

Preface to Japanese Edition

Unlike natural sciences whose scope respects few boundaries of time or space, social sciences are contingent on both. Compared with the laws of mechanics, electricity or sound, any regularities we observe in social domains tend to have limited, and noisier predictive power and practical applicability. Moreover, social science regularities are often unstable because reflexivity of such phenomena deprives them of robustness to their own discovery.

Accounting, a professional practice, rests not only on elements of various natural and social sciences but must also address the practical problems of the business world. These problems may have some common elements, but they are also characterized by time- and context-specific circumstances of societies, industries, businesses, and organizations. For this reason, while the attempts to build general theories of accounting can be admirable exercises in abstraction, their explanatory and predictive powers are necessarily constrained.

A cursory glance at the sister professional practices of engineering and medicine can help us gain a better perspective on accounting. Medicine—western, Chinese, Indian *Ayurveda* and *Yunani*, and others—were based mostly on experience not science until a century ago. Surgery, rooted in anatomy, did better, but was hampered by infections until an improved understanding of microbes was gained in the late 19th century. While the traditional systems of medicine were supported by people's belief in their efficacy and centuries of experience, modern medicine is hardly free of them. The placebo effect is a well-established fact in medicine, and patients' trust in their doctor helps to determine their healthcare outcomes.

Similarly, while little of modern engineering can work without its scientific underpinnings, the early human makers of stone hand tools, weapons, shelters, and bridges had little knowledge of the principles involved. The mechanics of machines developed from the science of mechanics, and developed engineering principles that, in combination with experience, observation and experimentation, helped design machines that make much of modern life possible. Similar statements can be made of other aspects of engineering.

In both medicine and engineering, there is a clear sense of advancement visible to both experts and non-experts. Research—including university-based research—in these practical matters has remained in the vanguard of innovation with well-known contributions to human welfare. Not surprisingly, governments and taxpayers in many countries are generous in their financial support for this method of generating public goods. Valuable knowledge has been gained through research into, for example, agriculture, dairy farming, heart disease, HIV, airplanes, computers, and cell phones.

How do accounting research accomplishments measure up in comparison to the contributions of research to its sister professional practices? If it does not, what are the reasons? Lack of funding, ideas and imagination, direction and purpose, interest and ability, are some possibilities that come to mind.

Research endeavors in all disciplines divide their attention between internal (methodological, data, structures, dissemination, etc.) and external (addressing the problems of the world) issues. The former is important for supporting sustainable and replicable findings but are hardly known to non-experts. The latter is what the larger world of non-experts sees and cares about. Moreover, the former is evaluated by internal criteria which are easier to validate, while evaluating the latter is messier, can take a long

time and remain contested, sometimes for generations. For example, it is easier to determine whether Model A or Model B yields a higher explanatory power for variation of data in a given sample. In contrast, assessing the effect of implementing Policy A versus Policy B on the welfare of society is much harder to do, especially when the potential implementation lies in the future, as it almost always does.

It seems fair to say that a large part of accounting research concerns itself with the internal issues; the external concerns are neglected, if not abandoned. It is almost as if medical researchers concerned themselves with developing methods of keeping their laboratories cleaner, instead of finding a cure for blood cancer; and engineers busied themselves with developing more precise instruments of measurement, instead of providing clean drinking water. Of course, medical and engineering research would not advance without clean laboratories and accurate measurements, but the world judges such endeavors by their external outcomes.

Rethinking Financial Reports is an attempt to shift the attention of the accounting research community towards some of the larger accounting issues. These include both internal and external matters. I hope it will help to bring more valuable contributions from accounting research to society.

I am deeply indebted to the leadership of Kyoto University's Professors Yoshihara Tokuga and Hidetoshi Yamaji for their initial proposal, concept, execution, careful multiple reviews, and the publication of the Japanese edition of the monograph. During my week-long visit to Kyoto University in the summer of 2018, I had the good fortune to work closely with Professors Eiichirou Kudou (Seinangakuin University), Keiichi Ohishi (Kyusyu University), and Tomomi Shiozaki (Kyusyu University). In the process of writing the Japanese edition, they had prepared a long list of queries about the intended meaning behind various phrases and paragraphs of the monograph. These conversations proved to be a valuable lesson for me in the importance of clear writing, and the difficulty of making social science ideas strictly comparable across languages. Fortunately, their patient and painstaking work on the translation has made the Japanese edition a better version of what I would have written had I not had the benefit of their scrutiny. It is an honor to have the results of their labors to be available to our colleagues and students in Japan. Finally, I thank Zac Rolnik of Now Publishers for the permission to publish this Japanese edition.

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May 1, 2020

New Haven, USA