

# “Understanding accounting as a social and institutional practice: possible exit of accounting science from crisis”

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# UNDERSTANDING ACCOUNTING AS A SOCIAL AND INSTITUTIONAL PRACTICE: POSSIBLE EXIT OF ACCOUNTING SCIENCE FROM CRISIS

## Abstract

This article highlights the transformation of views on the understanding of accounting as a science in the new conditions for the functioning of enterprises operating in globalized markets in a dynamic competitive environment. The necessity of considering external factors (corporate scandals, financial crisis, etc.) in the development of accounting as a science is emphasized. The reasons for the need to confirm the scientific status of accounting are considered, the hypotheses concerning the gradual crowding out and replacement of accounting by information systems with artificial intelligence are refuted. Accordingly, the study aims to confirm the scientific significance of accounting and justify the need for its further development as a social science aimed at solving social issues and having a deeper social context. Various accounting models and identification of factors affecting their construction, as a result of which the goals of accounting are transformed, make the theoretical basis of this study. It is concluded that accounting is a social science that studies the features of the functioning of the accounting system as a social and institutional practice. Such an understanding of accounting science is considered one of the ways out of the existing crisis. The reasons for the lack of understanding among Ukrainian researchers of accounting as a social science are highlighted, and the ways to overcome them are suggested. It is proved that accounting, on the one hand, is a product of the social environment, an instrument for reflecting the economic reality of an enterprise. On the other hand, it influences the formation of social reality, being an instrument for shaping social processes and relations arising from the functioning of accounting as a separate socio-economic institute.

## Keywords

accounting science, accounting theory, social science, accounting as a social and institutional practice

## JEL Classification

M410, D02, Z13

## INTRODUCTION

The globalization of the world economic system and capital markets, the widespread use of information and network technologies, the emergence of socio-environmental externalities, as well as the prevalence of the role of intellectual capital in the formation of company value have become the main reasons for the need to transform the accounting system in the 21<sup>st</sup> century. This is noted by scientists, stating the need for a transition to a new accounting paradigm (Lev, 2003; Shortridge & Smith, 2009). However, due to the emergence of corporate scandals in the 2000s ("Enron", "World Com", "Parmalat", "Lehman Brothers" and others) related to accounting, as the main supplier of high-quality information for decision-making, reasonable claims were made regarding the possibility of its adaptation to such new conditions for the functioning of enterprises operating in globalized markets in a dynamic competitive environment.

As a result, some scholars note the academic stagnation of academic research in accounting (Moser, 2012), others note a general concern about their lack of innovation and isolation from practice (Hopwood, 2007), or consider accounting as a purely applied activity that has always developed in accordance with the pragmatic needs of business and society, and therefore it does not have and does not require the formation of a scientific foundation to fulfill the functions laid upon it. At the same time, representatives of related fields of scientific knowledge predict the gradual crowding out and replacement of accounting with information systems with artificial intelligence, confirming its scientific inferiority with existing distrust and public concern about the level of reliability of corporate financial statements. For example, the famous American scientist-physicist and futurologist Kaku notes that in the 21<sup>st</sup> century, useless intermediary professions will gradually die out, to which he also relates accountants (as cited in Kayne & Baer, 2017). In this regard, there is an objective need to confirm the importance of the existence of a scientific status of accounting for its further development and justification on the example of social sciences, which will allow incorporating existing accounting research into social issues and a deeper social context.

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## 1. THEORETICAL BASIS

The main reason for the recognition of accounting by science is its providing or serving role for users of financial statements. Based on what information the user needs, there should be the accounting models that ensure its formation. However, recently, the politicization of the process of reforming the accounting methodology by the national accounting system's regulatory entities has become more tangible. As a result, the process of development and implementation of such models is becoming more and more subjective. According to Watts and Zimmerman (1979), "The predominant function of accounting theories is now to supply excuses which satisfy the demand created by the political process .... given the existing economic and political institutions and the incentives of voters, politicians, managers, investors, etc. to become involved in the process by which accounting standards are determined."

Scientists in the field of accounting should create various models for identifying, measuring, recording, summarizing, and communicating the information that will ensure the satisfaction of the interests of users of financial statements. At the same time, not only the interests of a specific group of users (investors or borrowers) should be satisfied, but compromise options can also be realized, for example, the development of general-purpose financial reporting theory, according to which financial statements should have a general user orientation.

To achieve this goal, it is necessary to consider accounting as a particular activity for the production of scientific knowledge (in our case, making up relevant information models), which has its own regularities and development trends that were formed in different historical periods and are changed in the corresponding socio-cultural context. To make up new accounting models, it is necessary to have fundamental basics of accounting as well as means of analysis and forecasting of their dynamics. For example, the transition to a postindustrial economy changes the users' requirements for the accounting system, in particular, for accounting information, as the main result of its functioning. As a result, it is necessary to ensure making up new accounting models to meet the growing needs of users. However, what these models should be, and what is the basis for their development, can be defined only when accounting will be science with developed fundamental principles, not just a practically-oriented system of collecting and providing information to users to make a decision.

The need for the scientific status of accounting is explained by the fact that in the conditions of socio-cultural dynamics, there is a change in the requirements of users of accounting information, for the implementation of which accounting must have developed fundamental basics. Thus, it is not the researchers who endow accounting with the scientific status that rise above practice, raising the threshold for meeting the needs of professional self-realization. However, the requirements of practice are the primary reason why accounting should be a science that ensures the adequacy of accounting information models.

A vivid confirmation of the thesis put forward is the emergence of world-famous scandals with the companies “Enron”, “Lehman Brothers”, etc., the consequences of which led to significant changes in accounting rules and procedures (“Sarbanes-Oxley Act”), as well as necessitated an increase in the theorization of the “scientific” level of accounting. Another confirmation of the thesis justified above was the significant impact of the global financial crisis on the development of GAAP US and IAS/IFRS, which cast doubt on the appropriateness of using several accounting standards and elements of the accounting methodology, for example, fair value accounting (as a result of the above events, it has been strengthened and clarified). In particular, according to Krugman (2009), the existence of honest corporate accounting in the United States, which ensures proper functioning of the financial system, is utterly untrue, as a result of which the author calls the first decade of the new millennium a big zero – a decade in which economists achieved nothing and learned nothing. As an example of markers that indicate the obtaining of such results, the author cites creative accounting, comparability of reporting, misleading financial indicators, bonus payments based on the calculation of financial results, etc.

The permanent appearance in the accounting practice of loud shocks and collapses, on the one hand, is a significant blow to the reputation of the accounting profession, it destroys public confidence in it and, in general, in the activities of regulatory bodies of national and international accounting and financial reporting systems. However, on the other hand, the occurrence of such phenomena should be considered as yet another confirmation of the need for a developed “accounting science”, which will make up effective and efficient ways to solve issues arising from the development of new accounting information models. The recent shocks in corporate accounting practice are the primary reason for recognizing the need for a deep theoretical analysis of existing issues through the use of the fundamental foundations of the “accounting science”.

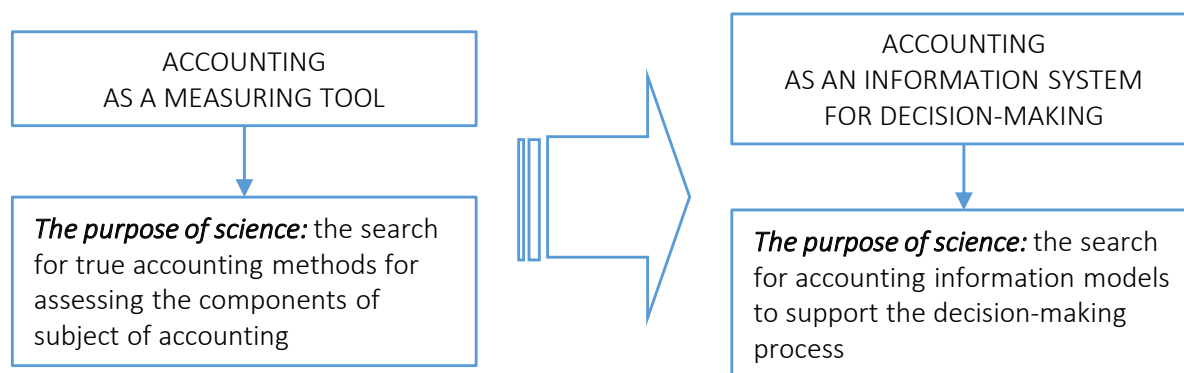
For the first time, a similar logic of proof of the necessity of the scientific status of accounting was suggested by prof. Littleton (1981), noting that “Accounting is relative and progressive. The

phenomena which form its subject matter are constantly changing. Older methods become less effective under altered conditions, earlier ideas become irrelevant in the face of new problems” (p. 361). The logic suggested by the author is based on the inseparability of the theory of accounting and accounting practice. The existence of a scientific theory of accounting is necessary to understand the latter and build an adequate accounting methodology in the face of changing practice.

Based on the same approach, the need for the scientific status of accounting was justified by prof. Ijiri (1967). He noted: “... accounting has its own discipline and philosophy, which have developed over the centuries. This does not mean that they should not be changed. It emphasizes that the response to the challenges should be made keeping in mind the effects of this response upon accounting foundations” (p. 10), as well as prof. Valuev (2002). The author noted: “... the accounting system should adapt to constantly changing requirements. In this regard, it should rely on its own science, which is able to deepen the general theory, formulate goals, objectives and principles, improve the accounting methodology (pp. 32-33).”

Given the suggested thesis about the need for a scientific status of accounting (ensuring the requirements of users in the context of socio-cultural dynamics), as well as the current trend towards a transition to understanding the essence of accounting from a measuring tool to an information system, which was formed in the mid-20th century in the United States with the appearance of information theory of accounting, the following can illustrate the change in the purpose of the “accounting science” (Figure 1).

Since the goal of science is the search for truth, earlier the purpose of “accounting science” as a measuring tool, was to search for true assessment methods. With a change in the purpose of “accounting science”, a reorientation to the making up of information models, the direct possibility of referencing the evaluation of the truth has disappeared. Stamp (1981) stated that accounting is characterized by the variability of the possible information models of reflection



**Figure 1.** Changing the purpose of the “accounting science”: a traditional approach

and evaluation, which leads to the multiplicity of the possible results of its functioning as an information system. As a result, the truth of the information provided by the accounting system, in many respects depends on the subjects making decisions on the choice of appropriate information models.

Today, in the context of the adopted approach to understanding the essence of accounting science, the truth of accounting is not the main goal that scientists should achieve with its development. The main goal of scientists in accounting is to develop accounting information models that are adequate to the development of the world of real objects that make up its subject, information about which is necessary for users to make managerial decisions. The essence of scientific accounting activity is to make up information models, which are new and specialized knowledge, the use of which helps to improve accounting practices and decision-making practices based on the use of accounting information.

One of the priority tasks of scientists in accounting, based on the above goal, is to make up a “map of accounting information models” for various accounting objects and its comparison with the world of real objects. The development of such a map will solve the issue of the scientific novelty of the suggestions of individual authors; in particular, it will identify duplication of suggestions. It will also predict the emergence of new areas of accounting scientific research by identifying those areas of the world of real objects for which there are no accounting information models.

## 2. RESULTS

One of the additional examples that confirm the need to form the fundamental basics of accounting is substantiating the role of accounting in the social environment. This is because today a group of scientists is accusing the direct involvement of accounting in the global financial crisis (Horvat & Korošec, 2015), which suggests the need to review the role of accounting in modern society, since the accounting system or its separate elements (fair value measurement, off-balance-sheet financing, regulation system of accounting) not only reflect the existing reality, taking a neutral position (“partisan” according to Tinker, 1991), but also directly take part in the formation of social reality.

For a long time, scientists considered accounting as an information model that only reflects economic reality in the indicators of financial statements based on the use of certain abstract mathematical models and rules. However, since the late 1970s, thanks to the works of positivism-oriented scientists, accounting has increasingly been considered due to social relationships, and a little later, as a social and institutional practice that ensures the formation of a social environment (norms, laws, rules, traditions, etc.). As Miller (1994) notes: “Accounting can now be seen as a set of practices that affects the type of world we live in, the type of social reality we inhabit, the way in which we understand the choices open to business undertakings and individuals, the way in which we manage and organize activities and processes of diverse types, and the way in which we administer the lives of others and ourselves” (p. 1). That is, the existence of accounting began to be considered not only in the context of particular individuals or en-

tities interested in accounting information but also in the development of society as a whole.

This enabled us to talk about the possibility of classifying accounting science, which studies these phenomena, into the sphere of social sciences. So, according to the traditional approach, accounting reflects the economic reality of the enterprise. According to the sociological approach, it simultaneously reflects this reality and forms a new social reality for internal and external users, influencing the decision-making process by them. As Potter (2008) notes: “The application of accounting practices enables the adoption of a particular ‘financial’ lens for ‘seeing’ or ‘understanding’ an individual’s activities and organizational outcomes. Such practices can, in turn, offer a basis for governing people, processes, organizations, and societies. As a consequence of its ability to create possibilities for action in organizations and societies, accounting has become an influential model of management of organizational and social arrangements in a diverse range of settings (p. 267).” Thus, accounting allows to change and make up social relations, to influence the views of individual entities and enterprises when they use accounting information. Therefore, these social relations should also be included in the subject of accounting as a science.

In the context of such a new understanding of accounting, the task of scientists is to formulate and develop theoretical explanations of the existing accounting practice, as a specific social and cultural phenomenon that creates social relations on the one hand, and, at the same time, is the result of social relations (but between other entities), on the other hand. In particular, Hopwood (1983) was one of the first who substantiated that accounting research has moved from discussing “methods and procedures” to exploring its role in the context in which it operates. Thus, the author stated the transition from traditional studies to sociological studies in the field of accounting, which took into account the goals of building a system of accounting and the formation of accounting information, the behavioral aspects of the activities of subjects of organization and accounting, as well as the behavioral aspects of the activities of internal and external entities using accounting information for decision-making. In the context of such approach to conducting scientific accounting research, the

most important is the question of determining the economic, social and political role that accounting takes in society, how it affects the formation of certain organizational concepts in these areas, but not how its separate elements (methods, principles, procedures, etc.) can be improved.

At the same time, an understanding of accounting as a social and institutional practice is not the final point in the research of representatives of this scientific direction. According to Lowe and Puxty (1990), “In conclusion, in considering the accounting system’s role for negotiation of sociological variables in the organization, our concern is not with the accounting system per se but with *the total organizational system as an institution of society*. Our ultimate aim in systems design must not be to create some kind of optimum accounting system in itself, but rather one which develops criteria within the context in which it operates (p. 70).” Therefore, an understanding of accounting as a social science also implies the need to take into account an external factor in the development of accounting systems, based on an analysis of the needs of users and consideration of trends in their possible changes.

The understanding of accounting as a social science originates from the work of Weber, where the author states that the modern rational organization of a capitalist enterprise cannot be imagined without two important components: separation of the enterprise from the household and without closely related accounting statements. Thus, the author tried to emphasize the importance of accounting in a capitalist society and show the interdependence of accounting rules, norms, and the social values of capitalism. Based on this approach, the formation of a national accounting system should take into account its influence on the social structure of society (social groups and individuals), as well as take into consideration its simultaneous dependence on the values that were formed in the social environment.

The ideas of M. Weber as an economist were actively supported by colleagues, in particular K. Marx and W. Sombart, and in the middle of the 20<sup>th</sup> century, were heard by researchers in accounting, in particular, Scott. He was the first representative of the accounting scientific community who

substantiated the importance of accounting and its dependence on changes in society (the external environment from the perspective of accounting). According to prof. Previts (1984), “DR Scott foresaw the emergence of a social viewpoint which recognized scientific method and objective analysis as the unifying philosophy of our culture (p. 2).” Prof. Riahi-Belkaoui (2004) calls DR Scott “the developer of an ethical approach in accounting theory, the core of which is justice, justice, equality, and trust (p. 113).”

The issue of social importance of accounting acquired significant development in the context of the emergence of behavioral accounting in the 1950–1960s (C. Argyris, S. Becker, C. Devine, M.C. Jensen, R.S. Kaplan, Yu. Ijiri, etc.). The researchers focused on the analysis of entities’ behavior (psychological reaction) who collect and process accounting data, carry out professional accounting judgments, and make decisions based on such accounting information. In the context of this area, scientists have studied the relationship between accounting, organizational structures, and group relationships, in particular, how certain types of accounting information affect the behavior of certain groups of people when making decisions, or how the structural elements of an accounting system at an enterprise affect the attitude of people under their control.

Summing up the results of scientific research conducted by scientists in the 1950–1970s, Chapman Cooper, and Miller (2009) note: “Two decades of research into the behavioral aspects of budgeting and related evaluation mechanisms transformed the discipline of accounting and placed it firmly within the social sciences. Accounting was no longer to be perceived as a purely technical process but was to be viewed as organizational and behavioral. But, despite the advance this represented, this was a highly constrained view of the roles of accounting, one that was limited to studying accounting within organizations only, and often at the micro level of groups and group dynamics (p. 7).” Since the mid-1970s, thanks to the work of a group of scientists (G. Burchell, A. Hopwood, P. Miller, T. Tinker, etc.), the situation has changed dramatically. As a result, accounting has gradually become perceived as a source of social change and a tool for influencing social con-

flicts, which, using accounting toolkit, contributes to their resolution. Thus, a new direction of scientific research in the field of accounting was distinguished. It is characterized by the emergence of a new subject of research – social relations relating to the functioning of the accounting system, and differs from traditional scientific approaches in the wider application of empirical research methods. As Mennicken (2002) notes on this subject, “Hopwood’s and Burchell et al.’s agenda opened up a vast space for empirical research. An important platform for the new, “alternative” studies in accounting has been provided by the journal *Accounting, Organizations and Society*, which was founded in 1976. The body of sociologically oriented accounting literature which emerged after Hopwood’s and Burchell et al.’s articles was built on a multiplicity of different sociological theories and methodologies. In particular, the emphasis was drawn on the following four theoretical approaches: organizational neo-institutionalism; Foucaultian studies of governmentality; political economy approaches and interactionist perspectives on accounting” (p. 19).

At the same time, the studies of the development of accounting from the perspective of the social sciences, in particular when using a critical methodology, involve focusing on completely different aspects of the implementation of scientific research, based on criticism and a reflexive attitude both to the system of accounting scientific knowledge and to the place of the accounting system in society, as well as those associated with an attempt to explain the emergence of social relations arising from the functioning of accounting as a social and institutional practice. This thesis is more deeply disclosed by Dillard (1991) who notes: “Accounting, viewed from a critical social-science perspective, provides a richer picture. Investigating the relationships between accounting and the social system provides opportunities for a critical social scientist in accounting to engage in critical evaluation. For example, if Fay’s criteria are applied, the following queries, underlying the evaluation carried out in the prior section, represent possible itineraries for a critique of accounting (p. 24).”

To date, in the works of many leading researchers (M. J. Gaffikin, J. Dillard, D. J. Cooper, B. Koroshets, T. Lowe, A. Mennicken, P. Miller, T.

Puxty, M. Power, A. Riahi-Belkaoui, B. Potter, R. Roslender, T. Tinker, R. Hines, R. Horvat, C. Chapman, etc.) the concept of accounting as a social science is used as a well-established phenomenon. This characteristic is not questioned due to the significant spread of the sociological and behavioral areas of accounting, the development of which is supported by professional journals and individual accounting scientific communities, for example, the London social-positivist school. In the book dedicated to the memory of prof. Hopwood, the authors note, "... long-standing and ongoing foresight, energy, intellectual curiosity, institution building, and insight of Hopwood, without whom accounting as a discipline would not be the creative and respected social science that it is today." Another confirmation of the established understanding of accounting as a social science is its inclusion in the encyclopedia of social sciences (A. Kuper & J. Kuper, 1983) (the author of the article on accounting is G. Whittington) and in the social science research network (SSRN – "Social Science Research Network") (editor of the accounting division – Watts). Also, among foreign scientists, for example, Vollmer (2009), there is no doubt that management accounting is a normal social science, characterized by the pluralism of approaches and generalizes social views regarding the practice of management accounting at the enterprises.

Considering accounting as one of the social sciences, it should be borne in mind that social science is a science that studies various aspects of the functioning of society. Social sciences consider society and various social phenomena occurring in it as part of an objectively existing world. If Physics studies the most general and fundamental laws that determine the structure and evolution of the material world, then social sciences study the laws of the functioning of society and the relationship between people. The social environment is the same object of scientific research in the social sciences as the material world in Physics. Based on the above understanding of the social sciences and understanding of accounting practice (accounting) as a social phenomenon, the accounting science (as a social science) should focus not only on the theoretical and methodological aspects of the functioning of the accounting system but also study the relationships that arise between people

(accounting information generating entities and its users) in connection with the functioning of such a system both within the enterprise itself and beyond its borders.

Accounting is considered a social science for the following reasons:

- as an information system, accounting is invented (but not opened) by man, that is, it is not an element of an objectively existing world;
- it is organized and conducted by people (members of the company at the enterprise level and the level of the national accounting system), the interaction of which with other members of the society may determine the result of the functioning of the accounting system (for example, as a result of opportunistic actions of subjects of organization of accounting work);
- it is organized and maintained to provide special information to people (internal users) for decision-making in management;
- it affects the behavior of external users of accounting information, the actions of which can be directly related to the enterprise's activities, information about which was disclosed, and they directly do not concern its activities.

Based on the above reasons, two aspects can be distinguished, since accounting is regarded as a social science. The first aspect is related to an accountant's activities in identifying, measuring, registering, systematizing, processing, and presenting information as a member of a society interacting with other people. Such interaction influences the choice of alternative accounting methods in the exercise of professional judgment of an accountant. An unresolved issue in the context of this aspect is the determination of motives and psychological factors that influenced the implementation of the accounting choice from the alternatives presented in regulatory documents, as well as the search for tools that minimize the opportunistic behavior of the subject making such a choice. The second aspect is associated with users of accounting information, particularly with the influence of disclosure of accounting information



on users as members of the society. The main unresolved issue in the light of this aspect is the determination of the existing and forecasting of the alternative consequences of making accounting choices for social structures, social groups, and individual members of society.

Another way to prove that accounting belongs to the social sciences is suggested by Gaffikin (2006), which can be defined as methodological. According to the author, instead of using the natural sciences methods, accounting is inclined to use methods that determine the social aspects of the discipline, such as the requirements of intellectual excellence, which natural science is characterized. However, unfortunately, accounting theorists have very slowly recognized this obvious point in their complex and confusing neo-empirical research programs over the past fifty years, as evidenced by the increasing mathematization of accounting research in leading accounting journals.

### 3. DISCUSSION

The above evidence convincingly indicates the need to consider accounting as a social science; however, as the conducted analysis of modern research has shown, such statements are absent among Ukrainian scientists. The following reasons can explain the current situation:

1. Changing the approach to understanding accounting in the eyes of the scientific community and society as a whole is quite problematic since it presupposes the need to transform the fundamental principles of accounting formed over several centuries, as well as auxiliary hypotheses and concepts layered on them, which can lead not only to non-acceptance of this approach but also to intentional resistance regarding its use. As Walker (2016) notes concerning this issue, “Establishing a research agenda that intertwines accounting and the social represents a daunting challenge (p. 42).” Today, Ukraine repeats the situation that existed in the late 1970s among the first representatives of the social direction of accounting development, about which Hopwood (1985) stated that when there is a large shortage of theoretical and empirical studies aimed at ex-

amining the relationship between accounting and social environment, and existing studies on this issue are quite general and superficial, which does not allow for an effective synthesis of scientific knowledge.

2. Despite the widespread introduction of modern accounting concepts through standardization and harmonization of the national accounting system, the accounting science is a tradition that its Soviet past made it feel in domestic research. Therefore, although the accounting policy mechanism has long been introduced into Ukrainian accounting practice, today, there are practically no in-depth studies devoted to the analysis of the impact of professional judgment and accounting choices on decisions of internal and external users of accounting information. Among domestic studies in this direction, only a few scientists can be distinguished whose works develop these ideas. In particular, certain issues related to the influence of professional judgment of an accountant on decisions of users of accounting information were considered by Chyzhevska (2007) and Yukhymenko-Nazaruk (2014). It should also be noted that the discussion of the need for a sociological and behavioral approach to the development of accounting hardly causes research interest among Ukrainian scientists due to the underdevelopment of the domestic financial market. In this direction, it should be noted only the works of Vysochan and Lutsyuk (2017) and Vysochan (2017), which study the influence of behaviorism on the domestic accounting science, the basic assumptions on which the behaviorist (accounting) theory of accounting is based, stereotypes as a social phenomenon and influence factor on the perception of accounting information by the recipients.
3. The understanding of accounting as a social science by most scientists is narrowly considered, in particular, as an accounting reflection using traditional tools of social initiatives of enterprise in the context of its socially responsible activities, which is an example of the development of the concept of social accounting and social reporting, which is fragmentarily presented in the works of many Ukrainian

scientists. In recent years, this area of scientific research has become even more popular due to the emergence of standards governing the formation of integrated reporting (“The Global Reporting Initiative”, “Integrated Reporting”, “Sustainability Accounting Standards”, etc.), one of the elements of which is social or socio-reputational capital of the enterprise. At the same time, researchers mainly ignore the consideration of the problem of the impact of accounting on the formation of the surrounding external social world, focusing on the order in which certain socially-oriented measures and socially significant activities of enterprises are reflected in accounting and reporting. In particular, the issues of introducing a new reporting concept in the context of implementing institutional reform in Ukraine through the study of measuring and forecasting the potential consequences of economic, social and environmental interactions of business units and society through indicators of integrated reporting are highlighted in the works of Kuzina (2015), Makarenko (2017), Nesterenko (2018), Korol (2017).

4. In the scientific accounting literature, almost no one notes the significant difference in the subject of accounting science in Ukraine and English-speaking countries. The subject of “accounting” goes beyond the scope of the subject of domestic science, accounting, and

the doctrines of IAS/IFRS and GAAP US. A significant amount of modern accounting research conducted by Anglo-American scientists will not be accepted by the Ukrainian accounting community, since it does not apply to traditional objects and elements of the accounting method. They are based on the positivistic concept of scientific knowledge, including historical retrospect. Most of these studies are related to how social groups or various members of society perceive accounting information, how accounting information affects the price of securities and the cost of capital raised, how to change accounting policies or apply certain principles (for example, conservatism, the prevalence of essence over form), or qualitative characteristics of financial information (for example, neutrality) is reflected in the value of the enterprise, etc. Carrying out such studies involves the predominant use of empirical methods of scientific knowledge, the availability of access to “raw” accounting data, and the attraction of additional knowledge from the field of sociology, psychology and other behavioral sciences. In Ukraine, such studies are practically absent today, but recently the situation has been gradually moving off the ground due to the formation of the national school of institutional theory of accounting (Kantsurov, 2014; Yukhimenko-Nazaruk, 2017; Zhuk, 2018).

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## CONCLUSION

Given the need to confirm the scientific status of accounting in the context of transformation of the external environment of the accounting system, it is relevant to consider it as a social science that studies the features of the functioning of the accounting system as a social and institutional practice, which is a completely new approach for representatives of the Ukrainian accounting scientific community.

Understanding accounting as a social science involves its interpretation not only as a set of principles, methods, laws, and hypotheses of the functioning of the system that generates information for managerial decision-making but also the need to consider it as a science that studies the relationships that arise among social groups and members of society concerning the use and the influence on them of information that is generated in the accounting system. According to this approach, accounting, on the one hand, is a product of the social environment, and on the other hand, it influences the process of its formation. Accounting should be considered not just as a tool for reflecting the economic reality of an enterprise, but as a tool for shaping social processes and relations arising from the functioning of accounting as a separate socio-economic institution, that is, which itself forms social reality. Based on this approach, it should be understood that the process of generating accounting information, in particular

by implementing an accounting policy, has a direct political connotation since it ensures the interests of certain groups of users and acts to the detriment of the interests of other users, which can be illustrated based on an analysis of the agency problem in accounting, the presence of which suggests the existence of phenomena of moral hazard and adverse selection.

Today, this direction of accounting development in Ukraine is actually in its infancy, which is due to the following reasons:

- 1) lack of user perception of the results of such studies, which is caused by the insufficient level of development of the domestic capital market (in particular, the stock market);
- 2) lack of desire, ability, and tradition of conducting such studies among representatives of the Ukrainian accounting scientific community.

Such a situation does not mean that research in this direction is not relevant or even not necessary in Ukraine today. On the contrary, it rather can be an example of a case where research in the field of accounting theory can get ahead of existing accounting practice, making up the prerequisites for increasing the reputation of accounting as a separate social and institutional practice. For example, since in the conditions of a hybrid war, accounting is used as an instrument for the realization of political goals. Thus, the urgent issue is the analysis of the relationship between accounting information and decisions made by subjects of political power. Using the implementation of the information function, accounting allows political elites to justify the need to start or continue a military conflict. With the help of a control, they can influence the subjects of military conflicts, thereby simultaneously affecting the order of military operations.

The recognition of accounting as a social science means that for its further development, it is possible and necessary to conduct interpretative, critical, and behavioral studies. The focus of their attention should be not only the procedure for converting data into accounting information and the procedure for its submission to different groups of users but also the activities of entities responsible for the development of an accounting regulation system (laws, standards, instructions), subjects of maintaining and organizing accounting at an enterprise (management, accountants), making professional accounting judgments (accounting choice), decision-makers based on accounting information, and a study of the role of accounting in the existing social and institutional context. In general, this will allow not only a deeper understanding of the features of the functioning of the modern accounting system, to form the ways of its development, but also to understand the social issues of society, of which accounting is an element, and suggest ways to resolve them, taking into account the role that the latter plays in its functioning.

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