

Does accounting reflect or construct business reality? – Empirical evidence from Hungarian accounting professionals

ISTVÁN FÁBICS ^{1,*} 

Received: 8 March 2026 – Revised: 5 June 2026 – Accepted: 26 June 2026

ABSTRACT: This study examines how Hungarian accounting professionals interpret the role of financial reporting, specifically whether they view accounting primarily as a mechanism for faithfully representing economic reality or as a professional practice that actively shapes that reality. The empirical analysis is based on questionnaire data collected from members of two Hungarian accounting professional organizations, yielding 491 valid responses. Three hypotheses were tested using non-parametric statistical methods, and additionally, in one of the tests, principal component analysis (PCA) was used to create an index for the underlying construct. The results show that 67.4% of respondents agreed with the statement that different accounting systems may provide different yet equally valid representations of the same economic event, 76.8% acknowledged the possibility of materially influencing financial statements through valuation choices, and 68.2% fell above the threshold of neutrality concerning the socially constructed character of financial reporting, with 50.1% strongly endorsing this premise. Regarding this last result, responses to three related survey items were combined into a composite ‘social constructionism’ index, the reliability of which was established via PCA. Overall, the findings suggest that Hungarian accounting professionals recognize both the importance of faithful represen-

¹ Department of Accounting, Institute of Accounting and Law, Corvinus University of Budapest, Budapest, Hungary

* Corresponding author: fabics@uni-corvinus.hu

Open Access This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as appropriate credit is given to the original author(s) and the source.

tation and the role of professional judgment and regulatory context in shaping financial reporting outcomes. The study contributes to the literature by providing evidence from a Central and Eastern European accounting environment and by examining how practitioners perceive the relationship between accounting representation and social construction.

KEYWORDS: accounting regulation, financial reporting, accounting perception, social construction, professional judgment

JEL CODES: M41, M48

1. Introduction

The fundamental function of accounting has traditionally been to reflect economic events and to provide relevant information for decision-makers. According to the classical approach, the purpose of financial statements is to present objective, unbiased, and comparable information, thereby offering users a true and fair view of an entity's financial position. This principle plays a central role in both International Financial Reporting Standards (IFRS) and Hungarian national accounting regulations.

At the same time, international accounting research has emphasized since the 1980s that accounting is not merely a passive representation of economic reality, but a socially embedded construct shaped by institutional, political, and cultural factors (Morgan 1988). From this perspective, accounting does not simply describe reality but also contributes to its construction. This insight is closely related to the understanding that performance measurement systems are not value-neutral: different accounting measures and incentive structures influence managerial behavior and organizational outcomes in different ways (Datar et al. 2001).

Globalization and the increasing integration of financial markets have further highlighted the importance of differences between accounting regulations. As a global standard, IFRS aims to enhance transparency and international comparability, and its widespread adoption since the early 2000s has had a significant impact on capital markets, investor decisions, and corporate reporting practices. Empirical evidence suggests that the application of international standards is associated with improvements in accounting quality and greater usefulness of financial information for market participants (Barth et al. 2008).

In contrast, national accounting regulations, particularly those rooted in continental European traditions, tend to be more closely aligned with the local economic, legal, and tax environment. As a result, the same economic event may be presented differently under IFRS and under national accounting sys-

tems, even though both sets of financial statements comply with their respective regulatory frameworks. This duality underlines the idea that the image conveyed by accounting is not absolute but relative, and that there may be more than one “correct” interpretation of economic reality within legitimate accounting regimes.

This duality has long been reflected in debates surrounding the notion of a “true and fair view”, one of the central concepts of European financial reporting. Although commonly associated with faithful representation, the concept has been interpreted differently across accounting traditions. As Alexander and Eberhartinger (2009) argue, continental code-law systems have traditionally placed greater emphasis on legal compliance, whereas Anglo-Saxon traditions have tended to stress the substantive representation of economic reality. Consequently, the relationship between objective representation and interpretive flexibility remains a central theoretical issue in accounting.

Despite the extensive theoretical discussion on accounting as a social construct, empirical evidence on how practicing accounting professionals perceive this issue remains limited, particularly in Central and Eastern European settings. Although prior research has examined accounting professionals’ perceptions regarding financial reporting, accounting regulation, and the future development of the profession (Bozkurt et al. 2013; Grosu et al. 2023), existing studies have focused predominantly on accounting standards, institutions, firms, and standard-setting processes, while much less attention has been devoted to practitioners’ views on the nature of accounting itself. This study contributes to the literature by examining, in the Hungarian context, how accounting professionals simultaneously perceive financial reporting as both a mechanism of faithful representation and a practice that actively shapes economic reality. Beyond extending the international evidence base to a less frequently studied accounting environment, the findings may also contribute to a better understanding of the conceptual foundations underlying accounting regulation and standard-setting in code-law jurisdictions.

2. Literature review

2.1. IFRS, institutional environment, and the plurality of accounting representation

The global diffusion of IFRS aimed to improve the comparability of accounting information by establishing a common reporting framework capable of transcending national accounting traditions. The underlying expectation was that

a unified set of standards would reduce information asymmetries across capital markets and thereby facilitate more efficient resource allocation. According to Barth (2008), the fundamental promise of global financial reporting lies precisely in its capacity to enhance capital market efficiency through higher-quality, more decision-useful financial information. At the same time, Barth emphasizes that the effects of IFRS cannot be interpreted in isolation from the institutional context in which they operate. Financial reporting outcomes are shaped not only by the formal content of the standards but also by the legal environment, enforcement mechanisms, corporate governance structures, and the broader informational infrastructure surrounding capital markets.

This institutional contingency is also reflected in the empirical evidence provided by Barth, Landsman, and Lang (2008). Their cross-country analysis suggests that the application of IAS/IFRS is associated with improvements in several dimensions of accounting quality, including lower levels of earnings management, more timely recognition of losses, and the higher value relevance of accounting numbers. These findings support the view that international standards may contribute to more transparent and decision-useful reporting practices. However, the authors are cautious in their interpretation of causality. They note that the observed quality differentials cannot be attributed solely to the standards themselves, as firms adopting IAS/IFRS often operate in environments that are already characterized by stronger investor protection, more developed capital markets, and more rigorous monitoring systems. Consequently, the relationship between IFRS adoption and accounting quality remains context-dependent and cannot be regarded as universally deterministic.

The importance of institutional embeddedness is further reinforced by the findings of Daske et al. (2008), who examine the economic consequences of mandatory IFRS adoption across multiple jurisdictions. Their results indicate that capital market benefits, such as increased market liquidity and reduced cost of capital, do not emerge uniformly following IFRS implementation. Instead, these positive effects are concentrated in countries where the institutional environment provides credible enforcement and where reporting incentives are aligned with transparency. In settings characterized by weaker legal systems or limited regulatory oversight, the mere formal adoption of IFRS does not automatically translate into improved reporting outcomes or market efficiency. This suggests that global standards function less as self-executing mechanisms and more as institutional instruments whose effectiveness depends on the strength of the surrounding regulatory and market infrastructure.

Based on an empirical study of 17 European countries, Glaum and co-authors demonstrate that compliance levels with the disclosure requirements of IFRS 3 and IAS 36 differ significantly, which can be explained not only by firm-level characteristics but also by country-specific factors, particularly the features of

national legal and institutional environments (Glaum et al. 2013). According to Nobes (2013), the persistence of options and interpretative flexibility within IFRS allows national accounting differences to survive despite harmonization, meaning that uniform standards do not fully eliminate divergent reporting practices. This line of reasoning is further supported by recent research. Nobes and Stadler (2024) show that departures from IFRS do not necessarily imply non-compliance but often stem from legitimate national interpretations that are coherent within their respective institutional contexts. Tarca (2020) emphasizes that while IFRS-related comparability is empirically measurable, it is not an automatic outcome but rather depends on the factors influencing the interpretation and application of the standards.

Post-2020 empirical evidence further nuances this picture. De Luca et al. (2024) argue that the comparability of cross-border IFRS financial statements continues to be strongly dependent on the legal and institutional environment, indicating the persistent influence of national accounting traditions. Research drawing on newly available EU enforcement databases suggests that the key to reporting uniformity lies not primarily in the wording of the standards but in their consistent and uniform enforcement (Bissessur et al. 2025).

Taken together, these findings support the notion of accounting representation pluralism: despite the formally harmonized IFRS framework, identical economic events may be represented differently in financial statements across countries, while these representations can simultaneously be regarded as legitimate and “correct” within their respective legal and institutional contexts. This perspective provides direct theoretical support for Hypothesis H1, which posits that accounting is not a single, universal language but a context-dependent and inherently plural system of representation shaped by institutional environments.

2.2. The distortability of financial statements and earnings management

Interpreting accounting’s image-forming role is closely linked to the possibilities for distorting financial statements. The earnings management literature widely documents that management, within the discretionary latitude permitted by accounting rules, can influence reported profit without formally violating standards. According to the classic definition by Healy and Wahlen (1999), earnings management occurs when management distorts financial information in line with its own interests by altering reporting procedures or the timing of transactions. The incentives for earnings management are often contractual and market-based. Healy’s early empirical results show that bonus schemes and earn-

ings thresholds have a significant impact on accounting choices (Healy 1985). The methodological foundations for measuring discretionary accrual-based distortion were developed by Jones, and this model later became one of the cornerstones of empirical research (Jones 1991). Extending the comparative evaluation of classical accrual models, Nguyen, Ibrahim, and Giannopoulos (2023) find that different accrual-based and real manipulation models differ significantly in how effectively they can detect the presence of earnings management.

Distortion is not carried out exclusively through accruals. Based on distributional evidence, Burgstahler and Dichev (1997) show that firms tend to avoid reporting losses and earnings declines. Roychowdhury (2006) pointed out that management can also improve short-term earnings by manipulating real activities, for instance through overproduction or by cutting discretionary expenditure. In response to changes in the regulatory environment, Cohen, Dey, and Lys demonstrated that, following the Sarbanes–Oxley Act, accrual-based earnings management partly shifted toward real-activities-based manipulation (Cohen et al. 2008). An important refinement of discretionary accrual measures is the performance-matched approach introduced by Kothari et al. (2005). Dechow and Dichev (2002) emphasize the link between accrual quality and the information content of earnings, arguing that estimation errors substantially impair earnings quality. The market prices this quality: Francis and co-authors show that poorer earnings quality is associated with a higher cost of capital (Francis et al., 2004). In an international comparative perspective, Leuz, Nanda, and Wysocki (2003) find that the extent of earnings management is closely related to the institutional environment and the strength of investor protection. Empirical research from the COVID-19 period further reinforces this claim, showing that during crises the intensity of earnings management increases measurably, especially in weak institutional environments (Yan et al. 2022). The measurement challenges and limitations of real-activities-based earnings management are discussed in the methodological work of Cohen et al. (2020).

While the earnings-management literature provides extensive evidence that reported financial results may be influenced by managerial discretion and accounting choices, these studies primarily document the existence of such practices rather than accounting professionals' perceptions of them. Nevertheless, this body of research highlights the potential for accounting methods and valuation procedures to affect how economic reality is represented in financial statements. Against this background, it is relevant to examine whether accounting professionals themselves recognize and acknowledge the possibility of deliberate and material distortion in financial reporting.

2.3. Accounting as a social construct and standard-setting practice

According to the critical accounting literature, financial reporting is not merely a technical process of information provision, but an active force in shaping economic and social reality. Hines's classic thesis holds that accounting, "in communicating reality, constructs reality itself" (Hines 1988). Morgan (1988) interprets accounting as a reality-constructing mechanism that determines what comes to be regarded as an economically relevant fact. Mouritsen (1994) argues that rationality in accounting is an institutionally defined communicative practice rather than a neutral technical logic.

Hopwood (2009) emphasizes that accounting has the capacity to render certain phenomena visible while obscuring others, particularly in relation to environmental and social impacts. Post-2020 scholarship extends this line of reasoning to the level of standard-setting. Barker and Penman (2020) contend that the treatment of uncertainty is one of the most critical issues within the conceptual framework, as it fundamentally shapes the meaning conveyed by financial statements. Georgiou's recent analysis highlights that prudence is a political and normative concept, influencing what is considered "cautious" versus "biased" reporting (Georgiou 2024).

The social embeddedness of accounting standard-setting becomes particularly visible when the process is examined not merely as a technical exercise, but as a broader institutional and discursive practice. Chahed's empirical research (Chahed 2021) demonstrates that the development of accounting standards cannot be reduced to neutral problem-solving aimed at improving measurement precision. Rather, standard-setting unfolds at the intersection of professional expertise, economic interests, and interpretive negotiation. In this sense, technical deliberations over recognition, measurement, or disclosure requirements are inseparable from the discursive processes through which legitimacy is constructed, contested, and stabilized within the regulatory arena. Standard-setting thus operates simultaneously as a rule-making activity and as a meaning-producing practice that frames how economic phenomena are to be understood and communicated.

Building on this institutional perspective, Friedrich et al. (2024) shift the analytical focus toward the transnational governance structures within which contemporary accounting regulation is embedded. Their work highlights that global standard-setting is shaped by complex power relations among regulatory bodies, professional organizations, supranational institutions, and epistemic communities. Within this configuration, expert knowledge plays a constitutive role—not only informing technical decisions but also legitimizing regulatory outcomes. The authority of standards therefore derives not exclusively from formal due process but from the credibility, professional capital, and perceived neutrality of

the actors involved. This reinforces the interpretation of transnational accounting regulation as a field structured by influence, negotiation, and institutionalized expertise rather than purely technocratic rationality.

From a critical theoretical standpoint, Zhang and Andrew (2022) extend this line of reasoning by examining the conceptual framework itself as a site of reality construction. Their argument situates standard-setting within the broader process of financialization, suggesting that the increasing dominance of financial economic logic reshapes the epistemological foundations of accounting. In this reading, the conceptual framework does not merely codify reporting principles but actively reproduces a particular vision of economic reality, one in which market valuation, investor primacy, and capital maintenance become the central organizing logics. As these assumptions are institutionalized within the framework, they guide measurement choices, recognition thresholds, and disclosure priorities, thereby reinforcing the very financialized worldview from which they originate. Standard-setting, in this sense, becomes reflexive: it does not simply regulate reporting practice but participates in constructing the economic reality it claims to represent.

3. Empirical framework

The aim of the study described here was to examine accounting as both a representation of reality and a tool of social construction through the perceptions of Hungarian accounting professionals. The analysis sought to explore how practicing Hungarian accountants and auditors interpret financial statements – whether they primarily view them in terms of faithfulness and objectivity, or rather as socially constructed outputs shaped by the regulatory environment and the interactions among economic actors.

Data collection was conducted using a questionnaire-based survey. The target population consisted of accounting professionals active in Hungary, who were reached through the involvement of two professional organizations

- the Hungarian Association of Accounting Professionals (1,522 members), and
- the Chamber of Hungarian Auditors (3,171 members).

The empirical research reported in this study involved adult professionals and complied with applicable ethical standards for social science research. All respondents were adult Hungarian accounting professionals who are members of recognized professional organizations. Participants were reached through two professional bodies: the Hungarian Association of Accounting Professionals and the Chamber of Hungarian Auditors. The questionnaire was distributed to members of these organizations with their approval and assistance. In

all cases, the survey invitation was sent by the respective professional organization to its members, and the researcher did not have direct access to the membership contact lists. Participation in the survey was entirely voluntary. Responses were collected anonymously, and no personally identifiable information was requested or stored. Completion of the questionnaire was considered to constitute informed consent to participate in the research. The collected data were analyzed only in aggregated form and handled in accordance with standard academic data protection and confidentiality practices.

In Hungary, approximately 6,000 registered auditors and 51,610 certified accountants are recorded in the official Ministry of Finance registries (with overlaps between the two groups). However, these registries are not accessible for research purposes. Therefore, data collection relied on the membership networks of two major professional organizations: the Hungarian Association of Accounting Professionals (1,522 members) and the Chamber of Hungarian Auditors (3,171 members). In total, 4,693 individuals received an invitation to participate in the study. The questionnaire was distributed online in two waves in July 2025: first on July 14 through the Hungarian Association of Accounting Professionals, and subsequently on July 22 via the Chamber of Hungarian Auditors. Participation was voluntary and anonymous. Of the 4,693 invitations sent, 495 responses were received, of which 491 were preserved as valid after data cleaning. The response rate was 10.46% with respect to the accessible population reached through the two professional organizations.

The composition of the respondent sample is noteworthy in several respects. Of the participants, 68.4% were female and 31.6% male, reflecting the female dominance characteristic of the accounting profession. In terms of educational attainment, the vast majority of respondents (95.7%) held a higher education degree, underscoring the high level of professional qualification within the sample. Respondents' distributions by age and professional experience covered a broad spectrum, ensuring that the responses reflect attitudes across different career stages and generations. The questionnaire was formulated in terms of Likert-scale statements, enabling the quantitative measurement of respondents' attitudes. Variables measured on a 1 to 5 scale had an overall mean (calculated across all survey items and respondents) of 3.58, while those measured on a 1 to 10 scale had an overall mean of 6.78. These values indicate that respondents tended to form nuanced professional views, characterized neither by outright rejection nor unequivocal acceptance, but rather by a balanced distribution around the midpoint of the scales.

Particular attention was devoted to data cleaning and ensuring methodological consistency. Of the 495 completed questionnaires, four were excluded due to formal or substantive issues, resulting in a final sample of 491 valid observations. The questionnaire design required mandatory responses for all

items, thus precluding the issue of missing values and thereby substantially contributing to high data quality. Open-ended responses were processed using a standardized coding procedure, but they were not included in subsequent analyses because only a relatively small proportion of respondents provided such comments, and these predominantly expressed positive feedback regarding the questionnaire rather than substantive views related to the research questions.

A limitation of the study is the use of single survey items to measure attitudes toward the theoretically complex constructs underlying some of the research hypotheses, which precludes formal reliability assessment and may render the results sensitive to wording effects. Another important methodological limitation is that participation was voluntary, which may introduce self-selection bias. In addition, the survey was distributed exclusively through two professional organizations, which might possibly jeopardize the representativeness of the sample. Coverage bias could also be an issue due to the fact that professionals who are more active within professional communities and more open to participating in research are likely to be overrepresented. Despite these limitations, the 491 valid responses constitute a good quality dataset that offers valuable insight into the attitudes of Hungarian accounting professionals. The findings contribute to the international accounting discourse by illustrating how members of the Hungarian professional community perceive the dual nature of financial reporting – as both an information-providing tool and a practice that actively shapes social and economic reality.

4. Research hypotheses

The research was built on three central hypotheses that examine different approaches to the nature of accounting:

- differences in regulatory systems,
- the distortability of financial reporting, and
- the interpretation of accounting as a social construct.

Taken together, the three hypotheses outline a complex picture of accounting as an informational, decision, and social practice. While the first focuses on regulatory pluralism, the second on technical flexibility, and the third on social construction, their shared message is that accounting is not an objective and neutral language but a meaning-creating mechanism through which economic reality is shaped via professional practice.

H1: The majority of Hungarian accounting professionals express agreement with the proposition that two different accounting systems (e.g., IFRS and the

Hungarian regulation) may present the same economic event in different ways, while both may provide an equally “correct” representation.

This hypothesis addresses the plurality of accounting representation, that is, the phenomenon whereby the same economic event may appear differently across accounting environments, while each presentation can be considered correct within its own regulatory framework. The issue centers on the relationship between IFRS and national accounting systems, in particular the Hungarian accounting regulation, which originates from a continental, law-based approach. The literature supports the view that accounting systems embody not merely technical differences but are the outcomes of institutional, cultural, and economic embeddedness. The empirical results of Daske, Hail, Leuz, and Verdi (2008) align well with the notion of plural accounting representation. Their study shows that the economic effects of mandatory IFRS adoption – such as improved market liquidity or the reduced cost of capital – did not materialize uniformly across countries, but primarily where the institutional environment genuinely supported the credible enforcement of the standards. This observation suggests that IFRS does not automatically standardize the accounting representation of economic events: the legal, cultural, and institutional background behind the regulatory systems continues to determine how the same economic reality is reflected in financial statements across countries. Hungary’s law-based accounting tradition therefore follows a different logic from the investor-oriented IFRS, making a key dimension of plurality visible. Soderstrom and Sun’s (2007) review study likewise emphasizes that the introduction of IFRS alone does not guarantee an improvement in the quality of accounting information. Although IFRS aims at the international harmonization of reporting practices, the authors point out that report quality is fundamentally shaped by a country’s institutional environment—particularly the legal system, enforcement effectiveness, corporate governance, and market incentives. This is consistent with the idea of plural accounting representation, as formally identical standards may lead to different interpretations and presentations in different accounting cultures. Thus, the continental, law-based approach of Hungarian regulation represents not merely a technical deviation from IFRS but the expression of a bigger institutional and conceptual difference.

To summarize, hypothesis H1 reflects the theoretical position that accounting is not a universal language but an ambiguous communication system in which different regulatory logics can coexist and create valid realities side by side.

H2: The majority of Hungarian accounting professionals agree, to some extent, with the proposition that financial statements can be deliberately and materially distorted through valuation procedures in order to present a more favorable picture.

The second hypothesis relates to the issue of earnings management and accounting distortions. One of the fundamental dilemmas of accounting is that valuation procedures and value estimates—such as depreciation, provisioning, or asset valuation—allow room for subjective managerial decisions. Hypothesis H2 therefore rests on the assumption that financial statements are not entirely objective but can be shaped, even deliberately, through the flexible application of rules. This does not necessarily imply a violation of regulations; rather, it points to the existence of a grey zone in accounting practice whereby the reporting of results is influenced by managerial decisions in line with communication objectives. Acceptance of this hypothesis would reinforce the view that professionals regard accounting not as a static system, but as one that allows decision-making latitude, so that the representation of reality and the transmission of strategic messages are not always clearly separable from each other.

H3: The majority of Hungarian accounting professionals express agreement with the proposition that financial reporting has a socially constructed character.

The third hypothesis examines a core premise of the social construction theory of accounting. Hypothesis H3 is based on the assumption that this reflexive awareness is also present among Hungarian accounting professionals; that is, they recognize that financial reporting is not merely a reflection but is one of the mechanisms through which social reality is shaped.

In the empirical study, this proposition was operationalized through three statements about accounting forming images, shaping reality, and being a social construct. The results of principal component analysis (presented in the next section) showed a sufficient degree of correlation among these items (Cronbach's $\alpha = 0.597$), which establishes the internal consistency of the concept as captured by the survey.

5. Statistical analyses

In the empirical part of the study, statistical analyses of the 491 valid responses obtained via the questionnaire survey were conducted in multiple stages using SPSS version 29.0. The purpose of the analyses was to examine the extent to which Hungarian accounting professionals agree with statements concerning the nature and the social role of accounting, and to assess whether these attitudes can be interpreted as coherent, unified constructs.

To test the first two hypotheses (H1 and H2), a one-sample Wilcoxon signed-rank test was applied, which belongs to the family of non-parametric statistical procedures. The use of this method was necessary and essential due to the ordinal nature of the variables, which were measured on five-point Likert scales; therefore, the normal distribution and interval-scale properties, which are pre-

requisites for using regular parametric procedures, could not be assumed (Field 2018). For the specific purpose of this study, the Wilcoxon test was used to examine whether the observed medians differed significantly from a hypothetical value of 3.0, corresponding to the midpoint of a 1 to 5 Likert scale, i.e., a neutral response.

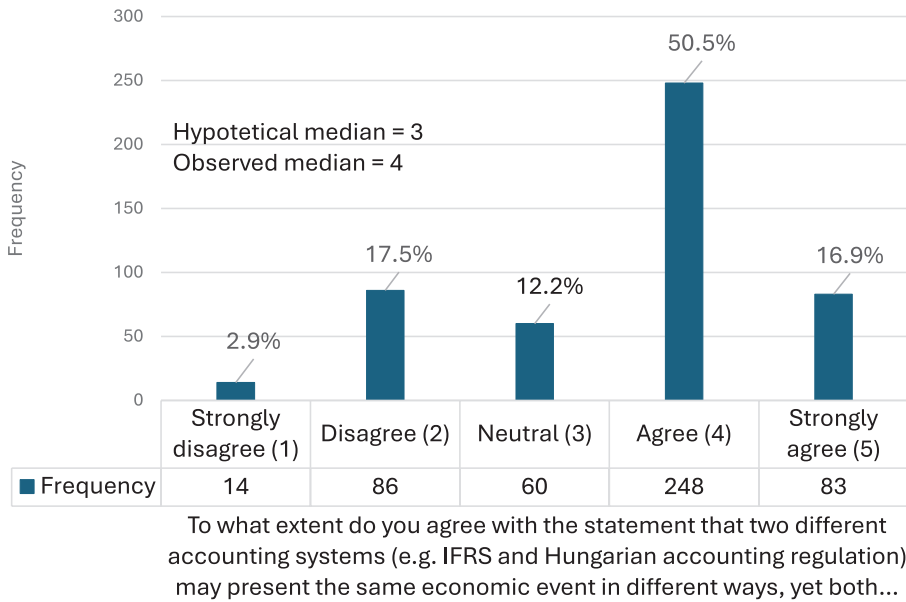


Figure 1. One-sample Wilcoxon signed-rank test results for the perceived plurality of accounting representations (H1 test)

Source: author.

Concerning H1, the empirically computed median was 4, which was significantly higher than the neutral reference value ($Z = 11.026$; $p < 0.001$); see Figure 1. Two measures of effect size were also computed in order to evaluate the difference between the empirical median and the neutral reference point in practical terms. Both Rosenthal's measure ($r = 0.498$) and the rank-biserial correlation ($r = 0.575$) indicated a moderate-to-large practical effect, suggesting that respondents tended to agree with the statement that IFRS and the Hungarian accounting regulation may provide different yet equally valid representations of the same economic event.

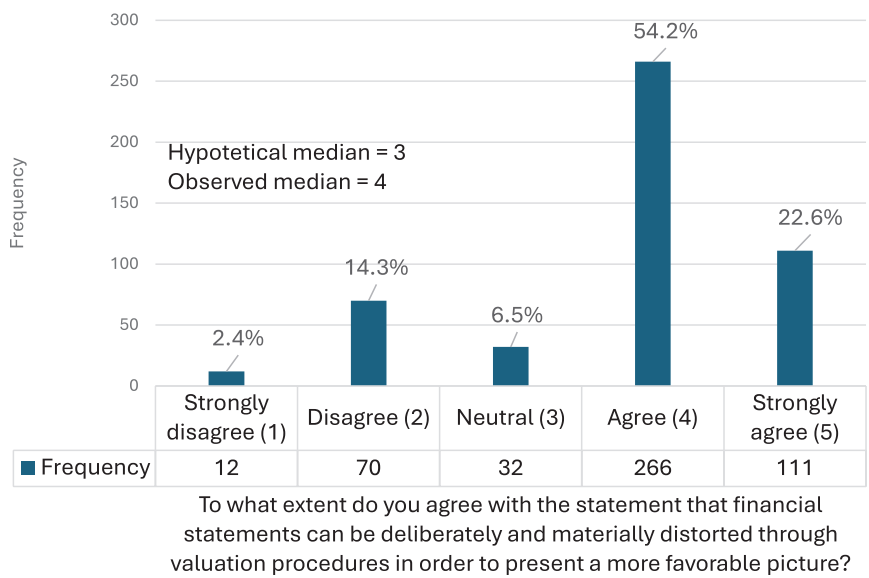


Figure 2. One-sample Wilcoxon signed-rank test results for the perceived distortability of financial statements (H2 test)

Source: author.

Similarly, for H2, the empirical value of the median was again 4, and the positive difference with respect to the neutral reference value again proved to be statistically significant ($Z = 13.444$; $p < 0.001$); see Figure 2. Again, Rosenthal's measure ($r = 0.607$) and the rank-biserial correlation ($r = 0.686$) were computed, and both indicated large practical differences with respect to the hypothetical value of 3.0. These results confirm that accounting professionals in Hungary tend to acknowledge the potential for distortion inherent in accounting procedures.

The third hypothesis (H3) and the related statistical analyses examined whether accounting can be rightfully interpreted as a socially constructed practice based on the following three interrelated statements:

- Financial statements shape the image of the reporting entity.
- Accounting does not merely reflect reality but actively shapes it.
- Financial reporting reflects a socially constructed reality.

Spearman's rank correlation coefficients (r_s) were computed, as is appropriate for ordinal (Likert-scale-measured) variables. The results revealed positive correlations in all three pairwise comparisons:

- between "image formation" and "active shaping" ($r_s = 0.287$),
- between "active shaping" and "social construction" ($r_s = 0.379$),
- between "image formation" and "social construction" ($r_s = 0.343$).

These coefficients indicate weak to moderate, yet significant positive associations ($p < 0.001$ in all three cases), confirming that the three items have substantial overlapping content. In other words, the results provided support for the use of a composite index summarizing respondents' attitudes toward the reflexive and constructivist aspects of accounting.

Following Hair (2010), principal component analysis (PCA) was applied as a dimension-reduction technique so that, based on their shared variance, response scores on the three related survey items could be combined into a single composite measure labeled "social constructionist view of accounting". The adequacy of PCA was confirmed by a sufficiently high value (0.784) of the Kaiser-Meyer-Olkin (KMO) sampling adequacy measure as well as a strong rejection of the null hypothesis ($p < 0.001$) concerning Bartlett's test of sphericity (although these diagnostics have limited information value in a three-item setting). The covariance matrix (rather than the correlation matrix) was used as input for the PCA, because all three variables were measured on the same scale. The single (first) extracted principal component explained 56.5% of the total variance of the three input variables, suggesting a sufficient degree of information overlap.

Table 1. Component Matrix

Survey item	Rescaled component*
To what extent do you agree with the statement that financial statements shape the image of the reporting entity and do not merely communicate data?	0.604
To what extent do you agree with the statement that accounting does not merely reflect reality, but also actively shapes it?	0.813
To what extent do you agree with the statement that financial reporting reflects a socially constructed reality?	0.787

Notes. Extraction method: principal component analysis. *one component extracted.

Source: author.

Factor loadings ranged between 0.60 and 0.81 (Table 1), and the internal consistency of the composite measure was also acceptable (Cronbach's $\alpha = 0.597$), although far from good. The resulting unstandardized principal component score variable (with values spanning the original 1 to 5 range of the input variables) was subsequently included in further analyses under the label "constructionism index". When tested using a one-sample Wilcoxon signed-rank test against a hypothetical value of 3.0, this composite index exhibited a positive and statistically significant difference with respect to the neutral mid-point of the Likert scale ($Z = 9.295$; $p < 0.001$); see Figure 3. To assess the practical significance of this result, the usual two effect size measures were calculated. Both measures indicated a moderate practical effect (Rosenthal's $r = 0.420$, rank-biserial correla-

tion = 0.487), suggesting that respondents tended to express a positive, approving general attitude toward the social constructionist interpretation of accounting.

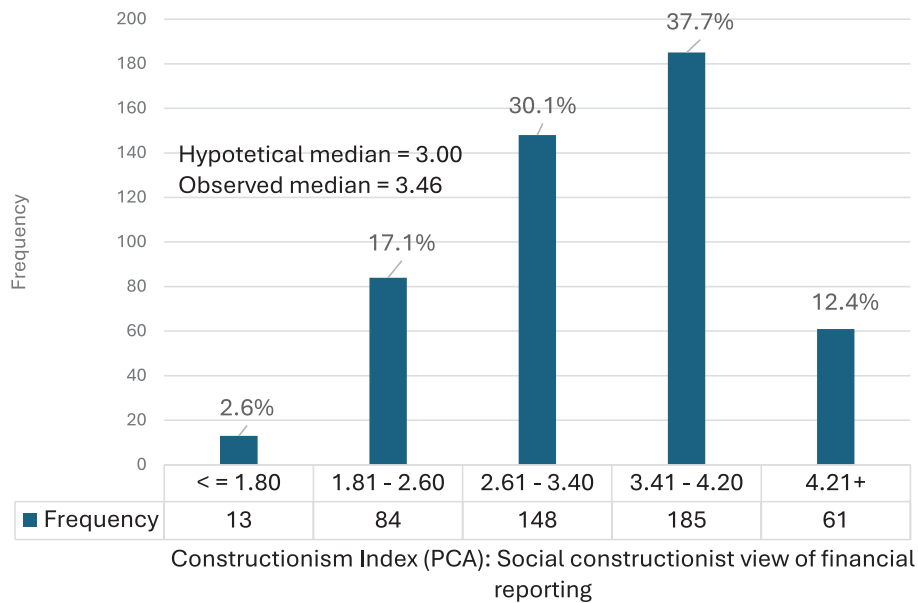


Figure 3. One-sample Wilcoxon signed-rank test results for the constructionism index (H3 test)

Source: author.

The combination of these statistical methods enabled a multifaceted analytical approach. Non-parametric tests ensured robust and statistically sound inference given the ordinal scales of measurement, correlation analyses provided an overview of the relationships among the variables, and PCA produced a single composite index with adequate internal consistency for testing the third hypothesis (H3).

Additional exploratory analyses were conducted to examine whether the attitudes underlying H1–H3 varied by respondents’ professional role and their degree of professional experience, as these characteristics were considered more relevant than other demographic variables such as age, gender, or educational attainment. As it turned out, neither of these individual characteristics exhibited statistically significant relationships with the variables underlying H1–H3 (p-values for Spearman’s rank correlation coefficients with respect to professional experience: 0.164, 0.717, and 0.058; p-values for the Mann–Whitney test results with respect to professional role: 0.106, 0.794, and 0.060). This suggests that the pattern of responses across these subgroups was by and large homogeneous.

6. Empirical findings

The first hypothesis examined the extent to which respondents agree with the statement that two different accounting systems (e.g., IFRS and Hungarian accounting regulation) may provide different, yet equally “correct” representations of the same economic event. The results show a clear tendency toward agreement, with more than two-thirds (67.4%) of respondents at least partially agreeing with this proposition. This suggests that respondents do not regard accounting representation as singular or absolute, but rather as dependent on the regulatory framework within which reporting takes place. Overall, support for H1 indicates that Hungarian accounting professionals perceive accounting as a plural system of representation in which different regulatory regimes may produce different yet equally legitimate representations of economic reality.

The second hypothesis addressed the extent to which respondents agree with the statement that financial statements can be consciously and materially distorted through valuation procedures in order to present a more favorable image. More than three-quarters (76.8%) of respondents at least partially agreed with this proposition, indicating that the majority of the professional community acknowledges the existence of discretion in applying accounting rules and its potential influence on reported outcomes. The findings suggest that Hungarian accounting professionals recognize that accounting results are not determined solely by objective facts and rules, but are also affected by professional judgment and choices among permissible alternatives. Accordingly, accounting is perceived not only as a measurement system but also as a means by which different reporting images may be communicated within the boundaries of regulation.

The third hypothesis examined the extent to which Hungarian accounting professionals accept the interpretation of accounting as a socially constructed practice. The results provide empirical support for H3, as more than two thirds (68.2%) of respondents achieved a PCA score greater than or equal to 3.0, corresponding to the midpoint of the social constructionism index, and more than half (50.1%) had PCA scores in the top two class intervals defined for the 1.0 to 5.0 range, which can be interpreted as clear and substantial agreement. This suggests that respondents generally express at least a neutral-to-positive attitude toward the social constructionist interpretation of accounting. The findings suggest that Hungarian accounting professionals recognize both the importance of faithful representation and the influence of institutional context, professional judgment, and regulatory frameworks on financial reporting outcomes. From this perspective, financial reporting contributes to defining what counts as economically relevant reality through recognition choices, valuation techniques, disclosure practices, and standard-based classifications. The results therefore

reinforce the broader argument of the study: accounting is perceived not only as an information-providing tool, but also as a professional practice with constitutive effects within a socially and institutionally embedded reporting regime.

7. Conclusion

This study investigates how Hungarian accounting professionals understand the role of financial reporting in practice, positioning accounting between faithful representation and the social construction of business reality. Drawing on a questionnaire survey of 491 practitioners, the results indicate broad acceptance of accounting pluralism: respondents largely agree that IFRS and Hungarian national regulation may portray the same underlying economic events differently while remaining legitimate within their respective frameworks. They also recognize substantial discretionary space in valuation and estimation, and perceive that this latitude can be used to shape reported outcomes. Beyond these pragmatic views, the analysis identifies a coherent constructionist orientation: statements on image formation, reality shaping, and social construction move together. Overall, the findings suggest that the Hungarian accounting community combines a normative “true and fair view” commitment with a reflexive awareness of accounting’s constitutive effects. The study thus adds empirical evidence to international debates by showing how practitioners reconcile the dual character of accounting as both an information technology and a reality-shaping professional practice.

These findings are possibly relevant for ongoing discussions in accounting education and standard-setting. The results suggest that Hungarian accounting professionals do not perceive financial reporting exclusively as a neutral representation of economic reality, but also recognize the role of professional judgment and regulatory context in shaping reporting outcomes. This may contribute to a better understanding of how concepts such as “true and fair view” are interpreted within a code-law accounting environment and may provide additional empirical evidence for international debates on the relationship between accounting representation and social construction.

Declaration on AI use

Artificial intelligence (AI) tools were not used for generating the substantive content of this manuscript. AI was used only to check the linguistic correctness of the English text and to support the comprehensive search for relevant academic literature. The author takes full responsibility for the content, interpretation, and conclusions presented in the manuscript.

References

- Alexander, D., & Eberhartinger, E. (2009). The true and fair view in the European Union. *European Accounting Review*, 18(3), 571–594.
<https://doi.org/10.1080/09638180902784405>
- Barker, R., Penman, S., Linsmeier, T. J., & Cooper, S. (2020). moving the conceptual framework forward: Accounting for uncertainty. *Contemporary Accounting Research*, 37(1), 322–357. <https://doi.org/10.1111/1911-3846.12585>
- Barth, M. E. (2008). Global financial reporting: Implications for U.S. academics. *The Accounting Review*, 83(5), 1159–1179.
<https://doi.org/10.2308/accr.2008.83.5.1159>
- Barth, M. E., Landsman, W. R., & Lang, M. H. (2008). International accounting standards and accounting quality. *Journal of Accounting Research*, 46(3), 467–498. <https://doi.org/10.1111/j.1475-679X.2008.00287.x>
- Bissessur, S., Litjens, R., & Ormazabal, G. (2025). Enforcement of financial reporting regulation in the EU: New data. *European Accounting Review*, 1–39.
<https://doi.org/10.1080/09638180.2025.2565468>
- Bozkurt, O., Islamoğlu, M., & Öz, Y. (2013). Perceptions of professionals interested in accounting and auditing about acceptance and adaptation of global financial reporting standards. *Journal of Economics Finance and Administrative Science*, 18(34), 16–23. [https://doi.org/10.1016/S2077-1886\(13\)70019-2](https://doi.org/10.1016/S2077-1886(13)70019-2)
- Burgstahler, D., & Dichev, I. (1997). Earnings management to avoid earnings decreases and losses. *Journal of Accounting and Economics*, 24(1), 99–126.
[https://doi.org/10.1016/S0165-4101\(97\)00017-7](https://doi.org/10.1016/S0165-4101(97)00017-7)
- Chahed, Y. (2021). Words and numbers: Financialization and accounting standard setting in the United Kingdom. *Contemporary Accounting Research*, 38(1), 302–337. <https://doi.org/10.1111/1911-3846.12614>
- Cohen, D. A., Dey, A., & Lys, T. Z. (2008). Real and accrual-based earnings management in the pre- and post-Sarbanes-Oxley periods. *The Accounting Review*, 83(3), 757–787. <https://doi.org/10.2308/accr.2008.83.3.757>
- Cohen, D., Pandit, S., Wasley, C. E., & Zach, T. (2020). Measuring real activity management. *Contemporary Accounting Research*, 37(2), 1172–1198.
<https://doi.org/10.1111/1911-3846.12553>
- Daske, H., Hail, L., Leuz, C., & Verdi, R. (2008). Mandatory IFRS reporting around the world: Early evidence on the economic consequences. *Journal of Accounting Research*, 46(5), 1085–1142. <https://doi.org/10.1111/j.1475-679X.2008.00306.x>
- Datar, S., Kulp, S. C., & Lambert, R. A. (2001). Balancing performance measures. *Journal of Accounting Research*, 39(1), 75–92.
<https://doi.org/10.1111/1475-679X.00004>

- De Luca, F., Prather-Kinsey, J., Erdogan, S., & Phan, H.-T.-P. (2024). Cross-border listed firms' IFRS-based financial reports: Are they comparable? *Journal of Accounting and Public Policy*, 45, 107207.
<https://doi.org/10.1016/j.jaccpubpol.2024.107207>
- Dechow, P. M., & Dichev, I. D. (2002). The quality of accruals and earnings: The role of accrual estimation errors. *The Accounting Review*, 77(s-1), 35–59.
<https://doi.org/10.2308/accr.2002.77.s-1.35>
- Field, A. (2018). *Discovering Statistics Using IBM SPSS Statistics* (5th edition). SAGE.
- Francis, J., LaFond, R., Olsson, P. M., & Schipper, K. (2004). Costs of equity and earnings attributes. *The Accounting Review*, 79(4), 967–1010.
<https://doi.org/10.2308/accr.2004.79.4.967>
- Friedrich, J., Kunkel, T., & Thiemann, M. (2024). Becoming influential: Strategies of control, expertise, and socialisation in transnational governance of accounting regulation. *Accounting, Organizations and Society*, 113, 101566.
<https://doi.org/10.1016/j.aos.2024.101566>
- Georgiou, O. (2024). The politics of prudence in accounting standards. *Accounting, Organizations and Society*, 113, 101571. <https://doi.org/10.1016/j.aos.2024.101571>
- Glaum, M., Schmidt, P., Street, D. L., & Vogel, S. (2013). Compliance with IFRS 3- and IAS 36-required disclosures across 17 European countries: Company- and country-level determinants. *Accounting and Business Research*, 43(3), 163–204.
<https://doi.org/10.1080/00014788.2012.711131>
- Grosu, V., Cosmulese, C. G., Socoliuc, M., Ciubotariu, M.-S., & Mihaila, S. (2023). Testing accountants' perceptions of the digitization of the profession and profiling the future professional. *Technological Forecasting and Social Change*, 193, 122630. <https://doi.org/10.1016/j.techfore.2023.122630>
- Hair, J. F. (Ed.). (2010). *Multivariate Data Analysis* (7th ed). Pearson Prentice Hall.
- Healy, P. M. (1985). The effect of bonus schemes on accounting decisions. *Journal of Accounting and Economics*, 7(1–3), 85–107.
[https://doi.org/10.1016/0165-4101\(85\)90029-1](https://doi.org/10.1016/0165-4101(85)90029-1)
- Healy, P. M., & Wahlen, J. M. (1999). A Review of the earnings management literature and its implications for standard setting. *Accounting Horizons*, 13(4), 365–383. <https://doi.org/10.2308/acch.1999.13.4.365>
- Hines, R. D. (1988). Financial accounting: In communicating reality, we construct reality. *Accounting, Organizations and Society*, 13(3), 251–261.
[https://doi.org/10.1016/0361-3682\(88\)90003-7](https://doi.org/10.1016/0361-3682(88)90003-7)
- Hopwood, A. G. (2009). Accounting and the environment. *Accounting, Organizations and Society*, 34(3–4), 433–439. <https://doi.org/10.1016/j.aos.2009.03.002>
- Jones, J. J. (1991). Earnings management during import relief investigations. *Journal of Accounting Research*, 29(2), 193. <https://doi.org/10.2307/2491047>

- Kothari, S. P., Leone, A. J., & Wasley, C. E. (2005). Performance matched discretionary accrual measures. *Journal of Accounting and Economics*, 39(1), 163–197. <https://doi.org/10.1016/j.jacceco.2004.11.002>
- Leuz, C., Nanda, D., & Wysocki, P. D. (2003). Earnings management and investor protection: An international comparison. *Journal of Financial Economics*, 69(3), 505–527. [https://doi.org/10.1016/S0304-405X\(03\)00121-1](https://doi.org/10.1016/S0304-405X(03)00121-1)
- Morgan, G. (1988). Accounting as reality construction: Towards a new epistemology for accounting practice. *Accounting, Organizations and Society*, 13(5), 477–485. [https://doi.org/10.1016/0361-3682\(88\)90018-9](https://doi.org/10.1016/0361-3682(88)90018-9)
- Mouritsen, J. (1994). Rationality, institutions and decision making: Reflections on March and Olsen's rediscovering institutions. *Accounting, Organizations and Society*, 19(2), 193–211. [https://doi.org/10.1016/0361-3682\(94\)90018-3](https://doi.org/10.1016/0361-3682(94)90018-3)
- Nguyen, T. T. H., Ibrahim, S., & Giannopoulos, G. (2023). Detecting earnings management: A comparison of accrual and real earnings manipulation models. *Journal of Applied Accounting Research*, 24(2), 344–379. <https://doi.org/10.1108/JAAR-08-2021-0217>
- Nobes, C. (2013). The continued survival of international differences under IFRS. *Accounting and Business Research*, 43(2), 83–111. <https://doi.org/10.1080/00014788.2013.770644>
- Nobes, C., & Stadler, C. (2024). Deviations from the mandatory adoption of IFRS in Europe? Why non-adoption does not mean non-compliance. *European Accounting Review*, 33(4), 1497–1519. <https://doi.org/10.1080/09638180.2023.2197248>
- Roychowdhury, S. (2006). Earnings management through real activities manipulation. *Journal of Accounting and Economics*, 42(3), 335–370. <https://doi.org/10.1016/j.jacceco.2006.01.002>
- Soderstrom, N. S., & Sun, K. J. (2007). IFRS adoption and accounting quality: A review. *European Accounting Review*, 16(4), 675–702. <https://doi.org/10.1080/09638180701706732>
- Tarca, A. (2020). The IASB and comparability of international financial reporting: Research evidence and implications. *Australian Accounting Review*, 30(4), 231–242. <https://doi.org/10.1111/auar.12326>
- Yan, H., Liu, Z., Wang, H., Zhang, X., & Zheng, X. (2022). How does the COVID-19 affect earnings management: Empirical evidence from China. *Research in International Business and Finance*, 63, 101772. <https://doi.org/10.1016/j.ribaf.2022.101772>
- Zhang, Y., & Andrew, J. (2022). Financialisation and the conceptual framework: An update. *Critical Perspectives on Accounting*, 88, 102322. <https://doi.org/10.1016/j.cpa.2021.102322>