Methodology of accounting description. Formalized approach.

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Annotation: This article formally sets forth a number of basic concepts of accounting. It seems that this article may be useful, firstly, to specialists in the field of mathematical economics, since it can be considered as a bridge connecting accounting and other sections of economic theory for which an adequate mathematical description already exists. Secondly, it may be useful to specialists working in the field of automation of accounting, financial analysis and audit, since it may serve as a certain theoretical basis for building automation systems for these types of management activities.

Keywords: automation of accounting, financial analysis and audit, mathematical economics, theory-testing methodology.

Drawing from the social sciences, of which accounting is a part, I propose a classification scheme to address this problem. The central theme of this framework is that methodology is not just a single decision in the research process but a series of decisions at the level research purpose, strategy, method and paradigm. My contention is that methodology surveys, several of them recently released will be more fruitful if undertaken at each of these methodology decision levels i.e. strategy should be compared with strategy, method with method and paradigm with paradigm. In essence, a classification scheme that compares (say) an archival or survey method with an experiment is inconsistent with this framework. The framework also points to the need for researchers not only to be aware of but also to be open minded about the diverse methodologies for conducting and evaluating accounting research as well as their strengths and limitations. Ultimately, the selection of research methodology should be driven primarily by the research question: a theory-testing research requires a theory-testing methodology, a theory-generating research requires and theory-generating methodology.

Rising prices prompted many consumers to shift to lower-cost goods from premium brands. However, an analysis of millions of products by Alberto Cavallo shows how inflation hit budget products harder in many countries, a phenomenon called “cheapflation.” he prices gap between cheap and expensive goods widened most as inflation was peaking, but the spread remained even as prices stabilized, eating away consumers’ potential savings.

Criticisms range from accounting research being labeled as monolingual in a multilingual world (Chua 1996) to being described as intolerant of other perspectives, irresponsive to the needs of practicing accountants and having little impact on related fields (Reiter & Williams 2002). According to Chua (1996),

although the language of numbers as reflected in the empirical/calculative tradition is extremely powerful at overcoming cultural and linguistic boundaries, it is inherently capable of decontexualising the sociocultural and political aspects of the debates represented by these numbers when exclusively or improperly used. Its dominance in accounting graduate education, she argues is due to "(i) the power of inscriptions, (ii) contradictions in post-modernity, and (iii) the perceived 'success' of allied professionals" (Chua 1996: 129). Reiter & Williams (2002) measured impact in terms of the extent to which empirical research as published in top accounting journals is cited in top journals of finance and economics. Based on their analysis of 553 articles published in 1990-91, they found that "economics cites itself most, then finance to a very modest extent and accounting virtually not at all" (Reiter & Williams 2002: 588).

"Prices for cheaper brands grew between 1.3 and 1.9 times faster than the prices of more expensive brands, and only when inflation surged, not before or after," the researchers write.

Why? Cavallo and Kryvtsov find evidence of an increase in the relative demand for cheaper products, as consumers shifted their spending from high to low-priced varieties in an attempt to lower their grocery bills. They also point out other reasons, including targeted fiscal stimulus, which likely increased the demand for cheaper varieties, and the possibility that cheaper products tend to depend more on global supply chains, like the ones disrupted by COVID-19. At the same time, the profit margins of cheaper goods could be tighter than those of makers of high-priced goods from the same category, adding pressure to raise prices as supply costs increased.

What is research? Why research? And what forms of research do researchers undertake? These questions are important because there is the continuing tendency to confuse forms of research with research methodology. Secondly, the selection of research methodology is to a great extent determined by the form and purpose of research. Thirdly, these - 7 - questions are at the centre of the controversy surrounding the perceived irrelevance of accounting research to the practical problems faced by accountants. Miller (1977: 46) argues that it is the perception of accounting research as a monolithic activity "in its thrust, methodology and impact" – "pressing toward a single well-defined and mutually accepted goal" - that fuels the unreasonable expectation from researchers. This feeling of crisis is however not restricted to accounting, for one expert in the field of organizational science had also observed that as "research methods and techniques have become more sophisticated, they have also become increasingly less useful for solving the practical problems that members of organizations face" (Susman and Evered 1978: 582). Yet research projects defer in terms of their approach, the immediacy of their impact on

accounting practice, their appeal to academics and practitioners and their channels of publication. Research according to Kinney (1986: 339) is “the development and testing of new theories of 'how the world works' or refutation of widely held existing theories”. It is a “careful or diligent search; studious inquiry or examination; especially: investigation or experimentation aimed at the discovery and interpretation of facts, revision of accepted theories or laws in the light of new facts, or practical application of such new or revised theories or laws” (Merriam-Webster online dictionary). These two definitions reveal that research, including accounting research is (i) both an activity and a process (ii) based on pure logic or examination of facts/data; and (ii) aimed at generating new theories, refuting or revising existing theories and practical application of theories. In essence the - 8 - central aim of research is “theory” 3 (Zimmerman 2001). Empirical research seeks to understand and explain natural phenomena by collecting and analyzing data or facts. The fruit of empirical research is empirical theory but empirical science theory emerges only from empirical science4 research. An empirical research is a scientific research if and only if it fulfils the canons of scientific inquiry5 . In accounting literature, the term “empirical research” is sometimes narrowly conceptualized as the application of statistical/mathematical techniques to test theories, based on numerical data6 .

But when inflation decreased, “the relative prices of cheaper options remained permanently higher, even though the inflation inequality abated. This may help explain why some consumers may think that prices are ‘too high’: not just relative to the past, but also relative to more expensive varieties,” the authors write.

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