

Epistemology of Accounting Practices: Another Frames of Objectivity Claims

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Abstract—The purpose of this article is mainly to examine the epistemology of accounting practice through a frame of view other than objectivity frame. Epistemology is how to get the right knowledge and the knowledge obtained is greatly influenced by what epistemology is used. At present, accounting is generally gained knowledge through modern epistemology. This article seeks to examine epistemology in accounting practices in addition to modern epistemology.

The results of this study confirm that modern epistemology is the development of scientific logic that combines rationalism and empiricism approaches. In addition, this also works by using objectivity and relying on understanding through the five senses. The epistemology of accounting practices needs to adopt interpretative art and be based on perspective. Accounting practices that emphasize accounting reports should be balanced with elements of conversation or dialogue, not just claims of objectivity. Accounting practices are becoming more complete and rich when viewed from various epistemological frames.

Keywords—*epistemology; accounting practices; objectivity*

I. INTRODUCTION

Knowledge can be obtained in two ways that is through active human efforts through thinking activities consisting of reasoning and intuition, and non-active human efforts obtained for example through revelation [1]. Knowledge is all what we know about a particular object, both concrete and abstract objects [2], including science, language, and art. Knowledge is mental wealth that directly or indirectly enriches our lives. Knowledge is basically there to answer certain questions. In

this case, we expect the right answer, then the problem arises how we arrange the right knowledge.

Thinkers say that science was developed by humans to understand the reality of the universe. Science is a human effort to investigate, discover, and improve human understanding of various realities that exist. Science is formed because humans think to increase the knowledge they have. What about knowledge of accounting or what is believed to be true?

Knowledge of accounting is one part of the social science field. Burell and Morgan stated that knowledge on the concept of social science is very appropriate when using assumptions with ontology, epistemology, human nature and methodology approaches [3]. In another study, according to Creswell, philosophical assumptions in qualitative research consist of four beliefs that are: ontology (character of reality); epistemology (what counts as knowledge and how the claim of knowledge is affirmed); axiology (the role of values in research); and methodology (research process) [4]. Each type of knowledge has specific characteristics regarding its ontology, epistemology, axiology and methodology.

One approach to gaining knowledge is done using epistemology. Epistemology is how to get the right knowledge. Every epistemology of knowledge has a problem about how to get the right knowledge by taking into account the aspects of ontology and axiology respectively. The knowledge gained will be greatly influenced by what epistemology is used, one of which is modern epistemology.

This article aims to examine the epistemology, modern epistemology, and epistemology of accounting practices.

II. EPISTEMOLOGY AS AN ASSUMPTION

Epistemology comes from the Greek *episteme* and *logos*. *Episteme* means knowledge and *logos* means knowledge or refers to systemic knowledge, so at the same time epistemology can be interpreted as systemic knowledge about knowledge or science that investigates the understanding and subtleties of knowledge [2]. Epistemology is a discussion of how to gain knowledge or focus on a process of seeking knowledge: what are the sources of knowledge? What is the nature, scope, scope of knowledge? To what extent might human knowledge be obtained? [1]. Epistemology can determine a person's view of a truth in terms of the nature, source, and validity of that truth. Epistemology is said to be a logical consequence of how truth can be known to be guided by the fundamental beliefs that researchers have [5].

In qualitative research, epistemological assumptions mean that researchers try to be as close as possible to the participants studied; subjective facts are arranged based on individual observation [4]. To answer how knowledge is known, knowledge is finally known through subjective experiences of participants or the community. Researchers need to conduct field studies where participants live and work, which is the context for understanding what is said by participants. The more researchers know the participants, the better the understanding obtained from the participants' information. Therefore, in this view, the researcher tries to minimize the objective distance or separation between the researcher and the participants being studied.

Another view of epistemology is the question of how to obtain knowledge, with what knowledge is obtained, and how the nature of knowledge is studied by the scientific method, which is a way to arrange true knowledge [1]. The right knowledge is obtained through the right method and can be justified academically. Scientific science is science that is able to explain its existence scientifically, which has a clear methodology. Therefore, epistemology is the way and the direction of human thinking to acquire and discover knowledge through the ability of reason, senses, and intuition. The scientific method consists of a rare step-formulation of a problem, the preparation of a framework of thought, the formulation of a hypothesis, testing a hypothesis, and drawing conclusions, which are believed to be the procedures in obtaining knowledge correctly.

Morrow and Brown stated that epistemology is closely related to ontology because it is very important to know the nature of social reality before determining its analysis. Realism is related to positivist epistemology, whereas nominalism is consistent with anti-positivist epistemology [6]. Positivist is closely related to objectivism which aims to identify knowledge by finding various laws that determine the relationship between observed empirical facts. Positivist theories include empiricism, functionalism, and materialism. In contrast, anti-positivist epistemology is consistent with subjectivism in identifying knowledge by interpreting the meanings and beliefs of social actors. Subjectivism is closely related to interpretative in sociology such as symbolic interactions and phenomenology.

III. MODERN EPISTEMOLOGY IN THE OBJECTIVITY FRAME

The development of modern epistemology is related to the main idea of Aristotle which introduces capturing with the senses and understanding intellectually, at the next stage to make general, complete, and complex concepts about the teachings of moderate realism that teaches the truth of the universe allows for philosophy and science. In the next period people tend to be materialism which is the opposite of intellectualism.

Descartes (1596 - 1650) was called the father of modern epistemology in the era of positivism. According to him mind and matter are primary, so it is called dualism. That is, the mind is the material (brain) that thinks, and the material is the concept of thought [2]. Influence on positivism refers to rationalism, as Descartes found. Rationalism believes that knowledge is based on real reasons, not based on beliefs or drawn from factual evidence [6].

Immanuel Kant (1724 - 1804) stated that thought plays an active role in making things understandable; the mind gives understandable properties to things; while the truth / reality is itself (without the touch of a human mind) it cannot be understood. For Kant, knowledge is a product of the mind through direct experience and transcendental means [2]. Kant tried to avoid rationalism and empiric by looking at the subject of human reason, not objective facts (objects) to justify the validity and uniqueness of scientific knowledge. Kant argues that the human subject has a certain *a priori* reason, but empirically, the truth is also obtained from the effectiveness of the capacity of pure reason [6].

According to Burrell and Morgan of social science, the debate that arises is between positivist epistemology and anti-positivist epistemology [3]. Positivist epistemology is based on the traditional approach that dominates natural science, whereas anti-positivist epistemology says that the social world can only be understood from the perspective of an individual who is directly involved in the activity being studied. Epistemology with an objective approach believes the truth of reality apart from the consciousness and existence of the individual (distance from the individual) [5]. The truth is obtained by the process of falsification to explain and predict the causality of various variables that form phenomena. On the other hand, epistemology with a subjective approach believes that truth is obtained by understanding individuals who are in the phenomenon under study. That is, the truth can be obtained by being as close as possible to the individual under investigation.

An understanding of modern epistemology refers to positivism logic. Modern epistemology is the development of scientific logic that combines approaches of rationalism and empiricism [7]. A rational approach to compiling knowledge is a consistent and cumulative manner. The cumulative process to build knowledge is done by strengthening or weakening a research result with other research results [5]. An empirical approach separates knowledge from facts and facts. Therefore, the view emerges that science is a collection of knowledge that is arranged consistently and its truth can be tested empirically.

Modern epistemology works by using objectivity and relying on understanding through the five senses. Knowledge is built

on anything that is material, physical, and real or concrete. Then they use the scientific method to guide them in answering questions that can later be compiled into science. Modern epistemology also believes that reduction is necessary to formalize problems logically so that it is easier to understand phenomena [7].

Positivism is the earliest scientific paradigm to emerge in the world of science. The basic belief of this flow is rooted in the ontology of realism which states that reality exists in reality which is in accordance with natural law [3]. The research effort, in this case is to reveal the truth of existing reality, and how the reality actually works. Positivism is a philosophy that states natural science as the only true source of knowledge and rejects activities related to metaphysics or knows no speculation, all based on empirical data. Positivism emerged in the 19th century driven by sociologist Auguste Comte, with the fruit of his work consisting of six volumes entitled *The Course of Positive Philosophy* (1830-1842). According to Comte, human development takes place in three stages which are theological stage, metaphysical stage, positive stage [8]. At this theological stage, humans believe that behind natural phenomena there are supernatural powers that regulate the function and movement of these phenomena. at this level of thought there are three more stages, namely the stage where people assume that all things have a soul (animism); the stage when people believe in supernatural powers so that each phenomenon has its own god (polytheism); the stage where people change gods to monotheism, that is, humans believe in something absolute.

According to Emile Durkheim the object of the study of sociology is social fact (social-fact) [9]. The social fact in question is not just a social contract. However, society is formed by group awareness that affects the lives of individuals. Even though social facts come from outside the individual's consciousness, in positivism research, the truth information is asked by research to individuals who are made as research respondents. In order to achieve this truth, a truth seeker (research) must ask directly to the object under study, and the object can provide answers directly to the relevant research. This epistemological relationship, must place the researcher behind the scenes to observe the reality of reality as it is to maintain the objectivity of the findings. So methodologically, a study uses an empirical-experimental methodology to ensure that the findings obtained are truly objective in describing the actual situation. They look for high accuracy, accurate measurements and objective research, and they also test hypotheses by analyzing numbers that come from measurements.

Positivism recognizes existence and rejects the essence of rejecting any definition that cannot be reached by human knowledge, even free of value [10]. This view causes social science to be predictive and explanatory as well as natural and exact sciences. These generalizations summarize all the facts that exist, humans, society, and culture are explained mathematically and physically. Accounting is developed based on the positivism thinking, built on objective facts in society and business. Material (objective conditions) is the basis for the development of accounting science using inductive to deductive patterns [2].

Based on the description of modern epistemology that develops knowledge based on objectivity and makes various reductions, so as to produce a partial science, the field of accounting starts to move from modern epistemology (positivism) by opening up to understand the reality of accounting with other epistemologies.

IV. THE EPISTEMOLOGY OF ACCOUNTING PRACTICES AS A CONSTRUCTION OF REALITY

In the subsequent development of modern epistemology in the field of accounting much criticized by scientists. Gareth Morgan put forward an opinion that criticizes modern epistemology in the field of accounting [11]. The implication is that accountants might be objective (ideally) in presenting reality in the right way. However, accountants are only able to understand aspects of accounting reality in a limited way, with a relationship scheme. Objectivity is only on the part of the object being observed, then connected with the principles and practices of accounting partially and one-sided display of the entire world view.

An objective perspective is widely used today to understand reality in accounting. The accounting process aims to create financial statements that are used for information about business performance. In this case accounting only pays attention to the numbers in the financial statements only. The numbers are said to reflect the company's operations. This perspective only prioritizes objectivity. Aside from the company's operations, as an element in business reality, there are still many things in reality that are not disclosed in the business performance report. For example, the environment that supports business, the work ethic of the employee, the culture of the business organization, the business relationship with the community, with government, and other things, which are also part of the reality of the business itself.

In relation to accounting practices Morgan has the same opinion, namely that the reality in accounting practices is handled in a numerical way, which is then used to build an accounting framework (for example: cost and income flows) [11]. Views numerically direct accounting to see reality through objective and value-free numbers. But if observed further, accountants also have a subjective side that can construct reality in addition to the objective side.

Current accounting research has evolved from modern epistemology that emphasizes objectivity towards epistemology that uses subjectivity in accounting practices to establish truth in accounting. Richardson, in a discussion on qualitative management accounting, suggested that management accounting practices can be understood in detail through a multi-theoretical perspective [12]. Furthermore, it is said that ontological management accounting research has the most extreme position, namely the standpoint of idealism or realism. Both ontological viewpoints have implications for epistemology which also have extreme positions that is positivism and interpretive. Positivism recognizes that knowledge must be based on testing propositions from general theories and knowledge that persists in empirical testing is valid. The alternative is interpretive, which recognizes knowledge based on understanding the meaning of events and prioritizes interpretations to justify claims of knowledge. The

idealist perspective is paired with the epistemology of interpretive, while realism is coupled with the epistemology of positivism and interpretive. Thus, different epistemological assumptions can be used to construct social realities based on management accounting practices.

In reality in the field of management accounting various accounting practices are analyzed based on various theories developed with various epistemological assumptions. Theories used in management accounting include: psychological theory, economic theory, contingency theory, critical theory, agency theory, historical theory, and sociology [13]. This shows that accounting practices, as a basis for knowledge construction, are getting richer because they are seen from various epistemological frames.

This critical theory is used to understand accounting practices, especially in the field of management accounting. Discussion about the critical theory in management accounting was raised by Cooper and Hopper reviewing the basic approaches of labor theory, critical theory, and post-structuralism theory coupled with critical accounting literature namely strategic management accounting and new public management [14]. Management accounting can be fully understood by looking at the social, economic and political context so that it can reveal the role of power and conflict in accounting practices. Management accounting is not merely a technical activity, but is a set of practices that produce and reproduce reality. The constructed reality does not only cover organizational life, but also social and economic life at the macro level. The reality of accounting practices is closely related to how we view or ontology towards reality.

Whatever its form, ontology is closely related to the epistemology used in understanding reality. In critical accounting learning, Modell offers critical realist accounting research that discusses ontology and its implications for epistemology and methodology [15]. The interaction between exogenous structures (human objective living conditions) and endogenous structures (conditions of human subjective capacity as a reflexivity) leads to ontological synthesis. Critical realists are views of causality that revolve between complex interactions between human agents and causal forces in social structures. It can be said that between exogenous and endogenous structures, complex interactions occur which later give rise to a view of causality.

This view of subjectivity in accounting is consistent with Morgan's opinion that reveals the need for a way to recognize and accept subjectivity on the basis of accounting and accounting practices [11]. Accountants face complex situations such as economic vitality, investment decisions, the effectiveness of the operational production system, in a limited and one-sided manner. For example, in terms of accounting practices and corporate culture, it can be seen that an accounting system designed at the company will direct the behavior of everyone in the company to form a corporate culture. The existence of a reward system or daily money can change the behavior of employees to pursue rewards that they might be able to get.

Furthermore, how accountants can play an active role in the construction of reality, one of which was stated by Kamayanti, who redefined behavioral accounting through a multi-paradigm perspective. According to Kamayanti, behavioral

accounting science is identical to positivism, but actually behavioral aspects can be more enriching and make behavioral accounting more complete [16]. Behavioral accounting is discussed through four perspectives that greatly affect how we obtain knowledge about behavioral accounting. The four perspectives are positivistic, interpretive, critical, and postmodern. In addition to the four perspectives that are seen as a paradigm of secularism, Kamayanti suggests a non-secular perspective called a spiritual-religious perspective that recognizes the truth of science by confirming the truth of religious teachings (God's truth). Based on the spiritual-religious perspective, the epistemology used is different from epistemology based on a secular perspective. One way to gain knowledge can be done by connecting with God as the ruler of the universe, so that we can confirm empirical evidence as a science. In addition, this perspective also believes that reality can be changed and constructed in accordance with the demands of religion and everything that is approved by God.

V. CONCLUSION

Epistemology is a discussion of how to gain knowledge or focus on a process of seeking knowledge: what are the sources of knowledge, what is the nature and scope, scope of knowledge. Modern epistemology is the development of scientific logic that combines approaches of rationalism and empiricism. A rational approach is to compiling knowledge in a consistent and cumulative manner. An empirical approach separates knowledge from facts and fiction. Therefore, the view emerges that science is a collection of knowledge that is arranged consistently and its truth can be tested empirically. Modern science has developed rapidly, and is said to have ushered in a better human civilization.

Accountants often see themselves as an objective, value-free, technical from the company, and represent reality as it is. However, in reality, accountants are very subjective as reality constructors. They do not only practice technically, but also part of a broader process of reconstructing reality. The epistemology of accounting practices needs to adopt interpretative art and be based on certain perspectives. Accounting practices that emphasize accounting reports need to be balanced with elements of conversation or dialogue, not just as claims of objectivity.

According to Morgan, the accounting profession can answer the challenge of the concept of objectivity by facing subjectivity in the field of accounting. Accounting needs to adopt an interpretive style that can build accounting principles is an interpretive art and based on perspective. In accounting practices that emphasize accounting reports should be balanced with elements of conversation or dialogue, not just as claims of objectivity. On the other hand, many researchers also suggest that accounting practices can be understood through the concept of subjectivity using a variety of epistemologies, including those of a tolerant or non-secular perspective. The contribution of this article is that it can provide an understanding of how to obtain knowledge about accounting practices from a different frame of mind other than based on the perspective of objectivity that has been believed in the field of accounting. The implication is that it enriches accounting knowledge because it is obtained from a variety of epistemologies.

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