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### Substance, Economic Reality And Expectations of Truth

<sup>1</sup>Agung Budi Sulistiyo, <sup>2</sup>Iwan Triyuwono, <sup>2</sup>Ali Djamhuri, <sup>2</sup>Aulia Fuad Rahman

<sup>1</sup>Doctoral Program of Economics and Business Faculty, Brawijaya University Malang-Indonesia, Lecture of Jember University

<sup>2</sup>Economics and Business Faculty, Brawijaya University Malang-Indonesia

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#### ABSTRACT

This paper want to examine further the aspect of substance as part of the concept of substance over form. After studied more deeply, it is found a close relationship between the substance and economic reality. Neither in theory nor the majority of practitioners accountants, tend to understand that the economic reality is referring entirely on objective reality. But factually, accounting standards and practices that exist is a combination of objective reality and subjective reality. Reinforced with a brief review of the perspective of Islamic spiritual, note that the economic reality (accounting) as a representation of a substance is the reality of the results of intersubjective agreement is containing tentative truth.

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#### INTRODUCTION

Tell the truth! This is roughly the emotional expression of any accounting observer in addressing financial statements. There are feelings of indignation, anger, anxiety or even fear that accounting can no longer be able to present financial information that reflects truthful economic reality. Akerloff and Shiller (2009, 29) stated that the turmoil leads to the pessimistic assessment on the ability of accounting representation, as seen as follow:

There are a large number of ways to take this money out, including salaries, bonuses, sweetheart deals, nepotism, high dividends, and options (which themselves will have kited values because the accounting makes it appear that the firm is doing better than its true performance (Bayou, Reinstein and Williams 2011, 110).

In accordance to the statement above, Lee (1984, 13) has confirmed the possibility on the use of accounting measurement method for the reversal of reported reality, thus encouraging an unsuitable situation between the occurred reality to the presented information. Therefore, the accounting representations are distorted, and not necessarily aimed at providing better performance information (Bayou *et al* 2011, 110), but it also could be worse depending on the interests of the representation party. Moreover, in this context, the accounting information was not assessed in the scope of the correct or incorrect normative, but rather which criteria are accepted (acceptable) and rejected

(unacceptable) (Banham, 1987; Power, 1994; McSweeney, 1994, 1997).

This paper will discuss more in-depth the relationship between the substance aspect as a part of substance over form concept with economic reality (accounting) and truth concept (truth). As Solomon (1989, 8) stated when providing the criteria in carrying out a compatibility test of an accounting principle or procedure, which is the ability to explain the reported reality or to "tells it like it is". Similarly, Bayou *et al* (2011, 111) assumed this when they view that substance refers to the term of truth in describing something that is factual, which will ultimately determine the accounting reporting quality desired by the users of the financial statements.

There are several statement variations on the substance aspect contained in both good accounting standards produced by the FASB and the IASC that do not specifically explain what is the real meaning of that concept. FASB stated as follows: "...The quality of reliability, and, in particular of representational faithfulness, leaves no room for accounting representations that subordinate substance to form" (FASB, 1980). That sentence does not explain the definition of substance and only emphasizes the importance of the structure (form). Similarly, the following two statements from IASC do not precisely define the substance concept and only correlate it with the term of economic events or financial reality.

**Corresponding Author:** Agung Budi Sulistiyo, Doctoral Program of Economics and Business Faculty, Brawijaya University Malang-Indonesia, Lecture of Jember University,  
Tel: (0331)-330334/339029

**IAS 1 stated:**

Transactions and other events should be accounted for and presented in accordance with their substance and financial reality and not merely their legal form (IASB, 1997a, paragraph 1.5).

**IAS 1 in paragraph 20 also stated:**

Where there is no specific requirement, management should develop policies to insure that financial statements provide information that is...reliable in that they reflect the economic substance of events and transactions and not merely the legal form (IASB, 1997a, paragraph 20).

Vagueness on the meaning of substance in the substance over form concept certainly raises a big question. This is due to accounting standard has the nature of rules and binding for its practitioners, thus there needs to be clear and unambiguous definitions in every concept, which will encourage proper accounting practices. As conveyed by Sterling (2003) that the vague language (muddy language) becomes the core issue of many problems in the accounting practice.

In tracing the definitive meaning of substance cannot be directly viewed on the substance over form concept set out in the standard accounting; however definitive understanding can be achieved through the concept of faithful representation (an honest/precise representation to reality). The concept of faithful representation implicitly has the same perception of what is previously conveyed by Alwan, where the substance aspect emphasizes the close relationship between the truthful information to the reality of accounting events. In their paper, the FASB and IASB assert that: "...*information must be a faithful representation of the real world economic phenomena that it purports to represent*" (FASB / IASB 2006, QC 16). In other words, substance represents honest information that reflects economic reality. The expectation from the substance aspect is that the more accurate information presents its economic reality, then the higher the value of its substance. However, the question arises on how an accountant can be able to capture the economic reality as a whole.

Discussion on economic reality has always become a heated debate among accounting experts. This is due to the fact that each person has a different perspective of reality, especially in the view of an economic reality. Sterling (1979, 213) was the first to provide an understanding of the economic reality. According to him, an economic phenomenon or reality should be tested empirically (empirical testability): "...*economic reality consists of economic phenomena with empirical referents*". This statement clearly indicates that the accounting transactions and events as part of the economic reality must be real (factual), objective and measurable.

Indication that the accounting notion has been oriented to the empirical genre and even to the

pragmatic genre has been touted much earlier by Beams (1969). According to Beams (1969), in the 1960s and 1970s the accounting notion has been influenced by the empirical genre that considers the purpose of accounting process is to present the facts on the enterprise financial experience. The pragmatic genre emphasizes more on the purpose of accounting, which is to provide useful information about the company. The combination of these two genres determines the objective of financial statements, and subsequently creates a verification method to guarantee useful financial information is generated for any decision makers.

Claims by Beams (1969) and opinions by Sterling (1979) that the development of accounting notion including its basic concepts follows the logic of objective ontology are unsurprising. Bisman (2010, 6) cites the findings of Bonner *et al* (2006), Gaffikin (2007) and Parker (2007), that the majority of articles published in leading accounting journals all over the world is based on economic theory and positive accounting. It has been also understood that the concept development and standard preparation refer much to the research results of the positivistic empirical genre (Ghozali, 2004, 6).

The positivistic genre assumes scientific approach is a great way to discover, explain and predict the accounting phenomenon. This genre is based on the view that accounting reality can be discovered through empirical studies, which will support the objective findings. Thus, it is not excessive if the substance aspect (the representation of economic reality) is formulated within the positivistic framework that fully refers on objective reality as stated by Sterling (1979).

Positivistic psychological approach can be applied to link between the substance aspects to the positivistic perspective. Santosa (2012, 1) provides an interesting depiction on how to understand a substance. He stated that the science of psychology regards itself as a part of a positivistic science that adopt certain premises, where one of the premises states that there is an objective reality in the form of a substance that has the essence regardless of its surrounding environment. That substance is a system governed by a specific law and may be influenced by the environment, but its essence has been initially assumed to exist apart from its environment (Santosa 2012, 1).

There is a linear understanding between the substance concepts in the psychological study proposed by Santoso (2012) with Sterling's (1979) economic realities that are both developed in the genre of positivistic thinking. The substance in the concept of substance over form refers to accounting transactions and events that describe the economic reality, where the reality is objective reality. So in essence, a substance represents the objective reality.

### **Objective Substance and Reality:**

On a more comprehensive note from the discussion on the substance, actually the accounting discipline is also a heated debate issue between adherents of the objective genre who believes accounting reality is objective, and the subjectivist who believe otherwise. Gradually, accounting reality will be studied through an objective perspective and then through a subjective perspective.

Chua (1986, 606) asserts that the positive accounting embraces the physical realism ontology, namely the existence of an independent object and lies beyond its subject consciousness. This belief is entirely rooted on understanding the realism philosophy. For example is the entity concept in accounting. This concept states that the company is considered as an entity or person who stands individually, acting in its own name, and apart from its owner (Suwardjono, 2003, 99). Furthermore, this concept measures the operation results of a company (entity) that is different from its owner.

The use of the entity concept is essentially placing the company as a form that has existence, spirit and lives like any human beings. The company and its owner (human) are considered as two different beings. Both affect each other in a variety of financial transactions involving internal and other parties within the scope of the external transaction. Of course in these conditions, the company is treated as an object and its owner becomes subject.

Any transaction involving incoming and outgoing cash flow, asset purchases and also receivables and debts is actually performed by the company owner with other parties, not the company as a "humanized object" with the other party. The company is positioned to accept the effects of transactions carried out by the owner. Nevertheless, with this entity concept, the company is as if it is an object beyond the owner's consciousness, which confirms the existence of distance or separation between the owner as the subject and the company as the object.

Therefore, it can also be confirmed that the company as an object with all the transactions that occur in it describes an objective reality. Accounting is as a statement form of all corporate financial transactions, thus it also becomes an objective reality. Moreover, the substance concept, which represent economic and accounting realities are also part of the objective reality.

On the other hand, Sterling (1979, 213) emphasized the need for empirical evidence to the economic reality and accounting events. This statement indicates the substance concept must be empirical. In terms of linguistic study, the empirical relationship between symbols (in this case is a substance) and object or accounting events reflects a semantic theoretical pattern (see Morris, 1938, Carnap, 1942, and Tuanakotta, 1984, 3). This pattern requires suitability between the used symbols to the

economic reality that happens through observation (Tuanakotta, 1984, 4).

If we observe the accounts in financial statements, then can we differentiate into two types, namely accounts that can be proven physically (physical account) and that cannot (non-physical account). Physical accounts include financial cash, inventory, and tangible assets, while the non-physical accounts include receivables, revenues, expenses, intangible assets and equity. Physical and non-physical evidences do not directly correlate to the empirical nature of an account. Why is that? In accordance with the understanding of the realism philosophy, an account is not limited to be proven through the five senses, such as can be held or seen by the eye, but the account form can also be created.

An account is realized and manifested because it is deliberately created by the accounting subject. The essence of the account is regardless of its subject and its environment, and surely has an objective reality. For example, the revenue account. Conceptually, there is stated revenue, if it meets the realized criteria (realized or realizable) and formed (earned) criteria (Suwardjono 2005, 368). Both criteria must be created by the subject to establish the object in the form of the revenue account. Revenues are believed to exist and can be measured not because it can be held or touched, but are present in the minds and thoughts of an accountant.

On level of deeper insight, the objectivity issue in accounting has been scientifically discussed by Shapiro (1997) who uses the term philosophical presuppositions towards external financial reporting. According to Shapiro, there are five general philosophical presuppositions (prejudices) that infect the minds and thoughts of an accountant when looking at an accounting product (Shapiro 1997, 167), but only three presuppositions that are directly related to the problem of objectivity. The first presupposition (P1) is the external realism. External realism is ontologically objective, which confirms the existence of an external reality that independently exists from the presented financial statements. Strictly speaking, objectivity requires outer/apart section (exteriority) between subject and object (Heelan, 1965, 83).

Furthermore, Shapiro (1997, 168) asserts that the ontology of external realism does not require any necessity for the subject (observer) to describe in detail how is the observed reality. The reality is merely understood to exist, as stated by Searle (1995, 155): "*it does not say how things are but only that there is ways that they are*".

An example is the use of money (cash). Cash expenditure can be regarded as an independent form separated from the occurred financial transactions, regardless of whether the money is spent to buy land (asset application) or to pay the salaries (cost allocation). As confirmed by Ingram and Rayburn (1989, 67): "*Whether we define a cash payment as*

*an asset or as an expense has no bearing on the empirical phenomenon underlying a transaction*". In accordance, Searle (1995) also viewed that money is an exchange medium whose existence can be verified and observed by someone, thus it is also empirically and reality separated from the social subsystem of financial accounting.

In the second presupposition, Shapiro (1997, 169) suggested a correspondence theory of truth in assessing the validity of the financial information statements. Honest and truthful financial information is identical with the desired substance in accounting. In this case, the truth of the substance is closely correlated to the economic reality that it wants to represent. Financial information is considered correct, if it is appropriate or at least closer to economic reality whose existence is apart from it. Basically, the correspondence theory of truth is mutually reinforcing with the assumed objective reality, thus with this theory, the economic reality that is independent of the financial statements actually exist.

On the third presupposition that emphasizes a commitment to rationalism, Shapiro (1997) tried to explain by quoting Searle (1995, 8) on facts and reality as key indicators to determine whether a representation is true or untrue: *"It consists in true representations that are objective in the sense that the facts in the world that they make them true...are independent of anybody's attitudes or feelings about them"*. This statement also has linear meaning that the logic of rationality cannot be separated from the empirical phenomena. Similarly, the accounting representation will become a true and rational financial representation when the internal accounts are according to empirical facts that occurred.

The three presuppositions offered by Shapiro (1997) re-strengthen the positioning of objective reality as a basic material for accounting transaction. It is undeniable that the majority in both the accounting standard compiler and practitioner community, and the entire users of financial statements currently still based their transaction evidence on the objectivity values. However, typically, a scientific view on an empirical phenomenon will always raises different opinions, and even faces strong opposition. Some critical and open statements are frequently shown against the validity of the objectivity assumption in viewing the accounting reality. McSweeney (1997, 694) revealed, *"...that some accounting representations may not be based on the features of the supposed reality but instead must rely on imagined uses a particular representation to the which might be put by an imagined reader"*. Similarly Tinker (1991) concluded there were no complete financial statements capable of expressing all the economic realities or provides everything needed by the users of the financial statements. Identically, Morgan (1988, 477) asserts that, *"...that accountants typically*

*construct reality in a limited and one-sided ways. It shows that the idea of Objectivity in accounting is largely a myth."*

Therefore, it is necessary to discuss the accounting reality from the standpoint of subjectivity. This study was performed as an alternative attempt to understand the nature of economic reality. As explained earlier, that the substance aspect in the concept of substance over form refers to the assumption of objective economic reality, so some objections arise from accounting observers who tend to assume that accounting reality is part of the social reality. Thus, subjectivity plays an important role in constructing the accounting reality.

#### **Subjective Substance and Reality:**

Morgan (1988) wrote an interesting statement in his article entitled *"Accounting as Reality Construction: Towards a New Epistemology for Accounting Practice"*. Morgan (1988, 477) states that often an accountant assesses himself as an assessor of objective reality and he represents the actual reality, but this assumption is largely a myth. This opinion is in line with Hines (1988) and Tinker (1991). For each person, what he/she knows is always from his/her perspective or point-of-view in seeing anything. When a director creates a movie, then what he shows is only a few or a certain part on the life story of the artist, not the whole part of the real life. This analogy by the director is in accordance to the statement by Morgan (1988, 477), *"just a limited representation of reality"*. It is no exception for any scientific or social scientists (including accounting) that the knowledge and the research results they do are always limited (partial knowledge). In another definition, Morgan (1988) says, *"this knowledge usually says something, it also leaves a great deal unsaid"*. Essentially, knowledge is like two-sides of a coin, on the one hand provides us some information that we know, but on the other hand also leave some things we do not know.

A one-way restricted perspective is of course humanly, because naturally humans are unlikely to see a phenomenon as a whole in a single-viewing angle. This impact on the acquired human knowledge is also limited. This partial knowledge represents the subjective assumption that rejects the truth of objective doctrine in viewing a full/complete reality like a God's eye view of reality (Davidson, 1984; Rorty, 1991, see Shapiro, 1997, 168).

This partial perspective or paradigm in its development experiences significant differentiation. As described by Chua (1986) with interpretive and critical paradigms. Then, it is supported by Sarantakos (1993) with a postmodern paradigm. Furthermore Triyuwono (2012) developed a spiritual paradigm, and lately Triyuwono (2013) introduced the paradigm of spiritual/*makrifatullah* accounting

that enriches the perspective of accountants in observing the surrounding reality.

According to Morgan (1988, 477), the advantage of this perspective surely would impact on a wider and deeper contribution on social and economic life. He considered (subjectivity based) interpretive epistemology will be able to explore a more varied accounting dimensions than just highlight the objectivity as it is. However, it should be noted that the interpretive epistemology meant by Morgan (1988) is slightly different from the interpretive paradigm that is generally understood. This epistemology emphasizes the metaphorical approach in representing the accounting reality.

It is correct that interpretive paradigm seeks to interpret and define social phenomena seen by researchers/observers, such as Morgan's interpretive epistemology that seeks to establish the processes of dialogue, reading and viewing the social situation around an accountant. The trademark is the use of metaphorical language as a means to "paraphrase" the observed accounting reality. This metaphorical approach basically can take place in any paradigm, whether it is functionalist, interpretive, critical, postmodernist or even spiritualist/*makrifatullah*.

In the context of the functionalist paradigm, which in this case represents the objectivity perspective, this metaphorical process also occurs. An accountant seeks to provide information on the organizational/entity activities in the accounting language and monetary unit, which of course is a simplification process of many events. It is, as explained by Morgan (1988):

"...accountants try to represent organizations and their activities in terms of numbers. This is metaphorical". And like all use of metaphor, it gives but a partial and incomplete representation of reality to which the numbers relate. The numerical view highlights those aspects of organizational reality that are quantifiable and built into the accounting framework (e.g. flows of costs, revenues and other values), but ignores those aspects of organizational reality that are not quantifiable in this way" (Morgan 1988, 480).

This lack of information representation that cannot be quantified is what was captured by another paradigm, such as interpretive, critical, postmodernist, spiritual or possibly other new paradigms. Nonetheless, metaphorical process also occurs in these paradigms. Interpretive paradigm uses symbolic language such as interpreting (to interpret) and understanding (to understand) the accounting phenomenon (Triyuwono, 2013: 6). What needs to be interpreted and understood is the accounting reality, which is not only limited to numbers, but also to explore the meaning behind the accounting numbers. For example, the profit figures in a financial statement. For a manager, creditor or investor, it is possible they have different meanings on profit figures, so that the meaning variations of

profit become very diverse (Triyuwono, 2013, 6). As a result, the meaning of profit has become a symbol of the metaphorical process on the accounting profit figure itself.

In the critical paradigm, with the jargon to emancipate (release) and to transform (change), the accounting realities which are considered in the status quo position will always try to scrutinize and evaluate, in order to create a new social accounting structure that is different (better) than before. According to Triyuwono (2013, 6), in critical paradigm, words which symbolizes anti-status quo is often found, such as oppress, colonize, exploit, dominate or hegemony, to represent accounting reality that is considered status quo. These anti-status quo words also reflect the metaphorical form of accounting.

Postmodernists as the antithesis of modernism offer a more complete perspective in viewing an accounting reality. Triyuwono (2012, 242) considers that the accounting theory can be used to stimulate the rise of human consciousness to a higher level, namely emotional awareness and spiritual awareness. These efforts to raise higher human awareness encourage the occurrence of combinations or synergies between accounting schools/genres as opposed to generating a new and better concept. Even in the spiritualist/*makrifatullah* paradigm, Triyuwono (2013) asserts that the reality and practice of accounting can be used to raise divine awareness (to awaken Godly consciousness).

At a more applicative level, Triyuwono (2012, 423) offers a modified value added statement which was originally profit figures only focused on the economic aspect, then add it to the mental and spiritual aspects. In other words, the accounting profit should contain these three aspects. This exposure would again enforce the premise of the existence of metaphorical process in viewing an accounting reality. Metaphorical terms such as "to stimulate" and also "mental and spiritual profits" increase the repertoire of accounting language that no longer uses monotonous financial symbols.

In the end, an accountant must be aware that the metaphorical process they do is as an attempt to represent the complex and multidimensional organizational (accounting) reality will always be limited and incomplete (Morgan, 1988, 480). This limitation drives the need to search for other alternative perspectives that is able to place an accountant on the position which treats an accounting reality.

#### ***Lessons from the Tensions of Objective and Subjective Realities:***

There are some important points that need to be observed from the previous discussion, related to the essence of the substance which lies between objective and subjective realities. Firstly, Shapiro (1997, 168) describes it is a mistake to say that

financial statements represent only the physical phenomenon (only considered real). Yet in practice, the financial statements include not only the value of physical phenomena, such as inventory, equipment and land, but also include the values of socially constructed phenomenon, such as receivables, debts, and ownership claims. These realities show that the financial statements as a representation of accounting reality is a combination of objectivity and subjectivity values. Substance in the concept of substance over form has been normatively associated with economic reality which is objective. Thus, there is inconsistency between the theoretical/normative meaning that places substance as only representation of objective reality, with praxis application of a combination between objective and subjective realities.

Secondly, according to Morgan (1988), any perspective (paradigm) used by accountants in viewing an accounting reality will always coincide with the inherent weaknesses, which are limited and incomplete representation results. This is line with what is presented by Hines (1988, 252) who stated that it is difficult for someone to present the viewed reality as a whole picture (full picture). However, this is certainly contrary to the expectations of David Solomon (1991), quoted by Tinker (1991, 298), who stated that accounting is considered similar to the journalism profession or a speedometer, which is able to find and produce pure (pure extract), uncorrupted and neutral facts from an economic reality. When a financial symbol as a representation of accounting reality is limited, then so does the value of the partial substance. At this point, both objectivity and subjectivity will always put the substance in a position that is not intact in seeing an accounting reality.

Thirdly, there is extreme tension between objectivity and subjectivity adherents in seeing the accounting reality. Objectivists' claims that meeting the objectivity criteria is not the only expected thing, but it is an essential thing to be achieved (Gaffikin 2006, 10). In contrast, for the subjectivists is ensuring that objectivity becomes something that is unlikely to happen. Despite the reality that the accounting items in the financial statements include the physical and social phenomena, a question arises: can an accountant be in the area outside the territory of objectivists and subjectivists, just as there are shades of gray between black and white? David Solomon, an objectivist who denies the objective, neutral and unbiased of absolute perspective, provides an interesting statement as follows:

Radicals like Tinker question whether reported information can ever be neutral, because the preparer will always have some biases that will meddle in. The bias may be due to a desire to avoid taxation, or to increase managerial bonuses, to keep reported profits down to avoid public censure for overcharging, or, for those who see accounting as an

instrument of the class struggle, to benefit capital at the expense of labor. It is perhaps true that perfect neutrality of information can never be achieved (Solomon 1991: 295).

Pessimism recognized by Solomon (1991) is also actually occurs in the perspective of absolute subjectivity adherents. When a social reality (including accounting) is fully left entirely on each person/subject/observer to construct their own desired accounting reality, thus it will create a very open space to the occurrence of differences in beliefs/truth of every individual. This is a relative condition.

There is no guarantee that when each individual is trying to establish the accounting reality based on their perception will produce a portrait/representation of an intact accounting structure. As reiterated May (1961) in his criticism:

Human scientists are like an artist who connects hands, feet, head and other body parts according to their own imagination, but the body parts are not connected fittingly, so that the result is more like a monster than a human (May 1961, 18; see Purwanto, 2007, 169).

Accounting condition may also be the same as May's (1961) imagination, that if an absolute subjectivity process in developing science obtains a central and irreplaceable position.

The three points are to bring us awareness to the need of rethinking how is a wise interpretation of the substance which refers to economic reality (accounting). The substance position is important because it is closely correlated with the presentation of financial statements featuring aspect of honesty (truth). Thus, there is a significant relationship between substance, economic reality and honesty in constructing an accounting structure.

In the following review, the three points will be associated in a broader dimension. This broader dimension includes not only worldly reality involving humans as a determining factor, but also it is very necessary and important to talk about the transcendental reality as a much larger part and may not be achievable in the human thought and imagination.

#### ***Accounting (Economic) Substance and Reality in an Islamic Spiritual Perspective:***

In general, discussing about the reality cannot deny two essential elements of subject of reality and object of reality. The subject refers to Allah, the Creator, and the object refers to everything that He created, including humans, Satan, animals, plants and the universe. This is as described in Surah Al An'am: 101: "[He is] Originator of the heavens and the earth. How could He have a son when He does not have a companion and He created all things? And He is, of all things, Knowing". It is also firmly described in Surah Al-Fatihah: 2: "[All] praise is [due] to Allah, Lord of the worlds". The meaning of

the universe is also synonymous with everything that Allah created.

Furthermore, the subject itself is divided into two types, namely major SUBJECT (Allah SWT) and minor subject (humans). There are two reasons that underlie the division, which are divine facts and worldly facts. In terms of divine facts, thus humans are positioned by Allah as His representative (caliph) on Earth, as set in His commandment:

*And [mention, O Muhammad], when your Lord said to the angels, "Indeed, I will make upon the earth a successive authority." They said, "Will You place upon it one who causes corruption therein and sheds blood, while we declare Your praise and sanctify You?" Allah said, "Indeed, I know that which you do not know." (Al Baqarah: 30).*

Caliph according to some scholars interpreted as firstly a replacement of the previous creatures on Earth such as angels or other beings after angels. Ibn Abbas r.a. states:

That the first creature to inhabit the earth is jinn, and then they created chaos in Earth, let bloodshed, and kill each other. Then Allah sent the devils to them along with legions of angels and the devils killed the jinn and lead them to some islands in the ocean and to the mountain slopes. Then Allah created Adam and placed him in Earth, then this is what Allah's commandment meant 'Behold, I will make caliph (successor) of the jinn in Earth, which replaced them, live in it and prosper it (ahlusunnahpontianak, 2013)

The second interpretation is as a substitute in applying God's laws and His command on earth. This is supported by the words of Ibn Mas'ud and Ibn 'Abbas, namely:

I will make caliphs in Earth. I mean that will replace Me in condemning My creatures. And the caliph is Adam a.s. and the people who occupy those positions in performing obedience to Allah and to apply the law equally among His creatures. As for those who create chaos and bloodshed for no good reason, then it is not among His caliph (ahlusunnahpontianak, 2013).

The two interpretations confirm the role of humans as minor subjects that is given the responsibility to implement the laws of Allah. Islam provides the three foundations as forming pillars of Islam in a person who represents obedience to the laws of Allah the Almighty. The three pillars are the creed, sharia and morals. The first two pillars are absolute and taken for granted. The truth of creed and sharia values is also absolute. The rules of *fiqh* in application of creed and sharia are forbidden, unless there are commandments that allow it. Thus, the two pillars do not provide space for humans to create new things or show their creativity in modifying the order of creed and sharia of Allah SWT.

The third pillar is morals. In morals, the regulated issues are more related to human, social and civic aspects. One important dimension in

morals is the *muamalah* issue has more flexible rules in the application of its laws. The *muamalah* scope is associated with human activities in living their life activities. As long as there is no rule or law of Allah which clearly prohibit something, then humans are allowed to do *istinbat* or *ijtihad* (legal conclusion based on the commandments) in the *muamalah* process.

In this *muamalah* context is the area and scope of the accounting discipline. Essentially, an accountant is also a caliph whose job is to design and implement *muamalah* laws, particularly the laws, theory and practice of accounting. Therefore, the emphasis accountants as minor subjects are reasonable. Accountants are given the freedom to set standards and provide guidance, as well as guideline in performing accounting practices so that businesses (corporate) and non-business (non-corporate) can be carried out well. Accountant creativity as a human as well as caliph in this more narrow scope underlies the idea of the position as a minor subject.

Object of reality can be understood as anything created by Allah other than humans. This is because all the objects of reality had been used for the purposes and benefits of humans. Surah al-Baqara: 22 can be the *hujjah* to the truth of the statement: "[He] who made for you the earth a bed [spread out] and the sky a ceiling and sent down from the sky, rain and brought forth thereby fruits as provision for you. So do not attribute to Allah equals while you know [that there is nothing similar to Him]" (also see Ar Ra'd: 3; Al Baqarah: 164; Al Mu'min: 40). In his commentary on this verse, As Sa'di explained that Allah gave humans pleasure in the form of soul and mind pleasure, and make the world a habitat to be taken advantage of (As Sa'di 2012: 97).

Minor subjects and objects of reality have different properties and behaviors. There are at least two Surahs in the Qur'an that explains each of their circumstances. Associated with minor subjects, in Al-Baqarah: 28 stated: "How can you disbelieve in Allah when you were lifeless and He brought you to life; then He will cause you to die, then He will bring you [back] to life, and then to Him you will be returned." This verse confirms the potential possibility for human to disobey Allah. The disobedience showed a glimpse of human action that violates the commandment of Allah SWT (*sunatullah*). However, all forms of violations that do occur are by His will and destiny. Actually, God has determined the goodness and ugliness by providing guidance for humans to do goodness, and not providing guidance to immoral humans to leave their immorality, and it is all because of His wisdom and justice (Dakhilullah 2005, 62-63).

In contrast, the nature of the properties and behavior of objects of reality, which is described in Surah Al Israa: 44, "The seven heavens and the earth and whatever is in them exalt Him. And there is not a

*thing except that it exalts [Allah] by His praise, but you do not understand their [way of] exalting. Indeed, He is ever Forbearing and Forgiving.*”. To hymn is a form of purification to God, and also to show obedience to Him. Thus, the universe will always follow the will and law of Allah. There is no violation or disobedience, such as human behavior. This is often referred to as the law of nature.

Human actions and behavior often violates *sumatullah* and obedient natural behavior to Allah's commandment is a paradoxical condition, which is closely related to the science development, thus ultimately will also impact the truth in the accounting discipline. Science and natural sciences orient to natural (physical) reality that are separate from the human physic and consciousness, as well as following the regularity principle and law of causality. Through these mechanisms, the object of reality is considered constant, free of human intervention (value-free), and even predictable. Strengthened by studies and researchers carried out by humans, it will eventually be able to produce a variety of theories or laws relating to natural phenomena and events that are scientific and universal. These two traits are what make science and natural sciences to be claimed more powerful than the social sciences. Similarly, the objectivity nature, which is inherent in the objective reality, is considered more scientific than the subjectivity nature that refers to subjective reality.

Economic reality (accounting) is actually at a point along the continuum between the extreme point of subjective reality (representation of minor subjects) and objective reality (representation of the object reality) (see Triyuwono, 2013, 11). In fact, an accountant attempts to capture accounting reality through their own perspective, which is surely accompanied by their own strong consideration (judgment) with subjectivity. However, while writing, moving and deciding an event/transaction to be recorded in a financial statement, the values of objectivity quite dominantly influences. Conceptual framework and accounting standards can be regarded as a product of human objective because it is the result of a subjective agreement (consensus) by some people who are in a standard board. Therefore, it is not exaggerative if McKernan (2007: 168) argues it would be wiser if the accounting reality is considered as a result of human inter-subjective agreement if it must be enforced solely as a product of objectivity accuracy.

Similarly, the status of truth obtained from the efforts to capture the accounting reality with that inter-subjective process is surely tentative (temporary). This is because the truth is permanently attached to the transcendental reality (divine) created by Allah. In contrast, accounting as a product of human thought and creativity will always be in the area of right and wrong.

### **Conclusion:**

The analysis of the substance as part of the concept of substance over form provides us awareness, where the accounting reality that wants to be achieved by accountants, are actually not the intact objective reality (fully objective reality), but there is a subjectivity value that plays a role in it. It is undeniable because accounting is part of a social science which assumes reality is part of a social construction.

It should be understood that the accounting practices currently practiced are a combination of objectivity and subjectivity perspectives, thus it is more appropriate to understand the economic (accounting) realities as a result of an inter-subjective consensus by accountants. In other words, the truth of an accounting reality will also always move along the continuum of subjectivity-objectivity. This is form of tentative truth form in the discipline of accounting.

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