

What does accounting do?
What should accounting do?
What should accounting not do?

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What ...?

What is accounting today?

or

What is the core essence of the word/subject?

What ...?

Handbook of Accounting, Accountability and Governance, published by Edward Elgar

Edited by: Garry D. Carnegie and Christopher J. Napier

“Accounting performs accountability; accountability nurtures governance; governance presumes accounting”.

“Accounting, accountability and governance are inter-related. Our statement above seeks to provide an appreciation of the fit of these three major elements of human life. Which of these elements started first? This question resembles the often-posed question in everyday life: “What came first – the chicken or the egg?” The rooster, however, barely gets a mention”.

What ...?

Definitions of accounting

- Definitions of what is taught today date to at least the early 1940s and are truly past their “use by dates”
- The answer to this question will stimulate what is taught and what is learnt in accounting education
- Today’s students of accounting will be tomorrow’s future leaders of the profession

Redefining accounting for tomorrow

Now nearing 2023, what is an informative, relevant, meaningful definition of accounting for tomorrow?

- For discussion and debate, a potential **NEW** *multidimensional* definition of accounting is proposed:
- **“Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature”**
(Carnegie, Parker & Tsahuridu, 2021a*, 2021b**)

* “It’s 2020: what is accounting today?”, *Australian Accounting Review (AAR)*
<https://onlinelibrary.wiley.com/doi/full/10.1111/auar.12325> (first published, 22 November 2020)

** “Redefining accounting for tomorrow”, *Knowledge Gateway*, IFAC: [Redefining Accounting for Tomorrow | IFAC](#) (published 6 April 2021)

Redefining accounting for tomorrow

Today: Tuesday, 29 November 2022

- Accounting is much more than an ensemble of techniques, concepts and procedures – it is not a ***technical practice*** alone; it is beyond a purely instrumental or technical pursuit
- Accounting is ***social practice***; it underlies and enables organisational action and human activity, guiding and influencing our behaviours and organisational culture, thereby ordering our lives such as by means of key performance indicators (KPIs) or metrics
- Accounting is ***moral practice***; a practice whose actions and inactions influence others now and in future and helps shape the moral order of organisations and society

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Accounting a social practice: Today we know

- Conceptions of accounting have broadened as the impacts of accounting have been subject to greater attention by contemporary and historical accounting researchers since the early 1980s
- Accounting has increasingly become an object of study less as technical practice, but rather as a pervasive, enabling and disabling social phenomenon – *a social practice*. What are the effects of accounting in the world?
- Accounting is increasingly recognised for its effects on (and reflections of) people's behaviours and their actions, both in organisations and society, with ramifications for organisational and social functioning and development

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Accounting as social practice: Illustration

National Library of New Zealand (NLNZ)

- Opened in 1920 as the “Alexander Turnbull Library, the NLNZ “Heritage Collections” were valued for financial reporting purposes at NZ\$522 million as at 30 June 1994
- The New Zealand government introduced a capital change (per annum) of almost 10% upon the reported assets of government departments
- NLNZ was a government department – charge applied
- Proposals emerged to sell key parts of the collection
- The solution: The Heritage Collections were “transferred to the Crown on 1 July 1994 at book value” – a book entry

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Accounting as moral practice: Today we know

- Accounting is not independent of, or disconnected from, morality. Indeed, *morality is at accounting's core*, which has tended to be envisioned through auditing and assurance, which fall within the jurisdiction of professional accounting or professional accounting and auditing
- Centrality of morality: External Audit, Internal Audit, Audit Committees, Code of Ethics for Professional Accountants (APES 110 in Australia), Boards of Directors
- When accounting students understand the full dimensions of accounting, they appreciate how morality is central to its practice; accounting and audit must be trusted by the public; it is not just a technical pursuit – *a moral practice*

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Accounting as moral practice: Illustration

State Film Centre of Victoria (SFCV)

- The SFCV (1946) became a leading cultural centre archiving Australian and international cinematic works
- A “novel” financial valuation approach was devised
- The length of each film held was determined and this was multiplied by the costs of replacing films with new (blank) film (as quoted by a major supplier)
- The monetary valuation was subject to audit
- This illuminates a purported lack of morality as it involves misrepresenting the “heritage collections” by a measure which has nothing to do with the heritage resources held

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To recap on the multidimensional definition proposed

“Accounting is a technical, social and moral practice concerned with the sustainable utilisation of resources and proper accountability to stakeholders to enable the flourishing of organisations, people and nature”

This proposed definition addresses these key questions:

- **Technical practice: How do we do accounting? What conventions drive what accounting fails to do?**
- **Social practice: What does accounting do? What are the impacts of accounting in the world?**
- **Moral practice: What should accounting do? What should accounting not do?**

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Accounting for a better world

- Is “accounting” achieving its full potential?
- Have you ever posed this question *or* heard it posed?
- The aspiration of “accounting for a better world” ... is when accounting is conducted and deployed for the betterment of society and the natural environment, which means for the benefit of all of us, humans and non-humans alike **“to enable the flourishing of organisations, people and nature”** (Carnegie, Parker and Tsahuridu, (2021a, 2021b))
- A better world is one in which “we” act purposefully to nurture the continuous flourishing of organisations, people and nature

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Reflection points

- Accounting comprises both ends and means – the means “are hyper-developed, but the ends of accounting seem to be under-articulated and indeed hazy, if not very hazy or opaque” (Carnegie, Parker and Tsahuridu, 2021a, p. 69)
- Accounting is to be undertaken with full regard for, and adequate understanding of, the organisational and social contexts in which entities operate
- “On trying to study accounting in the contexts in which it operates”, see: Hopwood, 1983/AOS, 8 (2/3)
- Accounting has indeed yet to reach its full potential
- We all gain our sustenance and joys from Planet Earth

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Compare and contrast: Conventional definitions

- The American Institute of Accountants (now the American Institute of Certified Public Accountants/ASCPA), formulated the following definition of “Accounting” in 1941 as “... *the art of recording, classifying, and summarizing in a significant manner and in terms of money, transactions and events which are, in part at least, of a financial character, and interpreting the results thereof*” (American Institute of Accountants, 1953, p. 9)
- The American Accounting Association (AAA) dates from 1966: “*Accounting is the process of identifying, measuring and communicating economic information to permit informed judgments and decisions by users of information*”

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Compare and contrast: Conventional definitions

- According to Wikipedia “*Accounting, also known as accountancy, is the measurement, processing and communication of financial and non-financial information about economic entities such as businesses and corporations*”. Accounting – Wikipedia (last visited 27 November 2022)
- Deegan (2019) in a market-leading Australian textbook entitled *Financial Accounting* (now in its ninth edition), provided the following definition of accounting as: “*The provision of information about aspects of the performance of an entity to a particular group of people with an interest, or stake, in the organisation – we can call these parties stakeholders*” (p. 3)

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Towards redefinition of accounting

- “Accounting is more influential than many people may think. We contend that accounting has yet to reach its full potential and a clear and highly relevant ‘*game-changing*’ definition can provide the foundation for that achievement” (Carnegie, Parker and Tsahuridu, 2021a, p. 72, emphasis added by presenter)
- “Accounting is *not* a mere neutral, benign, technical practice” (p. 72, emphasis added by presenter)
- “Understanding more fully the nature, roles, uses and *impacts* of accounting, we argue, will help to shape a better world” that is “consistent with a more balanced perspective on planet, people and profit” (p. 72, emphasis added by presenter)

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Towards redefinition of accounting

- Discussion and debate is occurring and necessary “around the new definition of accounting proposed herein, as a necessary pre-condition to help *move accounting to its future* as technical, social and moral practice” (p. 72; emphasis added by presenter)
- Moreover, there are many “big questions” to be answered and “wicked problems” to be solved in the world
- Indeed, “climate crisis”, moving beyond “climate change”, has been identified as a “super wicked problem”.
- Accounting’s main agenda and its contribution to the social and environmental good can be purposely extended, both in the public and our planet's interests

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Towards redefinition of accounting

- Accounting, defined as multidimensional can, and indeed must become, more proactive and interdisciplinary in working collaboratively with other disciplines
- Get involved! Take a look at an Academia conversation on “Accounting as technical, social and moral practice: The monetary valuation of public cultural, heritage and scientific collections in financial reports”, *Australian Accounting Review*, published 5 April 2022: [Discussion: Accounting as Technical, Social and Moral Practice: The Monetary Valuation of Public Cultural, Heritage and Scientific Collections in Financial Reports - Academia.edu](#)

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Conclusion

Let's work together collaboratively towards redefining accounting for tomorrow as multidimensional to achieve:

- 1) Greater understanding in the accounting profession of the effects of accounting in the world
- 2) Heightened awareness in organisations and society of the *effects* of accounting and how it (we) can help to shape a better world (Carnegie, 2022).

“Many voices can be heard but silence is *not* platinum!”

Moreover, “words are soft; actions yell”!

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A news flash of note?

At the World Congress of Accountants held recently in Mumbai, ACCA Chief Executive, Helen Brand OBE, said.

“Performance drivers are no longer just financial – sustainability and non-financial disclosures need to be embedded into planning and performance processes to create a *multidimensional* picture beyond the constraints of annual planning cycles. This will mean transformation of planning and performance management processes and culture for many organisations” (emphasis added by presenter)

Source: CA ANZ and ACCA Media Release, 18 November 2022 (daniel.webster@charteredaccountantsanz.com)

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Take home

- “Don’t ask what accounting can do for you; ask yourself what you can do for accounting in shaping a better world”

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Selected other resources

- Academia conversation: *Shaping the future of accounting in business education in Australia*: <https://www.academia.edu/s/55e874a9c6>
- Academic conversation: “It’s 2020: what is accounting today?”, AAR: <https://www.academia.edu/s/0fe16f64e6?sourc>
- AFAANZ Webinar Panel, 25 August 2021, “COVID-19 and accounting education in Australia: the state of play and what lies ahead”, Past events, for recording and other resources: [AFAANZ Insight Series - Accounting and Finance Association of Australia and New Zealand](#)
- American Accounting Association (AAA) (1966), ‘*A Statement of Basic Accounting Theory*’, *Committee to Prepare a Statement of Accounting Theory*, AAA, Evanston, Ill
- American Institute of Accountants (1953), *Review and Resume*, Number 1, Accounting Terminology Bulletins

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Selected other resources (cont.)

- Carnegie, G.D. (2022), “Global university rankings: The macro-micro contradiction in public university management”, *Accounting and Management Review*, Vol. 26, No. 1, pp. 77-109, see: [Global university rankings: The macro-micro contradiction in public university management | Accounting and Management Review | Revista de Contabilidade e Gestão \(occ.pt\)](#)
- Carnegie, G.D. (2022), “Accounting 101: redefining accounting for tomorrow”, *Accounting Education*, Vol. 31, No. 6, pp. 615-628, see: [Accounting 101: redefining accounting for tomorrow: Accounting Education: Vol 31, No 6 \(tandfonline.com\)](#)
- Carnegie, G.D., Ferri, P., Parker, L.D., Sidaway, S.I.L. and Tsahuridu, E.E. (2022), “Accounting as technical, social and moral practice: the monetary valuation of public collections of cultural, heritage and scientific collections in financial reports”, *Australian Accounting Review*, 5 April, pp. 1-13, see: [Accounting as Technical, Social and Moral Practice: The Monetary Valuation of Public Cultural, Heritage and Scientific Collections in Financial Reports - Carnegie - - Australian Accounting Review - Wiley Online Library](#)

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Selected other resources (cont.)

- Carnegie, G.D. and Kudo, E. (2022), “Whither monetary values of public cultural, heritage and scientific collections for financial reporting purposes”, *Journal of Public Budgeting, Accounting and Financial Management*, 9 September: <https://www.emerald.com/insight/content/doi/10.1108/JPBAFM-05-2022-0092/full/html>
- Carnegie, G., Parker, L. and Tsahuridu, E. (2022a), “Accounting research for shaping a better world”, *Knowledge Gateway*, IFAC, 18 October: <https://www.ifac.org/knowledge-gateway/developing-accountancy-profession/discussion/accounting-research-shaping-better-world>
- Carnegie, G., Parker, L. and Tsahuridu, E. (2022b), “SOS accounting educators: developing accounting and accountants for a better world”, *Knowledge Gateway*, IFAC, 19 April: <https://www.ifac.org/knowledge-gateway/preparing-future-ready-professionals/discussion/sos-accounting-educators-developing-accounting-and-accountants-better-world>

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Selected other resources (cont.)

- Carnegie, G. and Tsahuridu, E. (2019), “Key performance indicators and organizational culture: a new proposition”, *Knowledge Gateway*, IFAC, 5 December: Key Performance Indicators and Organizational Culture: A New Proposition | IFAC
- Deegan, C. (2019), *Financial Accounting*, 9th edn, McGraw-Hill Education, North Sydney
- Hopwood, A. (1983), “On trying to study accounting in the contexts in which it operates”, *Accounting, Organizations and Society*, 8(2/3), pp. 287-305, see: <https://www.sciencedirect.com/science/article/abs/pii/0361368283900351>
- Tsahuridu, E. and Carnegie, G. (2018), “Accounting as a social and moral practice”, *Knowledge Gateway*, IFAC, 30 July: Accounting as a Social and Moral Practice | IFAC