

# Chapter 13

## Behavioral Stream in Polish Accounting: Its Relation to Behavioral Finance and the Perspectives for Neuroaccounting Development in Poland

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### ABSTRACT

*Information which financial market participants use to make their decisions comes directly and indirectly from accounting. Although finance and accounting use the language of numbers which appear to be very clear and plain, it is obvious that sums presented in financial statements and then interpreted and used by financial managers and investors and other stakeholders are very subjective. The goal of this chapter is to pay attention to the implications of behavioral research in accounting and its new stream – neuroaccounting – for behavioral finance. It is argued that accounting should be considered by behavioral finance researchers because the product of accounting in the form of reports, statements, and different analyses represents not only economic standing of a company, but also those behind the scenes.*

### INTRODUCTION

Finance and accounting are both concerned with the financial aspects of a business or organization. However, the managers and employees in finance and accounting departments work in completely different manners. Accounting is concerned mainly with the recording of business transactions of a company, preparing financial statements and reports, reflecting the financial position of the company at a particular date, making sure all liabilities (especially taxes) are paid on time, and disseminating of information to managers, investors, and other stakeholders. Alternatively, finance focuses on making important financial decisions for an organization, directing investment activities, and developing financial strategies and plans for an organization.

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Although finance and accounting use the language of numbers that seem to be very clear and plain, it is obvious that sums presented in financial statements and then interpreted and used by financial managers and investors and other stakeholders are very subjective. The subjectivity in the decision making process in this area is analyzed by two schools of behavioral research: behavioral finance and behavioral accounting. Behavioral trends in finance and accounting have been developing since the 1960s. However, their evolution is separate and little attention is paid to common research. Additionally, accounting theory and accounting results in the form of financial statements and reports seem to be taken for granted by economists and finance analysts and the role of accounting is hardly noticeable. The relationship between behavioral finance and behavioral accounting is very important and has not received sufficient attention in the past – neither in international nor in Polish literature.

Within behavioral schools of finance and accounting, new streams have emerged which seek to explain neuronal aspects of human decision making and behaviors. They are based on neuroeconomics which focuses on brain processes and neuroscientific discoveries. Despite criticism, neuroeconomics has become a well-established field of academic study. Neuroaccounting as a logical extension of the field, however, remains considerably less mainstream. Although the discussion about the “black box” is not a new one in accounting, not much research exists in this area and accounting both on the behavioral and neuronal level does not seem to be widely acknowledged or treated as a contributing area to neuro and behavioral trends in economics.

The aim of this chapter is to pay attention to the implications of behavioral research in accounting for finance theory and practice and to consider possibilities of development of neuroaccounting as the stream within behavioral accounting research in Poland. First, attention is paid to accounting itself and its behavioral aspects. Because accounting research in Poland falls into the “finance category” and behavioral trends both in finance and accounting are quite new issues in Polish research, in the next step behavioral accounting and behavioral finance are briefly compared both on the international and country level. Lastly, the base for interdisciplinary neuroresearch in accounting in Poland is analyzed. The study is based on a literature overview and internet-based research.

## **Background**

In different branches of economic and finance, accounting appears to be a neglected “component” (Artienwicz, 2013). The most common definitions of accounting show accounting as a system that measures the results of an organization’s economic activities and conveys this information to a variety of users (stakeholders). This system is, however, so fundamental for economic reality yet complex and hermetic that few outside accounting profession are able to fully appreciate it. Although its beauty and perfection has been praised by German poet Goethe, in the words of one of his characters as “one of the finest inventions of the human spirit” (Chambers & Dean, 2013, p. 144) and by British mathematician Cayley, who published a small booklet, *The Principles of Book-keeping by Double Entry*, in which he wrote:

*The Principles of Book-keeping by Double Entry constitute a theory which is mathematically by no means uninteresting: it is in fact like Euclid’s theory of ratios an absolutely perfect one, and it is only its extreme simplicity which prevents it from being as interesting as it would otherwise be. (Cayley, 1894, Preface)*

The importance of accounting has always needed some strong defense (Belkaoui, 2004, p. 1). Nonetheless, accounting is a social phenomenon and it has arisen to meet social needs. It is an inevitable part

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