also as likely to add to tension between management and labor when workers perceive that the rewards of increased efficiency are accruing disproportionately to management. Scott felt that in the interdependent market place of interlocking corporate entities accounting’s theoretical foundation for consolidated accounts was not well developed because the system still relied on the cultural myth of a simple, individualistic unit. He saw accounting rules as being without true theoretical basis, yet serving the function of a philosophy of law being put to the instrumental purpose of managing impressions of a seemingly “permanent and unchanging” (p. 180) cultural structure. This would be consistent with both the interpretation of entities within dominant accounting conceptual frameworks as not only self-evident, but with a presumption that they will continue indefinitely as going concerns.
One of Scott’s major predictions is that “accounting theory and technique ... is destined to be absorbed into the government and law of a succeeding period” (p. 237). He goes on to say that among Occidental peoples an increasingly dominant objective viewpoint was becoming the foundation of a distinct cultural organization (p. 290). Taking into consideration the labor strife in the 1930’s, he seems to hold out hope that using impersonal knowledge bases with a perceived scientific objectivity might allow cultural adaptations that avoid the use of violence and revolution (pp 302-3). In the modern environment, Scott’s perspectives from the 1930’s need to be tempered with an understanding of the tension between the objectivity and certainty promised by Euclidean or Newtonian science in contrast to the fuzzy boundaries and uncertainties implied by modern quantum science.

V. MODERN SCIENTIFIC ‘OBJECTIVITY’

Problems of Taxonomy

Western science arguably began with Aristotelian categorical logic. Aristotle’s (384-322 BCE) system maintains that 1) circular reasoning is not valid, 2) it is impossible for the same thing to belong and to not belong simultaneously to the same thing in the same respect, and 3) all things are not in a single genus (Stanford Encyclopedia 2015). Khalidi (1992) reminds us that the conventional goal of scientific taxonomy is to organize the world into a number of non-overlapping, mutually exclusive ‘disjoint’ categories (p. 101) with overlap occurring only if one of two kinds is subsumed under the other. In biology this principle has been difficult to adhere to as whales and porpoises are classified as mammals for some purposes and fish for others. Fleas and tapeworms are another example where both are parasites but neither can be classified as both a parasite and an insect. Accounting classification of convertible debt or stock warrants is analogous to this classification problem. Porter (1992) argues that the aura of objectivity surrounding accounting quantification is supported by a dual foundation of rules and entities. He argues that ‘accountants, like physicists, prefer their rules to appear to be grounded in the nature of things’ (p. 636). When accounting is viewed as a practical application of taxonomy, scientific arguments about what constitutes a ‘natural kind’ are at the heart of the problem of determining appropriate accounting boxes and categories of information. Those who support the concept of ‘natural kinds’ claim to identify the structure of the phenomenal world without reference to self-interested goals of any particular group of human beings, even if there are practical problems of constituting disjoint categories. Khalidi (1993) argues that just because scientific categories are not always mutually exclusive, they can still be useful though one does have to admit interest-relativity as opposed to neutrality in classifications. In accounting, this is consistent with the conditional normative, social constructivist perspectives summarized by Mattessich (2003, 2009) and Lee (2009).

While accounting academic papers are moving toward a consensus that truth and the phenomenal world depend to a great degree on the psychology of the observer, Tahko’s (2012) paper on boundaries in reality shows the persistence of the concept of ‘natural’ joints in reality. Tahko argues that while there are practical problems in defining the precise point where the bottom of a mountain separates from the plain, it is also true that popular wisdom continues to hold that trout and turkey categories make sense while a grouping of trout-turkeys is ‘unnatural’. Yet, in the financial world trout-turkeys are quite common in the form of hybrid instruments developed for the purpose of exploiting characteristics that span the boundaries of either apparently ‘natural’ or authoritatively defined accounting elements. A practical problem of accounting taxonomies and their derived XML dictionaries is that they force fluid institutions and instruments into rigid boxes. The business and accounting world strives to establish standardized practices even as it is enmeshed in a web of uncertainties, a problem that mirrors to some extent the revolution in the physical sciences whose seeming objectivity has turned out to rest on much shakier ground than that portrayed by new outdated versions of Newtonian mechanics.

End of the Certain World in Science

Gaffkin (2007) argues that social studies like accounting choose to call themselves ‘sciences’ in order to take advantage of the cultural prestige associated with the intellectual rigor and seeming objectivity afforded those disciplines viewed as sciences. Yet for at least a hundred years now, the scientific community has been gradually moving toward an understanding that hardly anything is as objective and solid as the man on the street believes. In his famous lecture on the two tables, Arthur Eddington (1928) argues that there are always at least two physical realities – one of a table which appears to be well bounded with distinctly measurable traits and another reality of motion, space, and uncertain dimensions. Quantum physicists extend these perspectives to demonstrate that even where measurement is possible, what is measured is not merely a function of the measuring apparatus used and the
measurers’ inherent biases, but in some cases phenomena appear to act in ways that are outside the bounds of rational cause and effect (Deutsch 1997, 270).

While science has always had a strong penchant for holding that measurement of material objects are more precise than for subjective, mental phenomena and that mechanistic explanations of mind are superior to cognitive constructs, studies on ‘new materialisms’ have begun to question what it even means to be ‘material’ (Coole & Frost 2010). This is particularly relevant to businesses as seemingly ethereal ‘brands’ now represent one of the most important ‘realities’ in corporate life. Barad (2007, ix) argues that the physical world is not one of disjoint entities, but a series of entanglements: “To be entangled is not simply to be intertwined with another, as in the joining of separate entities, but to lack an independent, self-contained existence. Existence is not an individual affair.” In contrast to accounting’s going concern and self-evident entity concepts, Barad claims that entanglements in the web of reality make it impossible to differentiate between beginning and ending or past and future. It would seem that while science has had to come to grips with unexpected uncertainties and random events in the natural world and has completely revised its models of time over the course of the last century, the business and accounting world seems more than ever to be gravitating toward fixed taxonomies and artificial assurances that entities can be objectively determined and that financial statements are accurate because the chief financial officer has signed a statement saying they are. Biakolo (2002, 17) notes that “philosophers generally agree that the only propositions that can fully satisfy the fundamental conditions of rationality are self-evident and self-justifying ones, since every other conceivable proposition seems to require precedent justification, thus leading to infinite regression.” Arguing that entities are self-evident and their boundaries readily determinable can serve as a foundation for universal rules only as long as these assumptions are not called into question. While some parties are willing to accept accounting standards as valid as long as the ‘rules of the game’ have been followed, it is not clear now one can tell whether the rules are equally fair for all players.

Mouck (1989), Jacobs (2011), Ohogartaigh, Ohogartaigh & Jeacle (2002) & Poovey (2001) all point to the irony of the accounting community claiming a ‘golden awakening’ to the principles of scientific empiricism just as scientists were coming to grips with the limitations of empirical measurement and historians were emphasizing the impossibility of factual neutrality. The FASB and IASB conceptual framework projects reflect a worldview that entities exist, can be objectively distinguished, and that standardization of practice is a useful goal. But what if the accounting profession were to entertain alternative views on the certainty of accounting entities? The next section turns to a philosophical alternative to finite objectivism that has been set forth in a number of cultures and disciplines in both the ancient and modern world.

VI. ALTERNATIVES TO FINITE OBJECTIVISM

Modern academic institutions presuppose disciplinary separations between philosophy, science, and metaphysics. In contrast, the early philosophers saw no difference between science and philosophy, with metaphysics serving as an essential link between understanding the material, phenomenal world and the intangible world of the mind, spirit, or noumena. A growing body of scientific critique devolves around the assumption that everything can be reduced to a material cause that forecloses discussion of noumenal forces (Gillett & Loewer 2001). Yet ancient Greek philosophy and even some modern philosophies conceptualize the world as defying the fundamental Aristotelian assumptions inherent in the conceptual framework inventories of carefully defined accounting elements.

Smith (1979) sees Anaximander’s concept of apeiron, i.e., the in-finite or unbounded, as the turning point in Greek philosophy. A student of Thales (624-546 BCE), Anaximander (610-546 BCE) argued that a single, unlimited substance was the source of all seeming diversity. Parmenides (early fifth century BCE) also argued that all is one – everything that exists has always existed, and nothing ever really changes. Yet Smith (1979, 8) claims that by the time of Aristotle (384-322 BCE), infinity had come to be rejected as implying imperfection or lack as compared to finite, graspable entities. This line of reasoning reemerged in the Neo-Platenean work of Plotinus (204-270 CE). Plotinus studied primarily in Egypt, but incorporates in his work the concept of ‘diversity emerging out of unity’ from Indian influences (Gerson 1996, p. 5). St. Augustine’s (life dates 354-430 CE) Confessions draws heavily from quotes from Plotinus (Chadwick 1992), uniting Eastern philosophy with European mysticism.

The terms ‘Cartesian’ and ‘Pascalian’ have come to be used as signifiers of rational and intuitive approaches to life respectively. But both originally credited many of their discoveries to mystic experiences rather
than the strictly empirical approach of rational science. Descartes (life dates 1596-1650 CE) credited his discoveries to symbolic influences in the dream state. An early advocate for "the theory of everything," Descartes saw the human intellect as the seat of all things knowable with the "different parts in Science being parts of one identical spiritual organism ... with no specifically hierarchized [emphasis in the translated text] distinction between Metaphysics, Mathematics, and the knowledge of Nature" (Maritain 1944, p. 48). Maritain (1944) also notes that "We know what bitter, dark envy he fostered against Aristotle, and what torment he suffered at still not having supplanted him in the schools" (p. 56). It is also clear that while Cartesian concepts are fundamental to many branches of modern, mainstream sciences, his ideas were considered highly heterodox in his day. He had some trepidation about making his works public lest he suffer the same fate as Galileo, and indeed he was called before a religious court for investigation (Hutchins, p. x). Though they may have evolved in a different direction over time, Cartesian ideas can thus be seen as having been initially antithetical to the Aristotelian penchant for disjoint classification. Pascal (life dates 1623-1662 CE), a master of machines, mathematics, and logic, was so influenced by a mystical experience that he took up writing on theology for an extended period in his career. When adopting Pascal's method of using undefined axioms in geometry and other sciences, it is rarely noted that Pascal claimed that certainty of axioms and conclusions through human methods is impossible, with the essential axioms being graspable only through intuition which he claimed as proof that one must submit to God in searching out truths (The Art of Persuasion in Minor Works).

At this point it may be appropriate to address an alternative to Scott's hypothesis that modern accounting rests on the basis of an individualistic perspective. Perhaps one could argue instead that religious culture is at the bedrock of the accounting profession's views on entities. Certainly Aho (2005) suggests that the format of a balanced account may have derived from a Catholic rhetoric of confession and penance used to justify commerce. And even Max Weber (1958), a source of Scott's inspiration, argues that the Protestant work ethic was responsible for the ascendancy of rationalized European capitalism. Killian (2014) summarizes a number of challenges to Aho's hypothesis, while Becker & Woessmann (2009) give alternative explanations for the spread of capitalism in Europe. While an individualistic perspective that ascribes culpability and blame may be common to many Abrahamic-based religious sects, the collectivist views of St. Augustine along with similar views of mystics within many religious sects suggests that the individualist vs. collectivist or unitary perspectives are more salient to one's conceptualization of entities than the formal religious sect. Thus this paper argues that the fundamental difference in worldview that contributes to seeing entities as more distinct than interdependent is an individualist vs. a unitary perspective. This conclusion is based on the observation that even Abrahamic-based religions have sub-sects that emphasize a unitive perspective rather than individualism. Examples are Sufism with its emphasis on merging with a transcendental consciousness, the Ein Sof (infinite) of the Kabbalists (Maor 1987, p. 179), and the mystic marriage concept held by many medieval Catholic saints (Underhill 111).

Yet because religion, or even the espousal of nonreligious sectarian views, is a part of culture, the individualist vs. collectivist or unitary perspectives often coincide with the world views dominant in various schools of religion or philosophy at a particular point in time. Among those countries highest on Hofstede's (Hofstede, Hofstede, & Minkov 2010) individualism scale are the US (91), Australia (90), the UK (89), Netherlands, (80) and France (71) - countries which played central roles in the early years of the International Accounting Standards Seiting Committee. These countries may have some strong influences from Christianity, but the same could be said of El Salvador, Costa Rica, Panama, Ecuador, and Guatemala which all fall at 15 or below on the Hofstede individualismollectivism scale. It is unclear if these low scores for Central American countries arise because of adopting a mystic approach to Catholicism or from pre-existing indigenous influences Japan (46) and Mexico (30) were also on the early IASC board, and have a moderate and moderately low score on individualism respectively. It does not seem to be primarily a matter of religion or of economic wealth alone as China (20) and South Korea (18) are both low on the scale. It is for these reasons that this paper focuses on individualism vs. collectivism as a factor separate from religion per se even though philosophy of religion examples are prominent among the worldviews presented as alternatives to the rhetoric of entities as objective and self-evident. This arises in part because educated religious communities have historically been the most active in documenting their philosophical underpinnings. Though there is some academic debate about the comparability of specific individual/collectivist scales, Schimmack, Oishi, & Diener (2005) conclude that the individualism-collectivism construct continues to be one of the most influential constructs used to describe cross-cultural psychology. Therefore this dichotomy seems

1 Scores from http://www.clearlycultural.com/geert-hofstede-cultural-dimensions/individualism/
relevant to a discussion of potential cultural biases inherent in the FASB/IASB conceptual frameworks and the discussion of alternative views.

Many religions offer alternatives to the emphasis on individualism seen in Abrahamic based religions. When entities are viewed forms of “self”, then the Buddhist concept of non-self is relevant to the discussion. The concept of non-self or shunyata in Buddhism is usually translated into English as emptiness, but this can be misleading if emptiness is thought of as a vacuum. An alternative translation of shunyata is interdependence, or spontaneous existence. A central concept in Buddhism is the aspiration to gain release from the material world through the three doors of liberation -- shunyata, signlessness, and aimlessness. Moore (2009) suggests that these three concepts are antithetical to the conventional myth of economic reality. Signlessness in Buddhist thought asserts that entities are empty because there is no independently existing self that can be definitively described with signs. Further, the argument goes that illusion, yet nevertheless empirical, entities cannot set forth aims or goals with any degree of certainty because these goals will always be in a state of being pulled and stretched by the actions of other seemingly separate entities that are also trying to carve out and assert claims on collective resources for the use of an insubstantial, illusory, yet empirical private self.

Emerging just prior to Indian independence, a number of modern neo-Vedantin organizations have revived Indian concepts of the unity of existence in the form of three distinct but related schools of philosophy: advaita (the undivided or monistic), qualified advaita, and the dvaita (divided) schools of philosophy. These schools of thought argue that the apparent plurality and multiplicity of the world exists due to the influence of maya, a term which is most often translated as illusion, but is etymologically derived from a base which means to measure or draw boundaries (Shastri 1911, p. 29). That is, the unitary world appears as a multiplicity because in conventional modes of thought the ego and mind make artificial divisions that do not take into consideration that any specified object such as a human cannot exist without plants, without oxygen, without sunshine, and the entire host of other connections in the universe.

Similar to the Asian outlook, African societies also tend to emphasize the relational connection between human beings rather than their distinct individuality. Okolo (2002) notes that “African metaphysics or theory of reality differs significantly from that of Aristotle... with its individuated, discrete existences” (p. 212). Okolo claims that the essence of African philosophy is “that the universe is not something discrete but a series of interactions and interconnections” (p. 213). Further, the African outlook tends to agree with Neo-Platonic philosophers and the perspectives within Asian religions that suggest the human self cannot be reduced to material, scientific, or empirical processes alone, and that there is no inherent distinction between the natural and supernatural because mysticism, God, and natural elements are all connected in a spatio-temporal ‘totality’ of existence (Tefio and Roux 2002, 167). Oladipo (2002) points out that there are elements within traditional African culture that exhibit a sophisticated understanding of the ability to generate palpable agency power from conceptual thoughts and labels which are greatly at odds with the purely superstitious nature that has typically been ascribed to it by Western colonialists. Matthews (2014) in reviewing modern and ancient shamanic cultures around the world concludes that mystic cultures share a worldview “in stark contrast to the ... prevalent view that the everyday world and the life we live is the only reality” (p. 13). Hountondji (2002, 126) concurs that Africans have a more dynamic conception of reality than the static depiction in Western society.

In a similar way some so-called primitive or indigenous tribes in the U.S. and Canada use the practice of a potlatch or give-away ceremony to indicate the primacy of the tribe over the individual self. Indian Acts passed in the U.S. and Canada in the late nineteen century demonstrate a head-on clash between individualist and collectivist cultural values. Missionaries urging passage of these laws specifically used the argument that the custom is “wasteful, unproductive, and contrary to ‘civilized values’ of accumulation” (Cole & Chaikin 1990, p. 15). Efforts to isolate indigenous children in boarding schools, to suppress their language, and to instill Western values in the Americas and in Australia are widely decried today as examples of egregious cross-cultural insensitivity. Economic reports that attribute world financial crises to the ‘excess saving’ of Asian nations and petrostates (Rodrick 2011, xi), might be viewed as evidence of a value-judgment that Western levels of consumption are the appropriate yardstick.

Globalization has brought Eastern philosophical concepts of the unbounded self to the attention of Western civilizations. A typical negative reaction expressed by Westerners when first exposed to the concepts of no-self, nirvana, and moksha is an assumption that these concepts imply giving up on the world. In contrast, many Eastern philosophers argue that an understanding of interdependency or ‘other as self’ is an indispensable foundation for a
world-affirming basis for ethical behavior. Albert Schweitzer’s (1936) view might be used as an example of a biased Western reaction to Indian thought, when he criticizes four thousand years of Indian philosophy as immature speculations that are comfortable giving equal reverence to such contradictory points of view as a personal God and an impersonal reality that attempts to be scientific or secular in its approach (pp. 223-225). Agharkar (2008) claims that Indian scholars are prone to have an equally biased view of Christian missionaries as standard bearers of imperialism that are too certain that there can be only one definitive version of truth.2

One of the more influential Western philosophical perspectives challenging the self-evidence of entities is George Berkeley’s notion that nothing exists without a perceiver (Ayers 1975). A namesake of Berkeley University (U.S.), this Irish philosopher’s argument (life dates 1685-1753 CE) is that if an empirical world exists beyond the tools of human measurement or subjective perception, then this proves there must be an ultimate observer in the universe which he calls God. While initially derided as a rather odd mechanism to argue for his Christian views, other Western philosophers such as Kant (life dates 1724-1804 CE) and Spinoza (life dates 1632-1677 CE) hold to similar strands of thought emphasizing that humans are incapable of direct observation without biases imposed by the structures of thought and language (Kant 1781/1787, Nadler 1999). Even in the field of natural science, John Muir, founder of the Sierra Club (life dates 1838-1914 CE), shows a departure from Aristotelian logic in his often quoted saying that “When we try to pick out anything by itself we find that it is bound fast by a thousand invisible cords that cannot be broken, to everything in the universe” (Muir, 1910/1988, p. 110).

Some accounting historians assert that accounting is built on pragmatism, implying that accounting is inherently a practical vocational tool that is not intended to be founded on a purely scientific or philosophical basis. The term pragmatism seems to be widely used in accounting academic settings to indicate a practical activity aimed at achieving expedient though imperfect results (Enke 1972, Rutherford 2013). Yet pragmatism as a form of philosophical reasoning was developed by Charles Sanders Peirce in the late 1870s and made popular by William James and John Dewey. All three adapted Darwin’s concepts of biological evolution to the world of thought, arguing that science can provide evidence to refute false claims with no need to hypothesize a ‘God’ or ‘universal consciousness’. Peirce’s critique of Descartes even goes so far as to argue that there can be “no virtue in appealing to self-evidence” even of sensory phenomena as “the fact that a proposition is believed, however strongly and by however many people, is never sufficient to establish its truth” (Ayer 1968, 13 & 13). James (Ayer 215-324) also argues for what at the time was considered a radical empiricism not founded on transcendental ideals such as God or consciousness. Dopuch (1962, 254) asserts that the position of Dewey (1958), a naturalistic metaphysician, was that “the world is all foreground.” That is, pragmatists simply choose not to deal with any transcendental reality beyond the empirical. This approach is precisely the opposite view of Eastern and African cultural approaches that maintain that it is the material world which is empty or unreal. But even as some historians seem to depict pragmatism as merely an expedient means for getting-things-done-whatever-it-takes, perhaps that expediency is indeed an offshoot of philosophical pragmatism if Dopuch (1962, 259) is correct in reading Dewey’s system as implying that in an uncertain and indeterminate world there can be no ultimate principles.

**VII. HARBINGERS OF CHANGE AND CONTRA-INDICATIONS**

Why are entities seen as self-evident? Standard setting bodies will likely hold to perspectives that are not too far out of step with those of their constituents and funding partners. Further, those operating in a diverse, global society may need to tread lightly where religious and secular views are at odds. The discussion above demonstrates that even though the language used in major accounting conceptual frameworks is intended to seem neutral, even the perspective that entity boundaries are self-evident and readily objective may in fact be heavily influenced by cultural

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2 The inroads made by Oriental philosophical ideas into Western culture is seen not only in the ubiquitous Yoga salons and commercial advertisements but even in movie tag lines like “People come, people go, nothing ever happens.” in the comedy The Grand Budapest Hotel referring to the paradox of activity and nonactivity, a theme that frequently accompanies a monistic or unitary perspective in Eastern cultures. The 1971 film Waiwai also reflects a mix of cultural issues: filmed in Australia, made with American money, using an English script and actors, the film contrasts English and aboriginal cultures before ending in a suicide and the controversial closing phrase *rien ne vas plus* (no more bets, or that’s all folks) seeming to indicate a skeptical interpretation of emptiness and the prospects for the intersection of cultures.
assumptions about the individual self. Therefore, the question arises as to whether trends in science, technology, and the mixing of global cultures could be pointing toward a shift away from the prevalent concept of entities as dualistic, self-evident structures with seemingly objective and determinable boundaries. This section of the paper lists a few themes that might be considered augurs of change or obstacles to a departure from conventional views of accounting entities as self-evident. The intent is not to suggest that the list is definitive, but rather to serve as a starting point for reflection.

Forces Pointing Toward a Cultural Shift

Global Trade and Cyber Data

The magnitude of world trade suggests that the individualistic perspectives that dominate Western culture will come to be either in conflict with or influenced by other cultural mindsets. In a sense, larger businesses have long been routinely engaged in global trade. The history of world exploration, imperialism, war, and human exploitation arguably almost always includes at least a back story about global trade. Satellite and digital communication technologies today have made global interconnection a reality for even small businesses. As business transactions occur in a digital setting and many goods and services only exist in cyberspace, it becomes much more difficult to conceptualize businesses as belonging to specific geographic areas. The 24/7 pace of business life also makes the artificial divisions of annual and quarterly statements difficult to defend. In the interest of government transparency, increasing amounts of financial and other data for cities, states, and government agencies is being made public on the web. In contrast to the lack of information about New York City during its financial crisis of the 1970s, the city now champions transparency of data by putting budget information online for citizen use with over 1500 data sets available online. (https://nycapendata.socrata.com/). So the question arises whether business entities should be expected to make their data available on an ongoing basis as well.

Gambling’s (1974) work on societal accounting emphasizes the influence of culture on accounting and the difficulties involved in computing what are commonly referred to as ‘externalities’ to the conventional financial statements. He also claims that accounting statements are generally only comparable within the more homogeneous sub-sectors of society (p. 124). With the product and regional diversification within modern corporations, the question logically arises as to why accounting financial statements should be confined to a single standardized format. Merino & Coe (1978) argue that uniformity of accounting presentation has not always been considered an appropriate goal. Standardization is not a technical necessity, but rather a societal choice. The failure of FASB/IASC convergence, the slow adoptions of IFRS by Islamic countries, countries carving out exceptions to IFRS under national accounting standards, and the de facto exit from full-fledged generally accepted accounting standards by small and medium sized companies all represent a rejection of one-size-fits-all accounting presentation. Further, the increasing use of cloud based accounting systems suggests that Gambling’s (1974) vision of an interlinked matrix of micro- and macro-accounting is not nearly as futuristic as when it was first proposed.

Salvary (1985) sees financial accounting as a closed system of being, with managerial accounting representing an open system of becoming with the various forms of accounting being conceptualized as a library of quantifications. Today one has to question why financial accounting should be considered any more closed than managerial applications. With real time access to data from sources both endogenous and exogenous to the conventional accounting entity, the technology exists to provide users with data that they could restack into whatever format they desire. Technology is currently in place that could place the users rather than the preparers and standard setting bodies in the driver’s seat for financial statement formatting and aggregation.

Recognition of Nonfinancial Aspects of Performance

In anticipation of forming the FASB, the American Institute of Certified Public Accountant’s Trueblood Committee (1971) drew up a list of the twelve potential objectives of financial statements. Only one of these focused broadly on “activities of the enterprise that affect society... and which are important to the role of the enterprise in its social environment” (p. 55). While this approach was rejected in favor of a narrower look at decision usefulness for investors and creditors who were deemed to be the primary users, the increasing emphasis on lengthy footnote disclosures in audited financial reports suggests that regulators are aware of the problems inherent in reducing accounting metrics to dollars and cents financial elements alone. Calls by regulatory bodies for the disclosure of conflict mineral and other product sourcing details is evidence of a recognition that social interests
extend beyond the dollars and cents presented in conventional financial statements. The sustainability accounting movement taking place largely outside the authority of traditional financial accounting standard setting processes is another indicator that users recognize that traditional financial measures of accountability do not fully satisfy the information demands of consumers and other stakeholders. Calls by business leaders for 'soft' as well as technical skills from business students suggests the tide may be turning toward an acceptance that a human, collectivist approach is needed to augment traditional mechanistic, rationalist approaches to management.

As individuals have gained greater access to tools of social media, they increasingly use them to promote recognition of income inequality and disparities in power. Interest groups have demonstrated their dissatisfaction with current power structures by organizing protests movements like Occupy Wall Street and advocating for higher minimum wages. Citizen movements in turn engender more government demands for social data such as indicators of the relationship between average or median wages compared to those in the executive suite. The FASB/IASB choice to treat investors and creditors rather than society at large as their primary focus arguably contributes to these bodies' tendency to be reactive rather than proactive in addressing the information needs of social activist groups and the public at large.

New Themes in Society and Organizational Theory

It is not only philosophers and scientists that recognize the problems inherent in drawing sharp and distinct boundaries or classifications. As an off-shoot to the citizen movements protesting the domination of corporate business entities, Korten (2000) and Wann (2010) are among the management theorists employing the language of philosophy and quantum science to promote a paradigm shift to a post-corporate world built on trans-material values. Similarly, Wheatley (2006) argues that the mechanistic systems of traditional bureaucracies need to give way to a more quantum metaphor that can embrace the unpredictable in a chaotic open system and place more emphasis on intrinsic motivators and emotional aspects within community life.

Other management theorists and practitioners have begun to question the concept of hierarchy and boundaries within and between business units. Ashkenas, Ulrich, Jick, & Kerr (2002) argue that thinking in terms of distinct lines of authority and responsibility is problematic on four levels: 1) vertical status hierarchy, 2) horizontal boundaries between functions and specialties, 3) interfaces with partners in the external value chain, and 3) at the intersection of cultural and geographic markets. Hirschhorn & Gilmore (1992) are advocates for the Jack Welch/General Electric vision of a boundaryless organization. They argue that organizations cannot exist with no structure at all, but the boundaries have to be fluid and management needs tools to assess when their boundaries have become more of a hindrance than a benefit to efficiency.

Reinterpretation of Agency Theory

Agency theory, the dominant research paradigm in accounting, finance, and economics, has sometimes held itself out as promoting a neutral, positivist point of view (Watts & Zimmerman 1990). The academy is beginning to recognize that the very definition of a firm as 'a nexus of contracts' can be used to challenge the traditional perceptions of entities as self-evident. A 2010 study by the Institute of Chartered Accountants in England and Wales (ICAEW) notes that agency theory is often used to measure the impact of actions on the wealth of some legally recognized firm or groups of firms. Yet they point out that Coase (1937), Jensen & Meckling (1976), and Cheung (1983) all recognize that the nexus of contracts definition makes it impossible to draw a hard line between what is inside and what is outside the boundaries of any given organization. Typical lines of reasoning in economics papers on the theory of the firm focus on when activities will be conducted inside a firm rather than being purchased on the market, yet Williamson (1983) maintains there is not even a clear distinction between firms and markets. Even though economists generally try to separate themselves from any hint of metaphysics, these recent conclusions seem amazingly similar to the statements contained in the Dzogchen emptiness literature of Tibetan Buddhist mystics: "In the absence of outside and inside, subject and object, intrinsic rigpa [nondualistic perception] supersedes all finite events that seemingly begin and end. ... identity, always delusive, is abandoned" (Dowman, p. 25). So, it is interesting that while agency theory is often used to determine how to best structure activities to enhance firm or shareholder wealth, the very definition of a firm in agency theory does not differ substantially from religious, philosophical, and even scientific perspectives that argue for the inherently unbounded nature of illusory, empirical entities.
Forces Contrary to a Change in Perceptions of Self-Evident Entities

Legal boundaries are used as mechanisms in part to allow the roping off of what could be collective resources for private ends. Even as global trade has brought exposure to alternative philosophical and cultural perspectives, the acceptance is not always smooth. While there have been neo-liberalism predictions that globalization would soon replace nation states with regional economies, recent events associated with Brexit, refusal of European states to take Syrian refugees, and the American political rhetoric about walls between the U.S. and Mexico suggest that the demise of the concept of a bounded-self is far from assured.

With agency theory having evolved out of an economic paradigm that emphasizes self-interested behavior, academics have tended to continue using agency theory as a mechanism to assess how certain actions accrue to self-interested ends of specified stakeholders. The agency literature recognizes that responsibility accounting systems often involve tradeoffs between costs monitoring systems and the impact of dysfunctional self-interested behaviors. What agency theory has not adequately addressed is how to conceptualize firms as not truly any different than markets and what inherent responsibility corporate actors should have toward the good of a larger society beyond immediate principals and agents.

While society may be ultimately fully interdependent, legal and administrative boundaries are used to delay or prevent the leveling effect of pure competition in an attempt to set aside what would otherwise be public resources for private use. While the usual rhetoric is that pure markets serves as an invisible hand to promote more efficient use of resources, it is less frequently recognized that this rhetoric may have been developed and employed by Adam Smith as an argument against the protected status of the East India Company in India. (Smith 1776) Some of those using the free markets rhetoric still want government tariffs and other protections. There is a tension between governments offering protections as bait for relocation in order to gain tax revenues even as managers try to structure transactions to minimize tax burdens. In this game some governments have begun using a strategy of inviting businesses into their borders in a very low or non-taxed status in order to benefit from the spin-off consumption or individual income taxes paid by trade partners.

While Big Data tools provide the potential to rapidly track meta-trends in financial and nonfinancial metrics, the analytical results are often being used not for collective, but for private ends – to sell more material goods or to protect intangible rights on a par with material goods. Recognition of the value of brands has tended to be accompanied by the use of legal structures to protect and grant a material-like gravitas to the esoteric, intangible perceptions associated with the pictures, logos, and trademarks that make up the brand-value. Even state and national accounting societies today promote the recognition of their brand and staunchly defend the use of their logos from non-certified accountants even as reams of signed assertions too lengthy for anyone to have really read in detail must be maintained to protect those inside the accounting guild from encroachment by unbranded accountants. As regulatory structures tighten over time, practitioners who receive a charter or certificate that is covered by required continuing education and peer review requirements find it difficult to leave the accounting guild even where certification is not mandated for services like tax or consulting.

Tuttle and Dillard (2007) argue that empirical financial economics research dominates the elite American accounting journals. Publishing a preponderance of markets based studies built on a narrow base of theory that stresses an individualistic self-interest, these journals often ignore critical perspectives that maintain positive theory cannot exist devoid of underlying value judgments (Putnam 2007) and its results may not hold beyond a limited time frame. The President and CEO of Social Science Research Network (SSRN) Gregg Gordon (2013) documents that inter-disciplinary dialog between accounting and other fields is far less than the norm in other disciplines. Unlike management science which borrows widely from fields as broad ranging as neuro-biology, sociology, psychology, and economics, the accounting profession’s ability to innovate is stifled by its lack of connections with other fields.

The emphasis on financial accounting and auditing topics in certification programs has an important impact on undergraduate college curricula. American programs tend to place an emphasis on training accountants to play within the parameters of existing rules rather than looking for innovations in accounting practice. In contrast to management disciplines that embrace a multi-disciplinary approach to practice and research, the rate of change in accounting techniques and philosophies is arguably weaker. Chu (1986) points out that very little truly radical change has occurred in management accounting practice. Wichramasinghe & Alawattage’s (2007) text on alternative approaches and perspectives in management accounting change emphasizes the crisis of bureaucratic
forms of organization, but the profession as a whole provides little in the way of concrete innovations to meet the challenges. The adoption of restrictive journal publishing lists by accredited schools further exacerbates the problem of cross-disciplinary discussion and collaboration. Rutherford (2012, 198) summarizes the results of multiple opinion polls that indicate "financial reports, despite occasional crises, are generally well received by their target audience." Given that major funders of the US and international standard setting bodies express continuing satisfaction with the usefulness of accounting, this would suggest that standard setters have little incentive for significant innovations in their overall model.

VIII. IMPLICATIONS FOR THE ACCOUNTING PROFESSION

While Scott (1931) is ahead of his time in predicting an increasing use of data and objective measurement to control society, he was not in a position to foresee the coming shift from mechanical to digital technologies. The use of digital technologies, global communications, and ease of doing business independent of a physical location suggests an increasing tension between real-world uncertainties and the conventional views of an objective, solid, predictable universe which can be accounted for using rigid categories of financial information from an individualistic perspective. The choice of conceptualizing accounting reporting entities, financial statement elements, and even the parameters of academic disciplines as bounded and natural has significant implications, and not merely for the external financial reports controlled by standard setters. Even more important is how such views may impact accounting professionals' perception of their role in society at large. Dr. Scott predicted that accounting would come to have a legalistic status. This legalistic codification of financial accounting standards seems to come with the price of a crystallizing of current practice that makes adaption to change increasingly difficult. The FASAB, being rather late on the scene in terms of codifying U.S. accounting standards for the federal government, in its Statement of Federal Financial Accounting Standards on the Reporting Entity (No. 47 2014) provides a lengthly discussion of indicators of control for determining whether information should be consolidated with or disclosed in relation to general purpose federal financial reports. This is in stark contrast to the brief, 'self-evident' conceptualization of entities in the FASB/IASB Reporting Entity exposure draft. This seems to reflect a posture within the FASB/IASB of being reluctant to open up for conversation any changes in the entity-parsing rules that already appear within the extant statements. Thus, the lack of underpinnings for addressing Reporting Entity issues becomes a self-fulfilling legal precedent -- the current parameters are a given and cannot be questioned or changed. Not questioning the parameters of the field, functions used to be considered part of the accounting apparatus has now been relegated to information specialists, sustainability experts, production statisticians, and human resource professionals.

Could it be that the accounting profession finds it difficult to develop a mindset of innovation because its unquestioning acceptance of fixed boundaries creates and supports a culture that is intent on doing the impossible? The accounting conceptual frameworks have taken on a task of carving out rigid financial statement definitions for constructs that are not always inherently disjoint and finite but to the contrary may be fluid and interpenetrating. The accounting profession has also hammered out a slippery bargain with government entities in an effort to protect its franchise to provide tax, financial, and auditing services under certification programs that test and give continuing credence to extant techniques, many of which are holdovers from a pre-digital era, rather than fostering a spirit of innovation or cooperation with other disciplines. Regulators, with the acquiescence of accounting practitioners, regularly increase the educational barriers to entry and the continuing education and peer review requirements to maintain certification even as their accounting societies decry the shrinking pipe line of talented young people interested in taking traditional certification exams (Drew 2015). Once in the profession, management accountants and their auditors alike spend hours signing documents specifying which entity is legally responsible for which representations even as these representations seem to do very little to protect accountants from legal and reputational liability in the long run. The Western legal profession is based on a premise of establishing rigid one-size-fits-all rules and boundaries that establish property rights. One-rule-for-all legal systems would seem to be unbiased and on its face the defense of property rights would seem to be a worthy goal, yet in practice some sectors of society are beginning to question whether the incarceration rates in the U.S. and the costs businesses incur to defend themselves from legal challenges is sustainable. It is unclear if these trends point to a broader conceptual shift that will begin to open up for debate the basic assumptions behind rules and boundary lines in the legal and accounting professions.

This paper makes no ultimate claims about whether the concept of a bounded self or an unbounded self is more correct. If societies agree that barriers are 'real,' then they become real. The purpose of this paper is rather to suggest that there are persistent alternatives to the Western perspectives on individualism and single versions of
reality, objectivity, and accuracy that have rarely been discussed. Failure to discuss alternatives enhances the power of conventional power structures. The primary aim of this paper is to emphasize that some practical problems are incapable of resolution within a paradigm where the very existence of conventional entity boundaries are taken as a given. The paper suggests that the accounting profession to date has largely avoided grappling with basic philosophical questions by treating entities as givens. Even within philosophy, idealists sometimes use an unprovable axiomatic principle to serve as a foundation for an analytical structure. Either a personal God concept or an impersonal secular concept like fairness or justice can be posited for such a foundation. Could it be that the accounting profession is substituting a belief in the inherent substantiality of entities to serve the same purpose? Dominant accounting conceptual frameworks make no explicit claim to any particular form of religious or secular faith. Yet given that there are many cultures built on foundations other than bounded, finite objectivity, could it be that claim that entities are self-evident is an indicator of a subtle, but implicit culture-bound mindset? Another question worth considering is whether the accounting profession uses the fact that it is difficult to determine when a given set of issues are in the overall public interest, as an excuse to ignore broad public interest ramifications of its practices? To ignore justice issues as too difficult to resolve ‘objectively’ while holding out that accounting provides neutral, objective decision making data within conventional entity structures is to implicitly argue that the conventional structures are the best of all possible worlds. Our current models measure income of owners or the entity, but do not emphasize whether those resources are distributed equitably. Our current models only provide limited footnote disclosures about what portion goes to the employees, the owners, and the broader society.

It is important to ask the question why accounting conceptual frameworks find it necessary to claim that entities are self-evident. Painting the boundaries of entities as self-evident rather than inherently controversial is an implicit affirmation of the legitimacy of conventional views of legal boundaries and the illegitimacy of broader public interest claims. As the authors of both the conceptual frameworks and the rules of practice, the FASB and IASB cannot be unaware of the problems inherent in parsing the boundaries of accounting entities and elements. The failure of the 2010 exposure draft on the Reporting Entities chapter to provide any meaningful discussion about the underlying principles of boundary determination suggests that the accounting standard setting process has reached the stage predicted by Scott wherein accounting rules need no justification other than administrative fiat.

There are certainly valid reasons for accounting professional bodies in diverse, democratic societies to espouse a measurement system that is not directly tied to any particular religion. Still, the question remains as to what might happen if accounting academics, accounting professionals, or even society as a whole began to recognize and discuss the inherent philosophical, cultural, or religious biases inherent in the claims that entity boundaries are self-evident and can be objectively drawn. The unitary perspective would not preclude practical applications of accounting, but it would place more emphasis on making explicit the limitations of accounting measures rather than trying to create artificial impressions of precision and accuracy. An alternative unitary perspective would suggest that accounting accuracy can never be fully attained, and yet open up for discussion aspects of accounting practice like fair wages and environmental concerns that are row treated as externalities or peripheral concerns. Further, a unitary perspective would emphasize that our conventional attempts to rope off sections or entities in order to measure and cast blame results in an artificial framework does not adequately deal with interdependencies in the system. The unitary perspective that ‘your neighbor is yourself’ also opens up the concept of ethical behavior to a much broader field than models that assume any type of business pursuit for individual gain is acceptable as long as it does not violate specific legal or regulatory statutes.

Valuation models based on the present value of future cash flows implicitly reward only those companies that continue to grow more efficient year after year. Purely competitive markets are supposed to promote efficient use of resources, but most firms accomplish their efficiencies by buying out other companies. The market model of efficiency becomes unsustainable as we approach a situation where many industries have only a few oligopoly players left. When an industry is left with a small number of unstable but ‘too big to fail’ players, the overall system may become unstable. While self-interested corporate structures are the conventional model, it may be time to consider a paradigm shift away from the dominance of self-interested, individualist models to something more in line with the organic, biological model suggested by Korten (2000).

Thinking more explicitly about the inherent problems of delineating entity boundaries would not necessarily result in less self-interested action and more altruism in accounting practice. The problems of state-owned enterprise are indicative of the potential for seemingly collectivist agendas to devolve into stagnant systems serving new forms of self-interest. Even efforts to report on sustainability initiatives or average wage levels can be
slanted to promote individualist interests of special interest groups or specific firms. Still, emphasis on the interdependencies within complex systems might change the types of research questions in accounting. Rather than following a dominant paradigm focused on enhancing shareholder wealth and market efficiency, academicians might be more likely to address questions of what it means to achieve accountability in the public interest, the externalities implied by high profits, the equitable distribution of profits, and questions about the degree to which appropriations of monetary rewards based on ‘fair value’ numbers appropriate perceptions about future actions to current shareholders. More discussion about the artificial boundaries of disciplinary fields could also serve to draw attention to the limitations of academic journal rating lists that reward isomorphic, popular research paradigms rather than boundary spanning innovation.

The Center structure recently adopted by the American Accounting Association is an opportunity to better engage with constituents beyond the traditional base. Projects are on the drawing board to address the scope of acceptable intellectual contributions by the Education Center and to identify viable advocacy activities within the Public Interest Center. These efforts provide interesting opportunities to re-envision the accounting profession’s engagement with significant societal issues. Nevertheless, it is important to recognize that the customary funding sources for these activities and the inherent connections between donors, governments, and financial institutions will make it very challenging to break away from what Scott (1931) sees as an inherently conservative tendency in the overall social and institutional structure.

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