

PREPARATION OF ACCOUNTS AS REFLEXIVE PROCESS

Prepared by: Faza Iskandar Sapari

ABSTRACT

Every accounting event is determined by these substances: (1) Recognition (2) Valuation and (3) Commercial Effect. Earning-Per-Share (EPS), as measurement of shareholder's wealth on the face of accounts, tends to be volatile in relation with these substances. The discrepancy in underlying EPS value, evident during preparation of accounts, is generally caused by the dynamism between these substances.

Hypothesis yield a significant evidence of relationship between the substance and the underlying value of EPS. Accounting events which is recognized so as having a substantial impact to retained earnings, will set the variability in EPS. In recognition, either charge against assets, or ride of liability will cause significant influence to EPS. The materiality and quantum of events significantly influence underlying EPS value. Generally, the higher quantum or valuation of events, the wider discrepancy in EPS will be. Similarly, accounting events which have great commercial effect to shareholder's equity will likely to cause further volatility in EPS.

By concept of reflexivity, the dynamism between these substances will give rise to participant's bias. Participants' bias measures the divergence between their pursuit or expectations and the actual result of (accounting) events. The bias mostly, expresses itself in the accounting events which render significant substances. The substances represent key impact made by particular accounting events on EPS. Reflexivity prevails when the dynamism between substances of accounting events yields a never ending process of changes and constant volatility in the underlying EPS. Eventually, evolution of EPS as measure of underlying shareholder's wealth, will take a reflexive course with the participant's bias as driving force.