

## **BEHAVIOURAL ACCOUNTING: AN INTRODUCTION TO UNDERSTANDING**

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### **ABSTRACT**

This paper will briefly discuss behavioural accounting. Pragmatically, behavioural accounting is the application of social science concepts to several accounting research areas such as budgeting, decision-making, controlling, and financial reporting. This newly emerging subdiscipline tries to focus on the human element with its human nature. Although accounting is essentially a quantitative field of study. The method of this study is a literature search, with the primary data sources being related scientific journals, and also other sources compatible with the theme of this discourse. This paper provides a brief introduction to behavioural accounting.

**Keywords:** Accounting, Behavioural, Understanding

### **INTRODUCTION**

Accounting today continues to evolve. Since prehistoric times until now shows that humans in this era have known the existence of counting. As with everyday life whether consciously or not we have actually used accounting, starting from small things such as recording income and expenses. Income is all receipts in the form of money or goods, while expenses are the amount of money or goods that we spend to meet our needs. The development of accounting science is very instrumental in producing financial and non-financial information, this development has also led to several branches of accounting science, namely financial accounting, cost accounting, tax accounting, budgeting accounting, audit accounting, management accounting, government accounting, educational accounting, social accounting, accounting systems and behavioural accounting (I. Wahyuni & Pratiwi, n.d.).

Behavioural accounting is a relatively new field compared to other fields of accounting science. Behavioral accounting is a field of accounting that studies human behaviour that can affect accounting data and business decision making and vice versa accounting can affect human behaviour and business decision making. Behavioral accounting will usually always be related to human behaviour and its relationship with the design, construction, and efficient use of accounting information systems. Accounting is divided into two major groups, including financial accounting and managerial accounting. Financial accounting aims to present information for external users, while management accounting for internal users of the company (L. Wahyuni et al., 2023).

The accounting system is a method and procedure for recording and reporting information and financial conditions needed to be provided to the management of a company or business organisation that can be used for decision making. in the company is also used in purchasing, inventory and sales of the company to control its finances. The use of an accounting

system to produce good and quality financial information must also be supported by good human resources to run the information system, this of course can minimise errors in the management and operation of accounting information systems. Human resources can be said to be good and quality, of course, not only have good skills but must also have good behaviour. Good behaviour can be influenced by a person's motivation and attitude to encourage action. Then what is the concept of behavioural accounting?

## METHODS

This research uses qualitative methods where according to qualitative research methods are often called naturalistic research methods because the research is conducted in natural conditions (Cresswell, 2012). In this research, a literature study was conducted in analysing the role of behavioural accounting. This research identifies policies regarding the steps taken by the company. This research uses a database based on previous research to obtain data on related articles. In general, the research method is summarised in three steps. The first step is to ask a question. This question arises because there is something interesting and perhaps unusual or considered odd. This interesting, unusual and odd thing demands an answer or deeper understanding. The second step is to collect data either by interviewing or asking written questions that have been prepared in advance along with the choice of answers. This data collection aims to obtain more precise information so that the answers to these interesting, unusual and odd things can be obtained precisely and correctly. The third step is to present the answers obtained (Saleh et al., 2019).

## DISCUSSION

### Definition of Behavioural Accounting

Accounting is a very broad field of science that can combine with other fields of science. One of the fields of science that can combine with accounting is social science. The result of the combination of accounting and social science is known as Behavioural Accounting. In this field of science, human behaviour is taken into account to see its effect on accounting data. Not only in a one-way form, this field of science also studies how accounting influences human behaviour. Especially when making decisions related to business. In other words, this branch of accounting studies the relationship and influence between human behaviour and the accounting system and vice versa.

### Scope of Behavioural Accounting

In one of these branches of accounting science, decision making must involve how a person's behaviour as a consideration. By considering human behaviour, it makes the emergence of social aspects in the field of accounting science. The scope of accounting related to human behaviour includes:

1. Examines human behaviour towards the construction, building, and consuming of accounting information systems implemented in a company or organisation. That is, the scope of accounting can see how leadership styles can affect the nature of accounting control and design in the company or organisation.
2. Examine the effect of the existence of accounting information systems on all human actions which means looking at the effect of accounting systems on performance, productivity, cooperation, and decision making.

3. A method that explains and predicts human actions and behaviour and makes a strategy to change these actions. It means using accounting to influence human behaviour and overcome the resistance of human behaviour.

## **Aspects of Behavioural Accounting**

One of the branches of accounting science also has various important aspects like other branches of science, there are five important aspects that exist in one of these fields of accounting science. The five aspects are:

### **1. Organisational Theory and Management Behaviour**

The discussion of the behaviour of the components of the corporate entity is discussed quite deeply in this modern organisational theory. The attention of this modern organisational theory explains their behaviour as a basis for seeing the motives for the various actions they take. Modern organisational theory sees that there is an influence from the interaction between each element in an effort to support the goals of an organisation or company. More specifically, modern organisational theory in accordance with what Schiff and Lewin said focuses on the behaviour of each component in directing organisational goals, providing motivation, and displaying characteristics in solving problems.

Because in certain conditions, motivation plays an important role in commitment which affects job satisfaction. The purpose of an organisation or company is seen from the perspective of modern organisational theory, is the result of the process of influencing each element. The influence on each of these elements results in motivation and organisational commitment. So that when viewed further, there is a reciprocal relationship between organisational commitment and job satisfaction.

### **2. Budgeting and Planning**

In addition, the goals of the organisation or company must also be formulated and made the focus of budgeting and planning. In addition to goals, budgeting and planning should also focus on the behavioural interactions of each individual. Budgeting, level of difficulty in achieving goals, and conflicts between goals are part of the dimensions referred to in this area. All these dimensions must be considered in order to create alignment between the goals of the organisation or company and the goals of each individual. The alignment between these two important parts can later become the foundation for the development of the organisation or company by the management team.

### **3. Decision-making**

Another aspect included is decision-making, which is the focus of modern organisational theory. In the theory, three models are introduced as decision-making methods: the normative model, the paradoxical model, and the descriptive model. Normative model is a state of decision-making by a person according to the circumstances should be. While the normative model discusses the opposite of the normative model. The Descriptive Model in decision-making theory sees a person's condition when making decisions by looking at existing facts. The information used when making this decision is accounting information.

### **4. Control**

Another aspect that is no less important in an organisation or company is the control aspect. The level of control is directly proportional to the size of an organisation or company. So that the level of control will be increasingly incentive as an organisation or company develops. This aspect has a lot to do with the performance and adaptability of individuals to the surrounding environment. An important part of the control aspect is the existence of a clear organisational structure, administrative hierarchy, and internal control. In recent developments in the control aspect, the environment has become a key role in controlling the operations of

an organisation or company. Previously, the environment was not included in this control aspect.

## 5. Financial Reporting

This behavioural aspect in accounting also includes how financial reporting includes earnings smoothing, the reliability of accounting information, and the relation of accounting information to investors. In this case, earnings smoothing is due to the existence of special information owned by management to realise its interests in part to carry out earnings management.

## Benefits of Behavioural Accounting

This field of behavioural accounting provides enormous benefits for managers or management of an organisation or company in making decisions. In this field of science, you can see how the decision-making process is seen from the existing accounting system. This field of science has a very close relationship to the economic sector. This field of science is the most needed science when the decision-making process occurs. The greatest benefit can indeed be felt by managers when making decisions. Because the manager's emotional condition seeing accounting data will have an impact on the decisions they will make.

## CONCLUSION

Based on the results of the research that has been carried out, it can be concluded that accounting will always develop following the times, because behavioural accounting is one of the answers to complement traditional accounting in every company. The honesty is the best policy theory explains the moral character when behaving that always obeys the rules, maintains discipline, and reveals something honestly, this theory is directly related to the role of behavioural accounting on decision making between companies and employees. The behaviour of the company's management and workforce will affect the results of financial statements which will later become the basis for decision making for the value of the company. Thus, it is necessary to apply good behavioural accounting so that the financial statements are presented relevant and fair in order to avoid fraud.

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