Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

Received: dd mm 202x Accepted: dd mm 202x

DOI: https://doi.org/10.47059/rr.v8i4.39

The Revenue-Expense Approach Versus Balance-Sheet Approach: Impacts on Market Equilibrium

Hardi Bakr Hamad[1], MSc, Mikaeel Biro Munaf, PhD[2], Aram Mohammed-Amin Qadir, MSc[3]

Abstract

This paper integrates the market process approach from the Iraqi Economics with capital theory as conceived by the Historical School, providing a conduit to delve into the diverse methodologies of financial accounting. In this context, the significance of the revenue-expense approach becomes apparent. This method is instrumental in promoting a balance in the market, commonly known as market equilibrium. The revenue-expense approach's net income determination facilitates uncovering price structure inconsistencies. It discloses essential market information and provides insights into possible pricing disparities. This critical function makes it a key player in maintaining the market's overall balance. The balance-sheet approach, which heavily relies on fair value measurement, assumes that the market is always in equilibrium. However, this assumption is problematic, as balance in the market cannot be achieved purely through fair value accounting. In an interesting twist, for the balance-sheet approach to be practically applied, it requires an efficient working market process that incorporates financial reporting based on the revenue-expense approach. Hence, this paper portrays the balance-sheet approach as relying on the very methodology it often contradicts. The nuanced interplay between both approaches and their individual contributions to market equilibrium forms a complex, pivotal aspect of financial accounting.

Keywords: *Revenue-Expense Approach, Balance-Sheet Approach, Market Equilibrium, Financial Accounting, Historical Transactions, Fair Value Measurement, Price Structure, Financial Reporting.*

1. Introduction

Financial accounting systems have been at the heart of compelling discussions in recent years. Two main approaches to financial accounting currently prevail: the 'balance-sheet' or 'asset-liability approach' endorsed by the Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) and the 'revenue-expense approach' (Hitz, 2007). Rooted in neoclassical economics, the balance-sheet approach emphasizes current market values of assets and liabilities. It's essentially forward-looking, using market values as a baseline.

[1]Department of Accounting, Faculty of Humanities and Social Sciences, Koya University, Koya, 44023, IRAQ
Email: [1]hardi.bakr@koyauniversity.org
[2]Department of Accounting, Faculty of Law Political Sciences and Management, Soran University, Soran, 44008, Iraq
Email: [2]mikaeel.munaf@soran.edu.iq
[3]Department of International Trade, Law and Administration college, University Of Halabja, Halabja, 46018, IRAQ
Email: [3]aram.qadir@uoh.edu.iq

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

They are perceived to be the best estimate of the present value of future cash flows generated by these assets and liabilities. Consequently, the balance-sheet approach's income concept mirrors the Hicksian Income N° 1, which implies a sense of equilibrium. However, the extent to which this model applies to real-world scenarios remains contentious. Contrarily, the revenue-expense approach focuses on past and realized cash flows, endorsing the traditional rules. It highlights historical costs, enforcing the realization principle in the determination of net income. It contradicts the balance-sheet approach, which supports market-value based concepts. Supporters of the revenue-expense method often emphasize the 'prudence' of conventional rules or present historical evidence indicating relative earnings instability stemming from fair value measurement (Busse van Colbe & Fülbier, 2013, p. 45). Moreover, opinions suggest that the balance-sheet approach aligns with the Anglo-American capitalist model, where equity markets take center stage. Conversely, the revenue-expense approach seems to fit more naturally within countries practicing 'Rhenish capitalism', where commercial bank debt financing is usual. Regardless, these differing perspectives on accounting systems mirror the diversity within macroeconomic environments (Lütz & Eberle, 2008). Applied to the context of Iraq, these discussions hold even more significance. Both approaches provide their unique insights towards understanding and managing the financial systems, and choosing the appropriate method can profoundly impact financial reporting and economic stability.

This article evaluates two pivotal financial accounting methods, the 'revenue-expense approach' and 'balance-sheet approach,' from a unique perspective. This perspective is significantly influenced by Biondi's recent agent-based simulation and artificial market experiment (2015). The central idea revolves around Hayek's (1937, 1945) portrayal of the market as a process. This process takes the diverse knowledge scattered among individuals in the society and integrates and organizes it. This paper primarily explores which accounting system among the two may offer the most valuable information for this market process. Unlike the assumptions of ideal market scenarios made by the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB), this paper's focus remains on the role of information for the market process. This emphasis on information results in conclusions that sharply diverge from Barth's (2014) findings.

It is observed that revenue-expense approach-based information aligns well with Hayek's understanding of the market process. Specifically, net income figures aid in directing entrepreneurial actions towards coordination. However, the balance-sheet approach, particularly the fair-value principle, does not provide equally useful information to investors and entrepreneurs participating in the market process. The paper concludes that the revenue-expense approach is crucial for the market process's tendency towards equilibrium. Conversely, supporters of the balance-sheet approach simply assume the existence of a functioning market process. These proponents implicitly accept the revenue-expense approach's contribution to the equilibrium process. If the fair-value program were fully installed, the market process would operate without useful information from financial reporting. For these reasons, Eugen Schmalenbach ([1919] 1959) referred to the revenue-expense approach as 'dynamic accounting' and the balance-sheet approach as 'static accounting'. 'Dynamic accounting' presumes a continuously changing environment - a market process in disequilibrium. On the other hand, 'static accounting' assumes the existence of a static environment where equilibrium conditions prevail. This understanding, tailored to the Iraqi context, can provide critical insights into the best accounting practices suitable for its unique market scenario.

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

This paper analyzes two main perspectives towards financial accounting, embarking on the journey with an in-depth discussion of the market process. Drawing from Hayek (1937, 1945), Mises (1980), and Kirzner (1997, 2013) of the 'Austrian' economics school, it critiques the focus of neoclassical economists on examining equilibrium market values, arguing that this tendency overlooks a vital economic point: checking the initial establishment of such equilibriums. The argument propounds the idea that all market players must be empowered to input their unique knowledge into the price formation procedure. The following section links the examination of the market process with economic calculation institutions, including financial accounting. It's noteworthy to stress that while most Austrian school economists refrained from explicating the institutions facilitating the market process in detail (with a solitary exception of private property), a few economists from the historical school have ventured to inspect business-life institutions more closely. They have also integrated these observations to propound a capital-focused economic approach that accounts for these institutions (Hodgson, 2014, 2015). Recently, efforts towards elucidating the market process based on this capital approach have been initiated by Braun (2017) and Braun and Roß (2018). Although the role of financial accounting in balancing the market process wasn't thoroughly discussed, scholars including Basu and Waymire (2010, 2019) and Braun (2019) have argued that financial reporting, specifically the revenue-expense approach, is a vital component of the market process. These researchers suggest that positive net income is a product of entrepreneurs successfully identifying disparities in the pricing structure – instances of market disequilibrium. This income can be a guiding light for investors and fellow entrepreneurs, leading them to direct their capital investments more effectively, further promoting a balance in the market.

Looking at another perspective in Section 5, we see that advocates of the balance-sheet approach view the market process – and correspondingly, the revenue-expense approach – as essential, albeit often unspoken, prerequisites. However, these proponents tend to begin their reasoning from a point where the market process has already resolved the primary challenges. As a result, they often overlook the significance of the revenue-expense approach. Scholars like Nissim and Penman (2008), Schildbach (2009, 2012, 2016), Sunder (2011a, 2011b), and Biondi (2015) have revealed that this leads to a circular argument whereby financial reports are believed to inform the market about its own data.

This paper expands on the notion that a business entity is more than just contracts, assets, and property rights associated with those assets. From an accounting perspective, a ‘going concern’ approach is adopted, according to which a company is perceived as a coherent entity that generates profit holistically, rather than being a simple collection of separate assets. Although it exceeds the limits of this article to explore how other business theories align with the revenue-expense or balance-sheet approach comprehensively, Biondi (2007) acknowledges that prevailing business theories fail to provide an inclusive view of a firm that encapsulates all relevant facets of economics, accounting, and law. However, Tang (2019) suggests that using agency theory leads to findings that resemble ours. Please note, the arguments can be tailored specifically for the economic context of Iraq instead of the Austrian model by substituting relevant Iraqi business theories and models. There are two crucial points to bear in mind as we discuss the balance-sheet and revenue-expense approaches to business accounting. Firstly, neither approach has been wholly executed, and neither will likely ever become the ultimate, standalone standard (Baker, 2019, pp. 3-4). This paper still investigates the essential theory of these methods as it allows for a singular, isolated exploration of each approach's role and wider implications, aiding subsequent evaluation. Secondly, this paper mainly focuses on the 'real' economy - productive activities aimed at delivering goods and services to consumers - rather than dealings in financial and other assets within the

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

same market, a distinction also recognized by Penman (2007), Marshall and Lennard (2016), and Bezemer and Hudson (2016). Section 6 briefly discusses how the paper's argument relates to assets involved in financial and real estate trade. As specified, these arguments are reinterpreted within the context of the Iraqi economy rather than the Austrian model by substituting relevant Iraqi business theories and models in the discussion.

Equilibrium and the market process

Hayek shifted his academic attention from business cycle theory to the spontaneous economic order by the mid-1930s (Witt, 1997). He critiqued neoclassical economists for limiting their studies to equilibrium conditions, neglecting the processes resulting in equilibrium prices. Hayek (1937, 1945) argued that this restricted view bypasses economics's core dilemma: how knowledge is divided among different market participants, leading to balanced prices. He asserted that examining solely the equilibrium condition assumes the complete processing and incorporation of societal knowledge into prevailing prices, while ignoring how this fragmentation of knowledge is gathered and organized in the first place (Hayek, 1937). To fully comprehend this, Hayek proposed looking beyond equilibrium frameworks is necessary. Translating these critiques and theories into an Iraqi context, assessing how societal knowledge is distributed, managed, and impacts price determination in Iraq's market becomes crucial instead of relying on equilibrium scenarios.

Hayek's work is widely esteemed for its contributions to economics, though its direct influence on economic analysis may be limited (Arrow et al., 2011). His ideas primarily shape the Austrian School of economics, emphasizing the market process over equilibrium analysis. Instead of delving into the complexities of equilibrium framework and market process compatibility, this paper zeros in on a pertinent topic - the suitable financial accounting system in a non-equilibrium context. Questions of how the market's balancing act relies on the financial accounting approach are considered, alongside the role of financial accounting in the market process, with particular reference to an undisturbed market process. The paper intentionally excludes factors potentially undermining the informative function of prices, profits, and losses from this discussion, considering them as prerequisites to understanding market anomalies and issues. Bringing these insights to an Iraqi economic setting, it's important to appreciate that Hayek's theories can help understand Iraq's unique economic conditions and market structures. One primary focus would be understanding the dependency of Iraq's market processes on the selected financial accounting system, and carefully analyzing the potential disturbances and failures that may arise in this non-equilibrium context. Hayek (1945) insightfully argued about the scattered nature of knowledge essential for the optimal utilization of resources within a society. He empathized that no one has full possession of such knowledge, which is typically dispersed among individuals as fragmented and often contradictory bits of information. The price system serves as a conduit to connect all participants and distribute key insights about relative scarcity or abundance of goods (pp. 519-520). Through their buying and selling activities, each participant indirectly affects market prices. By doing so, they contribute their distinct understanding of the specific circumstances of time and place, thereby influencing the prices to mirror the otherwise decentralized knowledge contained within society (pp. 80-81, Erlei, 2007).

When applied to the Iraqi context, this theory encompasses the fragmentation of essential market-related information among different economic agents. The price system, therefore, plays a crucial role in Iraq's economic landscape, as it facilitates information flow about goods' scarcity or abundance among various market participants. Following this framework, we can better understand the structure and dynamics underlying Iraq's market system. The theory highlights the importance of every participant's unique market actions and their contribution to shaping the prices and, indirectly, the economy. In the field of business production, buying and selling activities, primarily provoked by potential profit opportunities, are fundamental to the operational

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

dynamic. Notably, firms are motivated to exploit price spreads, a significant indication of profitability (Kirzner, 1997, p. 68). It's crucial to highlight that the prices carry knowledge and the profit and loss outcomes generated from entrepreneurial actions do the same.

The profit and loss mechanism serves two important functions. Firstly, it provides entrepreneurs with vital performance feedback about their businesses' success and aligns their expectations. Lacking such feedback, they may struggle to decide whether to maintain their current course. Secondly, their significance as guideposts for investors and other entrepreneurs cannot be discounted. In the theory propounded by Mises (1980), profits emerge wherever there is a discrepancy between the current state of production and a state of optimized satisfaction of consumer demand (p. 114). This competition to capitalize on such profit opportunities facilitates a 'mutual adjustment', thereby aligning the discordant elements (Kirzner, 2013, p. 58). In essence, profits and losses act as economic signals guiding investors and entrepreneurs towards sectors and industries where demand and supply have not yet balanced. They create a trend towards aligning marginal costs and revenues by inducing competition, hence contributing to economic equilibrium. Thus, the pivotal role of profits and losses in achieving market balance underscores their importance in the Iraqi business landscape.

In the market process methodology, it must be noted that neither market prices nor profits and losses are expected to be precise or ideal. Contrary to the assumption that they reflect the correct or equilibrium value of traded goods, they serve as tools guiding the move towards a balance of business activities and consumption plans among market participants. The concept of equilibrium, understood as the 'final state of rest,' is merely a hypothetical construct (Mises, 1949, p. 246). This construct circumvents the cause-effect link between price spreads and equilibration tendencies, assuming it as a given fact (Olbrich, Quill, & Rapp, 2015, p. 13). Therefore, in the real market, especially in the context of Iraq's economy, the aim is not to achieve a perfect equilibrium but rather effectively align divergent business activities to meet emerging market demands.

The institutional requirements of the market process

The Iraqi Economic organizations is known for emphasizing the significance of the market process and the constraints of neoclassical equilibrium analysis. However, these Iraqi economists have historically been hesitant to delve into the systems and institutions which support the market process (Lee & So, 2014, sect. 1.1). This hesitation appears unusual given couple of points: firstly, Carl Menger, the founder of this school, famously discussed the evolution of institutions including money; and secondly, Mises's (1920) renowned argument against long-term viability of socialist economies pivots on institutions of monetary calculation and private property.

The reluctance here is attributed to the typical method of Iraqi economists which is deductive in nature - drawing economic theories from the logic of action devoid of historical context (Braun, Lewin, & Cachanosky, 2016; Braun, 2017). Therefore, historical institutions such as accounting rules are often overlooked and not central to their arguments. However, if we are to understand the role that different accounting systems play in the market process, there is a need to account for the institutional framework of the market economy as a whole. This absence of institutional grounding has been observed and critiqued by the historical school of economics within the context of both neoclassical and Iraqi economics. Hodgson (2015) most recently attempted to shed light on economic theory's tacit, institutional prerequisites. Further highlighting the importance of considering institutional factors, Hodgson (2015, ch. 7; 2014) notes the area of monetary calculation, pertinent to the problem discussed in this paper, as a particularly enlightening case. Hodgson aligns with Schumpeter's view (Biondi, 2008), arguing that before economists and sociologists formulated their unique concepts, 'capital' was a common term referring to money invested in business enterprises. As we try to adapt these concepts to the Iraqi market environment, we should acknowledge the role of different institutions and their impact on

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

the market process. Recognizing institutional underpinnings will allow us to better interpret and foresee the economic scenarios in Iraq. In capitalist economies, financial activities are central to all business operations, a concept known as the 'veil of finance' (Schäfer, 1991). This principle asserts that business actions begin and end with financial processes, such as cash flows (Dichev, 2017). Marx referred to this in his general formula:
Money – Commodity – Money.
In a more nuanced perspective, Zwiedineck-Südenhorst (1930) expanded on Marx's model illustrating how financial considerations drive the organization of technical production process. Accordingly, factors of production are converted into products not for the sole reason of production itself, but rather for earning a monetary profit (Braun, 2017). This pursuit of profit means capital invested in businesses should be recovered from revenues.

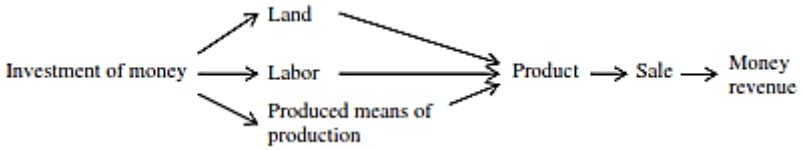

Figure 1: The Financial Enclosure Surrounding the Production Process in Capitalism.

Anything exceeding this capital recovery is regarded as income (Rambaud & Richard, 2015). Consequently, business and investor behavior is informed mainly by financial calculations and structures, such as financial and managerial accounting, not by the technical aspects of the production process. Braun (2017) explains how the market's balance is achieved through numerous enterprises striving for profit based on these financial considerations. This passage, coupled with Hayek's concept of private information, suggests that organizations use specific, private information to make strategic decisions and reach their financial goals. In the Iraq context, this analysis has an important implication. Much like in any capitalist system, businesses in Iraq are guided by financial motives. They aim to maximize profit and will make decisions based on monetary considerations rather than the technicalities of the production process. Understanding this 'veil of finance' will ensure better comprehension of capitalist dynamics in Iraq. In a working free-market system, consumers ultimately determine the success of businesses. The decisions they make about which goods they purchase provide critical private information to the market, guiding which products get produced and the profitability of companies creating consumer products. The technical knowledge companies drive this process possess on how to transform inputs into consumer goods (Hayek, 1937).
Still, it's key to remember that financial considerations dictate their effectiveness in meeting consumer demands. The company's business model is deemed successful only if it generates profit - a measure communicated by financial accounting (Marshall & Lennard, 2016). Put simply, financial accounting evaluates whether businesses' private knowledge is successful in meeting consumers' needs, thereby enhancing resource allocation in society. It provides critical market feedback on the goods and services a business delivers. In the case of Iraq, the same principles apply. Consumers drive the market by determining which products are desirable, directing the success of businesses based on their purchases. Companies, in turn, use their know-how to meet these needs but rely on financial measures like profitability to evaluate their effectiveness. Understanding these mechanisms can illuminate the dynamics of the Iraqi free market. Similar considerations are applicable to industries that supply the consumer industry with their products. These products, or inputs, are used by businesses producing consumer goods. The needs of the consumer industry determine the efficiency and suitability of these inputs. Financial accounting plays a crucial role here, too, as it helps to ascertain the effectiveness of the knowledge applied in creating these inputs. This observation extends to even more upstream firms, which are farther

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

from the consumer industry, as all stages of production in an economy are connected through financial considerations of countless businesses striving to make a profit. Assuming a functioning market, the profits and losses of individual businesses, assessed through financial accounting, communicate whether their business plans have fulfilled consumer needs. It should be noted that the price system isn't sufficient to manage the production process independently. Companies rely on their accounting systems to plan and oversee their productive operations in line with the economy's broader plans and decisions (Biondi, 2013a). The price and accounting systems work together to steer market price formation over time (Biondi, 2011). Accounting institutions are logically necessitated by the market process (Shubik, 2007). In Iraq, these principles can be used as well. These insights can help understand how different businesses in Iraq interact with each other and the broader economy.

Profits and losses inherently signify disequilibria; some businesses and industries steadily grow, while others need restructuring or discontinuation. A key function of financial reporting is to present financial performance data to stakeholders like shareholders, lenders, or potential creditors (Nishikawa, Kamiya, & Kawanishi, 2016). This accounting role influences a market's tendency towards balance. Investable funds (capital) tend to exit industries or businesses that consistently show losses, making way for those that report or predict profits. Consequently, capital and capital markets expedite the equilibrium process, governed by financial accounting (Leffson, 1971).

This discussion further leads to a vital question: If the market process is driven by market participants' knowledge of time and place specifics, and if this information materializes into prices, and if the accounting system delivers feedback about the utilization of this information, what then are the accounting rules that ensure balance as theorized in neoclassical economics? In other words, which accounting policies enable the so-called 'invisible hand' to work effectively? This ensures that even entrepreneurs striving for personal profits inadvertently contribute to a common objective - customer satisfaction. Applying this perspective to Iraq suggests that establishing effective accounting rules can support industries in their growth process, promote financial transparency, and ultimately serve consumer needs. While the specifics may vary, the fundamental importance of accounting as a driving force towards equilibrium remains the same in all markets.

The impact of the revenue-expense approach on the market dynamics.

When we compare the two distinct financial accounting systems – the revenue-expense approach and the balance-sheet approach, we must focus on an abstract level and overlook some inconsistencies and overlaps that both systems may exhibit (Ijiri, 1967). The chief goal here is to identify the fundamental differences between these two systems, reducing the many rules each regime comprises to their defining and distinguishing core concepts. This process yields what we can term the pure or 'ideal typical' forms of the respective systems (Müller, 2014). Using an agent-based model, Biondi (2015) compared the operation of stylized representations of these accounting regimes in a dynamic environment. This discussion reinforces his findings by outlining the role of financial accounting in providing the information necessary for the market process to strive towards equilibrium. The distinctive feature of the revenue-expense approach is that it focuses on the business's net income results, that is, the realized profit derived from the business operations of the accounting entity (Hodgson & Russell, 2014; Rambaud & Richard, 2015; Marshall & Lennard, 2016; Dichev, 2017). It's crucial to emphasize that the focus of this approach is not on individual assets and liabilities and their worth, but the overall performance of the entity. It deals with the monetary and economic processes generated by the business over time, central to the continuity and sustainability of the business entity (Biondi, 2013a). It's designed to evaluate whether the enterprise's expenses were judicious, considering that shareholders, the source of funds, anticipate dividends (Biondi, 2007). Proposes developing effective frameworks for financial

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

accounting informed by understanding distinctive approaches. These frameworks ensure clarity, transparency and efficient operation of businesses, driving them towards a sustainable equilibrium. The revenue-expense approach predominantly focuses on the documentation and tracking of cash flows in order to calculate profit as the difference between incurred expenses and revenues earned by a business entity (Biondi, 2011). Notably, Eugen Schmalenbach ([1919] 1959) and Littleton (1953) have emphasized the rationale behind this approach. Schmalenbach underscored the role of financial accounting in determining the success of past business operations through contrasts between expenses and revenues. As a result, he elevated the income statement as the vital document in accounting, relegating the balance sheet, which lists assets and liabilities, as an ancillary, acting as a store for the income statement (Schmalenbach, [1919] 1959; Penman, 2007; Schildbach, 2009). The high point of the revenue-expense methodology in the U.S. followed the work by Paton and Littleton (1940), which reinforced the significance of the income statement and diminished the balance sheet to 'peripheral status' (Dichev, 2008; see also Mattessich, 2013). Schmalenbach aptly labeled his approach as 'Dynamic' accounting and referred to the balance-sheet approach as 'Static' accounting, which also pertains to market theory (Busse von Colbe & Fülbier, 2013). Dissatisfied with the analysis of static equilibrium market values, market process theorists sought to retain the dynamic characterization of active markets visible in accounting theory and economics (Kirzner, 1997). This tangibly showcases a dispute between static and dynamic methodologies in both fields with the dynamic versions demonstrating complementary aspects. Strangely, some economists did not recognize the synergy between their dynamic market process approach and Schmalenbach's dynamic accounting (Braun, 2019). Only later advocates like Salin (2010) and Jesús Huerta de Soto (2012) proposed a return to the dynamic revenue-expense methodology. Net income, calculated through the revenue-expense approach, plays a pivotal role in the operation of market economies, as it offers businesses critical insights into their operations. This method seeks to understand a firm's profitability by taking into account revenues realized and expenses incurred during business operations. In essence, net income provides individual businesses with a measure of the effectiveness of their operations. By differentiating actual expenses, termed historical costs, with correspondingly realized revenues (sales), companies can gauge their performances (Ijiri, 1967; Hax, 2003). This differentiation approach aims to provide accurate and specific information allowing firms to assess their past actions in meeting their prime objectives, primarily profit generation (Braun, 2019).

However, it is important to note that this method is challenged when reliable matching of expenses and revenues is necessary, particularly with durable assets. Predicting these assets' economic lifespan and the appropriate amortization rate can be difficult due to future uncertainties. This predicament illustrates that net income may be imperfect as a measure of success or failure (Hax, 2003). In the face of such complexities, depreciation is considered useful. In the revenue-expense context, depreciation is interpreted as an allocation of asset costs over periods corresponding to the revenues they generate (Nissim & Penman, 2008; Dichev, 2017). Assets are fundamentally regarded as costs requiring period allocation. Hence, depreciation seeks to ensure that net income from durable assets remains a difference between the expenses incurred on the asset purchase and revenues from its production by assigning asset costs to periods when revenues are realized. Therefore, a positive net income indicates successful business operations, while a loss signals the need for a business plan review. Businesses can use the revenue-expense approach of calculating net income to evaluate the success of their operations. The realization of income depicts profitability, while losses could be indicative of potential issues with their operation methods, signaling the need for adjustments.

Net income, as computed via the revenue-expense methodology, can direct financial resources to business sectors where there are discrepancies between consumer demand and product supply. This leads to these sectors adjusting production to accommodate consumer requirements. Net

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

income measured in this way functions as feedback that firstly confirms mismatches in price structures, indicating disparities between supply and demand, and secondly provides insights about the mismatch's magnitude, which is a determinant of potential profit within a specific business area. Under this accounting methodology, a positive net income only arises when a good or service has been successfully sold to customers, facilitating a cash flow that subsequently results in profit. Consequently, the net income magnitude represents the extent of the imbalance. A large imbalance between supply and demand leading to elevated net income would attract further investment to a business line, as it appears more desirable due to its profitability. This is how net income information can guide investors and entrepreneurs towards sectors where their presence can be most beneficially utilized. On the flipside, negative net income implies that a business or entire sector's production is not aligned with consumer desires, leading to an outflow of capital from those areas. Regardless, the situation's dynamics will ultimately reduce the price gap between inputs and outputs. Absence of monopolistic conditions or other restrictions tend to reduce net income until equilibrium is achieved, where marginal costs match marginal revenues and total costs correlate with total revenues. Net income, calculated on historical cost and realisation principles, thereby plays a key role in guiding market tendencies towards equilibrium, forming an important part of the market process. In an Iraqi context these concepts remain applicable. By carefully tracking net income and understanding the insights it provides, businesses can adjust their operations to better fill existing demand-supply gaps. Positive net income is a desirable signal that attracts investment, while negative income can pinpoint areas requiring attention and realignment with customer needs. Understanding net income helps Iraqi businesses adapt and strive towards equilibrium, efficiently serving their profitability and broader market demands.

The influence of the balance-sheet approach on the market dynamics.

Financial standard setters advocate for the balance sheet approach rather than the revenue-expense methodology, diverging from a focus on actual transactions-derived profit (Perry & Nölke, 2006, p. 563). They have even expunged any mention of actual monetary flows from their accounting frameworks (Biondi, 2011, p. 8). In this stance, profit and loss are viewed as auxiliary roles (Dichev, 2008, p. 454). The balance sheet, illustrating the 'fair value' of all a company's assets and liabilities, is deemed to provide the capital market and potential investors valuable information (Barth, 2006, p. 272; Hitz, 2007, p. 327). Contrastingly, the revenue-expense approach concentrates on a business's net income as a continually operating entity. The balance sheet approach sees the enterprise as an assembly of distinct assets and liabilities, each with its specific value, thus 'dissolving the firm into the price system' (Biondi, 2013b: 370).

This approach is aligned with the market process theory as advocated by Hayek and others (Barker & Schulte, 2017, p. 57). However, the balance sheet supersedes the income statement as the source of market information, emphasizing assets and liabilities. The rationale for this shift is the necessity for existing and potential investors, lenders, and other stakeholders to evaluate prospects for future net cash inflows to the entity (IASB, 2010, §OB3). Thus, recording historical costs on the balance sheet is seen as less meaningful since past market prices have little influence on predicting future cash flows. For an Iraqi context, this highlights the importance of the balance sheet as a useful tool for gauging an organization's financial health and cash flow prospects. It emphasizes asset and liability valuations, allowing potential Iraqi investors to evaluate a company's position and future prospects. The shift from a revenue-expense approach to a balance-sheet approach underscores the global trend towards forward-looking investment assessments, even in an Iraqi market setting. Understanding these particular accounting and investment dynamics equips stakeholders in Iraq to make informed decisions. Hence, as with the aforementioned, aligning with standard setters' accounting method is a good practice. The Financial Accounting Standards Board (FASB) deems fair value more relevant than cost for evaluating an entity's current economic position, as time

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

diminishes the relevance of historical pricing (Nissim & Penman, 2008, p. 61). The balance-sheet perspective designates the balance sheet as the primary source of pertinent information instead of the income statement in the revenue-expense approach.

In the balance-sheet approach, income is essentially a remnant or byproduct. It's the discrepancy between the present value of the firm's net assets at the start and end of the period, excluding shareholder transactions (Barth, 2006, p. 272; Rayman, 2007, p. 217; Saito & Fukui, 2019, p. 4). This logic allows for value addition reports even if no historical exit transactions occurred (Nissim & Penman, 2008, p. 4). The only prerequisite is a change in the fair values of the company's assets or liabilities. The all-encompassing income concept is generated from a desire to include all non-owner equity changes for a given period under one final figure (Robinson, 1991, p. 108). This comprehensive income incorporates revaluation increments. It is the clear focus of the International Accounting Standards Board (IASB) and FASB (Dhaliwal, Subramanyam, & Trezevant, 1999, p. 44; Cauwenberge & Beelde, 2007, p. 5). The fair value, comprehensive income, and balance-sheet approach to accounting borrow heavily from neoclassical economics principles (Hitz, 2007, pp. 327, 332; Barker & Schulte, 2017; Braun, 2019, pp. 8 ff.). Standard setters gravitate toward John Hicks' income concept N° 1 (Barth, 2006, p. 280), defined as the maximum amount one can expend while maintaining the capital value of future receipts (Hicks, 1946, p. 173). Underlines the value of fair assessment over historical cost when scrutinizing a company's financial standing in the Iraq market. The comprehensive income concept, commonly used worldwide, advocates for the inclusion of all non-owner equity changes — an approach equally applicable for Iraq-based companies. By following the principles of neoclassical economics well-accepted across the globe, Iraqi investors and businesses can better align their financial practices with global standards — ensuring more accurate assessments of a company's financial health in both current and future terms. Ultimately, adhering to such globally recognized accounting and investment dynamics would improve decision-making for stakeholders in Iraq's economic landscape.

The term "neoclassical economics" evokes diverse interpretations among economists. A case in point is the view on the equilibrium concept as it applies to accounting. Highly regarded economist Cochrane (2011) neither explicitly criticizes nor supports mark-to-market accounting yet he questions its comprehensiveness as a financial statistic. He believes it doesn't sufficiently differentiate varying causes and implications of asset-value losses, which limits its decision-making utility. This highlights an ongoing debate between two accounting approaches: "revenue-expense" or "balance-sheet". Even John Hicks, despite his reservations, leaned towards the revenue-expense approach for financial accounting (Jameson, 2005; Fukui, 2011). However, the balance-sheet strategy operating on Hicks' income concept N°1, still dominates standard-setting; implying the economy's balance due to equilibrium (Barlev & Haddad, 2003).The balance-sheet method's roots in equilibrium economics emerge most strikingly in the "fair value" concept. Fair value entails the current worth of future cash flows expected from items on the balance sheet (Barlev & Haddad, 2003). Critical is the market's role in determining fair values, underscored by IFRS 13.9, emphasizing prices governed by market transactions as the measure of fair value (Barker & Schulte, 2017). Hence, the optimum way (Level 1) to measure fair value is quoted prices for identical assets or liabilities in active markets. Failing that, Level 2 inputs consider quoted prices from similar assets in inactive markets, prices for similar items in active markets, and other market data. If these observable market inputs are unavailable, accountants can employ unobservable inputs, marking to model (Level 3) (Laux & Leuz, 2009). These concepts and debates in accounting approaches remain relevant. The choice between balance-sheet and revenue-expense approaches and the method for determining "fair value" could shape financial reporting and decision-making processes in various sectors of the economy.

Comprehensive income, which is a result of contrasting two balance sheets containing fair values, does not offer additional insights into the performance of the reporting body or the validity of

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

underlying business strategies. Primarily, it tracks the fluctuation of a firm's assets or liabilities market values, serving as an indicator for fair values changes. It informs about shifts in market expectations related to balance sheet items. Consequently, comprehensive income reports unexpected changes in fair values, thus proving valuable for Value at Risk assessments (Penman, 2007). This concept becomes clearer when examining 'Other Comprehensive Income' (OCI), a subset of comprehensive income originating from price alterations of balance sheet assets and liabilities. The other components of comprehensive income compose the net income from operations. This is essentially the income concept associated with the revenue-expense approach. If only concerning this element, there would be no necessity for controversies. OCI reports on the varying market prices of assets (and liabilities), reflecting the amount a particular buyer was willing to recently pay for a specific asset. However, it does not gauge whether the reporting enterprise's actions that resulted in this event as revenue were successful or not. Plus, there's no certainty that the high prices will persist when the enterprise decides to sell the asset. Only when the entity effectively sells the asset or its products does it provide meaningful information about its actions' success. To understanding such accounting concepts and the potential implications they carry is essential. It clarifies how performance is gauged through different income concepts and the variables that impact these evaluations. It outlines how market price changes of assets and liabilities, encapsulated in the concept of Comprehensive Income, influence the perception of business success or failure. This understanding can be fruitful for decision-making in various sectors of the Iraqi economy.

Consider the instance of coal pricing. In a severe winter, consumer demand could cause coal prices to surge. All companies holding coal reserves might record other comprehensive income, given that one of their assets has appreciated, irrespective of whether their usage of coal is directed towards consumer needs or unrelated endeavors, such as steel production. The increase in coal price might provide valuable information to the management when deciding whether to continue operations or sell the coal. However, until the management makes that decision, shifting income figures based on this price increase could be misleading to investors and other external entities. A rise in the comprehensive income of steel companies due to a winter-induced price hike in coal shouldn't be inaccurately construed as their sudden ability to meet urgent demand or a detected supply-demand discrepancy. Conversely, an escalation in these businesses' costs transpires, wherein the appreciation in cost-good stocks is symptomatic of expected expense increase (Hodgson & Russell, 2014). This surge in companies' comprehensive income doesn't signify increased profitability. It doesn't reflect a gap in the price structure nor can it guide about market mismatch locations. Net income, which emanates from a recognized and exploited price structure gap, more accurately reflects the mismatch. Other comprehensive income, however, accrues in all enterprises owning certain relevant assets, regardless of their involvement in bridging the gap. Their balance sheets report other comprehensive income if they possess assets whose prices rise due to other entrepreneurs' actions. Yuan and Liu (2011) referred to this as 'double-counting.' Profit is recognized not just in companies actively bridging the gap, but also in those merely participating in price changes within the same industry. Consequently, the total reported comprehensive income within one industry significantly overstates the actual market gap. The detailed considerations of coal pricing and the implication of other comprehensive income help further understand how market dynamics can influence a company's reported income, potentially misrepresenting its actual profitability. Increased comprehension of this intricate interaction between consumer demand, market prices, and corporations' financial reporting can provide valuable insights for companies operating within the Iraqi market, promoting more informed operational and strategic decision-making.

Comprehensive income is the overall change in a company's value between two time points. This change suggests a company's performance but might not adequately guide investment decisions or

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

reflect true business success. This is mainly because comprehensive income doesn't focus on actual cash flows, like the revenue-expense approach, but instead bases itself on the current values of a business. A significant point for discussion revolves around the assumption of efficient and equilibrium state of markets, a tenet of neoclassical equilibrium theory. This idea posits that markets are in balance, largely efficient, fully competitive, and built upon complete information and rational decision-making (Beaver & Demski, 1979). Proponents of the fair-value program recognize that comprehensive income would lose meaning if these assumptions aren't applicable (Barlev & Haddad, 2003). Essentially, they operate on the belief that the market has already done its job—reaching equilibrium. All this is assumed to happen independently of the influence of financial reporting. Paradoxically, this assumption entails that market prices or fair values — critical inputs for financial reporting — are determined from market data (Hitz, 2007). As such, the model seems to become a circular feedback loop where the market informs the accountant and vice versa, drawing into question the role and utility of comprehensive income (Schildbach, 2012). Herein lies a problem, as noted by Hax (2003), arguing that the market's value cannot serve to educate the market about the firm's performance. Basically, the information processed by the market cannot circle back as the needed input to validate an outcome. This situation would change the market price into the reference point to generate what was supposed to be generated by it (Biondi, 2015), causing a circular dilemma with comprehensive income at its heart. To understand that the efficiency and equilibrium of Iraq's markets may not reflect the perfect attributes espoused by neoclassical equilibrium theory. Variations in information availability, market competition, and rational decision-making come into play, especially concerning the local economic and political contexts. Therefore, comprehensive income, as it is based solely on current company values, may not provide a full picture of a company's performance or potential. Instead, focusing on actual cash flows or more tangible measures of success could be more insightful for both entrepreneurs and investors. comprehensive income may not stimulate the tendency towards market equilibrium due to its focus on current values instead of actual cash flows. This may be specifically pertinent for Iraq, where market variances could impact the validity of comprehensive income reporting.

The field of economics often grapples with the complex nature of market equilibrium, a concept that Hayek (1937) has criticized as a circumvention of the actual issue. He claims that neoclassical economists simply assume complete knowledge across the board, thereby sidestepping the real problem instead of resolving it (Hayek, 1937; Zappia, 1996). This avoidance strategy, however, is not exclusive to economists and is similarly practiced in financial accounting. In the realm of financial accounting, proponents of the balance-sheet approach tout the idea that fair values deliver pertinent information to the market. Despite this, they revert to an implicit assumption: the market process, inclusive of financial reporting according to the revenue-expense approach, has already performed as required such that market prices mirror all accessible knowledge. This leap is reminiscent of theorists starting from the market efficiency hypothesis and assuming that market prices already encapsulate all possible data without considering the knowledge-generating process necessary to garner this outcome (Chiapello, 2015). Nissim and Penman (2008) mention that the utilization of fair value accounting eradicates historical cost information, thereby dismantling the foundation of price formation which is essential to the market values' establishment. The lingering quandary here is not just about which alternative mechanisms may inform the market, but also the extent of their feasibility (Schildbach, 2012). Biondi's (2015) studies show that regimes using historical cost accounting provide more stability to the financial system than a fair value accounting regime. Despite this, the dichotomy between fair-value accounting and historical-cost accounting may not be as distinct in equilibrium (Moore, 2011). The preference would lean towards historical cost accounting due to its relative stability to emerging financial systems, which are often riddled with uncertainties and incomplete market data. Information for investors and other users of financial statements would result primarily from historical cost accounting, providing a more

Remittances Review
Month 202x
Volume: 8, No: 4, pp. 567 - 584
ISSN: 2059-6588 (Print) | ISSN: 2059-6596 (Online)
TRANSNATIONAL PRESS® LONDON

reliable economic indicator in turbulence. However, recognizing the global trend towards fair value accounting, Iraq should consider an accounting framework that encourages fair value application when reliable market prices are available but defaults to historical cost accounting in uncertain times.

How do financial assets and real estate come into play?

Financial accounting's critical role in the economic sphere has been a focal point of our study. It functions as a mirror reflecting the allocation and management of resources tuned to consumer demand. This study primarily considered the significance of the financial accounting process in organizations that manufacture goods and services. The peculiarity of these organizations lies in their profit-driven nature. The key argument raised probes into the adequacy of the revenue-expense approach, built heavily on historical cashflows, in sustaining balance in such production-centered markets. Central to the discussion is the utility of such an approach for assets that do not contribute to any production process but are acquired to secure future income for the owner. Assets that fall under this classification include financial assets and real estate. The income generated from these assets usually stems from dividends or their incremental value over time. For this discussion, we are interested in understanding the substance of fair values related to these financial assets.

The fundamental premise of fair values is generally based on the concept of perfect competition - the idea that all market participants are price takers with no ability to manipulate the market price. Thus, all owners of financial assets should technically value them as per the prevailing market price. However, this is not feasible in reality as markets do not perpetually exist in a state of perfect competition. Chiapello (2015, p. 18) suggests that the assumption of sufficient liquidity for all assets is essentially a mirage, with only specific marginal transactions feasible at the current market price (Schildbach, 2016, p. 463). A change in this price can be triggered even by the process of selling the asset, as it disrupts the equilibrium of supply and demand. Market price, under non-equilibrium conditions, is merely a temporary balance point, established between supply and demand. It does not represent a price at which all available supplies could be sold simultaneously. Instances of financial disturbance, typified by panic sales and sharp price drops of financial assets, epitomize this fact. Yuan and Liu (2011, p. 15) contend that the predicament of modern accounting is entrenched in a so-called 'fair value trap'. They posit that the current market price, taken as the accurate or fair value of the assets, could be valid under equilibrium conditions with a presupposed perfect liquidity. Reporting fair values and comprehensive income typically implies that organizations own the value of their respective assets and liabilities. Meanwhile, they merely own the asset, not its value. The exception to this would only occur in cases of perfect market liquidity - an idealistic assumption that, in effect, does not stand under any circumstances. However, the general tenets and principles discussed are universally applicable. The country's specific economic, geographical, or societal characteristics do not fundamentally alter the basic precepts of financial accounting.

2. Conclusions

This study examines the influence of different accounting regimes on the market process, particularly within the context of unstable conditions or non-equilibrium situations. The research blends two scholarly perspectives: the market approach associated with Iraqi economics and the concept of capital as advanced by the Historical economics. One key achievement of the analysis is the development of an innovative framework for assessing how specific financial reporting norms function in situations of volatility. The framework brings clear focus to the superiority of the revenue-expense method over the balance-sheet approach. The revenue-expense method, based on equilibrium theory, reveals a unique capacity to incorporate and disseminate new market

information aptly, which aligns with Hayek's vision (Hayek, 1945). This approach enables the market process and supports the progression towards equilibrium - a state where supply meets demand.

Notably, the balance-sheet approach operates on the assumption that equilibrium already exists in the market, with all available information processed and available. Consequently, this method does not seem to clarify how equilibrium is initially attained. For balance-sheet adherents to have a research focus, the market process, including the revenue-expense method, must have already serviced its function. The principal motive of this study is to propose an alternate perspective to understand accounting rules. Contemporary discussions heavily favor the balance-sheet approach amid the popularity of equilibrium analysis in neoclassical economics. Consequently, policy-makers have been led to endorse the balance-sheet method, including the adoption of fair value accounting. A closer look at the historical market occurrences of the past decade, however, reveals an essential truth- equilibrium cannot be assumed to exist inherently. It is something to aim for and achieve. As witnessed in many other sectors, it appears beneficial to balance the focus between equilibrium-centric arguments and those favoring market-process orientation. This balance can help align the future of accounting standards to the realities of market dynamics. The practical implications of various accounting regimes are essential. As Iraq seeks to rebuild its economy, understanding the relevance of various accounting approaches is crucial. Adopting a market-process view rather than an equilibrium view can bring about balance and greater economic stability. The strategic adoption of the revenue-expense approach to financial accounting can contribute to the market's growth by facilitating the fluid sharing of business-critical information, hence fostering effective economic decision-making. This research provides crucial insights into the potential application of different accounting regimes for Iraq's evolving economic landscape.

3. Reference

1. Arrow, K. J., Bernheim, B. D., Feldstein, M. S., McFadden, D. L., Poterba, J. M., & Solow, R. M. (2011). 100 years of the "American economic review": The top 20 articles. American Economic Review, 101(1), 1–8.
2. Baker, C. R. (2019). Commentary on braun's "the ecological rationality of historical costs and conservatism". Accounting, Economics and Law: A Convivium, 9(1), Article 5.
3. Barker, R., & Schulte, S. (2017). Representing the market perspective: Fair value measurement for non-financial assets. Accounting, Organizations and Society, 56, 55–67.
4. Barlev, B., & Haddad, J. R. (2003). Fair value accounting and the management of the firm. Critical Perspectives on Accounting, 14, 383–415.
5. Barth, M. E. (2006). Including estimates of the future in today's financial statements. Accounting Horizons, 20(3), 271–285.
6. Barth, M. E. (2014). Measurement in financial reporting: The need for concepts. Accounting Horizons, 28(2), 331–352.
7. Basu, S., & Waymire, G. B. (2010). Sprouse's what-you-may-call-its: Fundamental insight or monumental mistake? Accounting Historians Journal, 37(1), 121–148.
8. Basu, S., & Waymire, G. B. (2019). Historical cost and conservatism are joint adaptations that help identify opportunity cost. Accounting, Economics and Law: A Convivium, 9(1), Article 2.
9. Beaver, W. H., & Demski, J. S. (1979). The nature of income measurement. Accounting Review, 54(1), 38–46.
10. Bezemer, D., & Hudson, M. (2016). Finance is not the economy: Reviving the conceptual distinction. Journal of Economic Issues, 50(3), 745–768.
11. Biondi, Y. (2007). Accounting and the economic nature of the firm as an entity. In Y.

12. Biondi, A. Canziani, & T. Kirat (Eds.), The Firm as an Entity (pp. 237–265). London and New York: Routledge.
13. Biondi, Y. (2008). Schumpeter's economic theory and the dynamic accounting view of the firm: Neglected pages from the theory of economic development. Economy and Society, 37(4), 525–547.
14. Biondi, Y. (2011). The pure logic of accounting: A critique of the fair value revolution. Accounting, Economics, and Law, 1(1), Article 7.
15. Biondi, Y. (2013a). The governance and disclosure of the firm as an enterprise entity. Seattle University Law Review, 36(2), 391–416.
16. Biondi, Y. (2013b). Accounting, economics, and law of the enterprise entity. A. C. littleton and the German-American connection. In Y. Biondi, & S. Zambon (Eds.), Accounting and business economics. Insights from national traditions (pp. 363–386). New York and London: Routledge.
17. Biondi, Y. (2015). Accounting and the formation of share market prices over time: A mathematical institutional economic analysis through simulation and experiment. Applied Economics, 47(34-35), 3651–3672.
18. Braun, E. (2017). The theory of capital as a theory of capitalism. Journal of Institutional Economics, 13(2), 305–325.
19. Braun, E. (2019). The ecological rationality of historical costs and conservatism. Accounting, Economics and Law: A Convivium, 9(1), Article 1.
20. Braun, E., Lewin, P., & Cachanosky, N. (2016). Ludwig von Mises's approach to capital as a bridge between Austrian and institutional economics. Journal of Institutional Economics, 12(4), 847–866.
21. Braun, E., & Roß, W. (2018). The market process of capitalization: A laboratory experiment on the effectiveness of private information. Journal of Evolutionary Economics, 28(4), 951–960.
22. Bromwich, M., Macve, R., & Sunder, S. (2010). Hicksian income in the conceptual framework. Abacus, 46(3), 348–376.
23. Busse von Colbe, W., & Fülbier, R.-U. (2013). Accounting and business economics tradition in Germany. In Y. Biondi, & S. Zambon (Eds.), Accounting and business economics. Insights from national traditions (pp. 39–68). New York and London: Routledge.
24. Cauwenberge, P. V., & Beelde, I. D. (2007). On the IASB comprehensive income project: An analysis of the case for dual income display. Abacus, 43(1), 1–26.
25. Chiapello, E. (2015). Financialisation of valuation. Human Studies, 38(1), 13–35.
26. Cochrane, J. H. (2011). Presidential address: Discount rates. The Journal of Finance, 66(4), 1047–1108.
27. Dhaliwal, D., Subramanyam, K. R., & Trezevant, R. (1999). Is comprehensive income superior to net income as a measure of firm performance? Journal of Accounting and Economics, 26, 43–67.
28. Dichev, I. (2008). On the balance sheet-based model of financial reporting. Accounting Horizons, 22(4), 453–470.
29. Dichev, I. (2017). On the conceptual foundations of financial reporting. Accounting and Business Research, 47(6), 617–632.
30. Drewes, M. (forthcoming). Two perspectives on accounting and reporting standards: Welfare vs. Austrian economics. Journal of Prices and Markets.
31. Erlei, M. (2007). Mikroökonomik. In Vahlens Kompendium der Wirtschaftstheorie und Wirtschaftspolitik (9th ed., pp. 1–139). München: Franz Vahlen.
32. Fukui, Y. (2011). The imagined dichotomy of accounting versus economic income concepts. Accounting, Economics, and Law, 1(2), Article 6.

33. Hax, H. (2003). Measuring the firm's performance: Accounting profit versus market value. Journal of Institutional and Theoretical Economics, 159, 675–682.
34. Hayek, F. A. (1935). The maintenance of capital. Economica, (New Series), 2(7), 241–276. Hayek, F. A. (1937). Economics and knowledge. Economica (New Series), 4(13), 33–54.
35. Hayek, F. A. (1945). The use of knowledge in society. American Economic Review, 35(4), 519–530.
36. Hicks, J. R. (1946). Value and Capital (2nd ed.). Oxford: Clarendon.
37. Hitz, J.-M. (2007). The decision usefulness of fair value accounting – a theoretical perspective. European Accounting Review, 16(2), 323–362.
38. Hodgson, A., & Russell, M. (2014). Comprehending comprehensive income. Australian Accounting Review, 24(2), 100–110.
39. Hodgson, G. (2014). What is capital? Economists and sociologists have changed its meaning: Should it be changed back? Cambridge Journal of Economics, 38(5), 1063–1086.
40. Hodgson, G. (2015). Conceptualizing Capitalism. Chicago and London: University of Chicago Press.
41. Huerta de Soto, J. (2012). Money, bank credit, and economic cycles (3rd ed.). Auburn, AL: Mises Institute.
42. Ijiri, Y. (1967). The Foundations of Accounting Measurement. Englewood Cliffs (NJ): Prentice-Hall. International Accounting Standards Board (IASB). (2010). Conceptual Framework for Financial Reporting. London: IASB.
43. Jameson, J. (2005). FASB and the IASB versus J. R. Hicks. Research in Accounting Regulation, 18, 331–334.
44. Kirzner, I. M. (1997). Entrepreneurial discovery and the competitive market process: An Austrian approach. Journal of Economic Literature, 35(1), 60–85.
45. Kirzner, I. M. (2013). The Collected Works of Israel M. Kirzner. Competition and Entrepreneurship. Indianapolis: Liberty Fund.
46. Laux, C., & Leuz, C. (2009). The crisis of fair-value accounting: Making sense of the recent debate. Accounting, Organizations and Society, 34, 826–834.
47. Lee, C. M. C., & So, E. C. (2014). Alphanomics: The informational underpinnings of market efficiency. Foundations and Trends® in Accounting, 9(2–3), 59–258.
48. Leffson, U. (1971). Der Beitrag der betrieblichen Rechnungslegung zur gesamtwirtschaftlichen Lenkung des Kapitals. Tübingen: Mohr (Siebeck).
49. Littleton, A. C. (1953). Structure of accounting theory. American Accounting Association Monograph NO. 5. Urbana (IL): American Accounting Association.
50. Lütz, S., & Eberle, D. (2008). Varieties of change in german capitalism: Transforming the rules of corporate control. New Political Economy, 13(4), 377–395.
51. Marshall, R., & Lennard, A. (2016). The reporting of income and expense and the choice of measurement bases. Accounting Horizons, 30(4), 499–510.
52. Mattessich, R. (2013). Accounting theories of the first half of the twentieth century: The genesis of an academic discipline. In Y. Biondi, & S. Zambon (Eds.), Accounting and business economics. Insights from national traditions (pp. 3–35). New York and London: Routledge.
53. Mises, L. V. (1920). Die Wirtschaftsrechnung im sozialistischen Gemeinwesen. Archiv für Sozialwissenschaft und Sozialpolitik, 47(1), 86–121.
54. Mises, L. V. (1949). Human Action – A Treatise on Economics. New Haven (CT): Yale University Press.
55. Mises, L. V. (1980). Profit and Loss. In L. V. Mises (Ed.), Planning for Freedom (4th ed., pp. 103–144). Grove City (PA): Libertarian Press.

56. Moore, L. (2011). Focusing on Paradox in Financial Accounting, (January 14, 2011), Retrieved March 21, 2018 from http://dx.doi.org/10.2139/ssrn.1740759.
57. Müller, J. (2014). An accounting revolution? The financialization of standard setting. Critical Perspectives on Accounting, 25, 539–557.
58. Nishikawa, I., Kamiya, T., & Kawanishi, Y. (2016). The definitions of net income and comprehensive income and their implications for measurement. Accounting Horizons, 30(4), 511–516.
59. Nissim, D., & Penman, S. (2008). Principles for the Application of Fair Value Accounting. White Paper Number Two, Center for Excellence in Accounting & Security Analysis.
60. Olbrich, M., Quill, T., & Rapp, D. J. (2015). Business valuation inspired by the Austrian school. Journal of Business Valuation and Economic Loss Analysis, 10(1), 1–43.
61. Paton, A. W., & Littleton, A. C. (1940). Introduction to corporate accounting standards. Sarasota (FL): American Accounting Association.
62. Penman, S. (2007). Financial reporting quality: Is fair value a plus or a minus? Accounting and Business Research, 37(supplement 1), 33–44. (Special Issue: International Accounting Policy Forum).
63. Perry, J., & Nölke, A. (2006). The political economy of international accounting standards. Review of International Political Economy, 13(4), 559–586.
64. Rambaud, A., & Richard, J. (2015). Towards a finance that CARES: From today's Fisherian-(Falsified) Hicksian perspective to a genuine sustainable financial model, designed through accounting principles. Social and Sustainable Finance and Impact Investing Conference, April, 2015. Oxford (UK). Retrieved from https://halshs.archives-ouvertes.fr/halshs-01260075/document.
65. Rayman, R. A. (2007). Fair value accounting and the present value fallacy: The need for an alternative conceptual framework. British Accounting Review, 39, 211–225.
66. Robinson, L. E. (1991). The time has come to report comprehensive income. Accounting Horizons, 5(2), 107–112.
67. Saito, S., & Fukui, Y. (2019). Whither the concept of income? Accounting, Economics and Law: A Convivium, 9(1), Article 3.
68. Salin, P. (2010). Revenir au capitalisme, pour éviter les crises. Paris: Jacob Odile.
69. Schäfer, E. (1991). Die Unternehmung. Einführung in die Betriebswirtschaftslehre (reprint of the 10th ed.). Wiesbaden: Gabler.
70. Schildbach, T. (2009). Fair value-Statik und Information des Kapitalmarktes. Betriebswirtschaftliche Forschung und Praxis, 61(6), 581–598.
71. Schildbach, T. (2012). Fair value accounting und Information des Markts. Schmalenbachs Zeitschrift für betriebswirtschaftliche Forschung, 64(5), 522–535.
72. Schildbach, T. (2016). Informationsorientierte Rechnungslegung und Marktbewertung. EXPERT FOCUS: Schweizerische Zeitschrift für Wirtschaftsprüfung, Steuern, Rechnungswesen und Wirtschaftsberatung, 2016(6/7), 460–468.
73. Schmalenbach, E. ([1919] 1959). Dynamic Accounting. translated from the German by G. W. Murphy and K. S. Most. London: Gee.
74. Shubik, M. (2007). Accounting and its relationship to general equilibrium theory. In Y. Biondi, A. Canziani, & T. Kirat (Eds.), The Firm as an Entity (pp. 73–81). London and New York: Routledge.
75. Sunder, S. (2011a). IFRS monopoly: The Pied Piper of financial reporting. Accounting and Business Research, 41(3), 291–306.
76. Sunder, S. (2011b). Paradox of writing clear rules: Interplay of financial reporting standards and engineering. The Japanese Accounting Review, 1, 119–130.

77. Tang, V. W. (2019). The role of accounting and the debate between historical cost and fair value. Accounting, Economics, and Law: A Convivium, 9(1), Article 4.
78. Waymire, G. B. (2009). Exchange guidance is the fundamental demand for accounting. Accounting Review, 84(1), 53–62.
79. Witt, U. (1997). The hayekian puzzle: Spontaneous order and the business cycle. Scottish Journal of Political Economy, 44(1), 44–58.
80. Yuan, M., & Liu, H. (2011). The economic consequences of fair value accounting. Accounting, Economics, and Law: A Convivium, 1(2), Article 1.
81. Zappia, C. (1996). The notion of private information in a modern perspective: A reappraisal of Hayek's contribution. European Journal of the History of Economic Thought, 3(1), 107–131.
82. Zwiedineck-Südenhorst, O. V. (1930). Kapital und Kapitalismus. Schmollers Jahrbuch, 54(2), 1059–1092.