One of the Most Important Accounting Papers You've Never Heard Of

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Almost forty years ago, in 1988, Australian accounting professor Ruth Hines published a paper with an extraordinary title: *Financial Accounting: In Communicating Reality, We Construct Reality*.

The paper is not an easy read. Written as a fictional dialogue between a master and an apprentice, it became a classic within critical accounting research. Yet I suspect that if you asked one hundred CFOs whether they had heard of or read it, ninety-nine would say no.

Its central idea was remarkably simple: accounting does not merely describe economic reality. It constructs it.

That sounds philosophical until you consider a few familiar examples. A company reports by legal entity rather than by customer segment. Revenue is recognized at delivery instead of over time. Projects are grouped by geography rather than strategic program. Costs are allocated through overhead instead of being linked directly to value streams.

None of these decisions changes the underlying business. But every one of them changes what management sees, what gets discussed in the boardroom, which risks become visible, and ultimately which decisions are made.

The numbers do not simply reflect reality. They define the reality the organization is able to govern.

I have come to believe that Hines was asking exactly the right question. The problem is that, for practitioners, the discussion largely stopped there. She explained **that** accounting constructs reality. She did not explain **how**.

Today we know that organizational reality is not created by accounting standards alone. It is shaped through data models, definitions, charts of accounts, consolidation rules, reporting hierarchies, validation logic, and countless design decisions embedded in finance systems. Together, they form the financial architecture through which organizations observe themselves.

That makes Hines' question even more relevant today than it was in 1988. Back then, relatively few people designed financial architectures. Today, almost every finance transformation touches them.

ERP implementations, CPM platforms, data lakes, Power BI, AI, machine learning: all promise better insight. They allow us to generate almost any representation of the business we can imagine. But they also make it much easier to forget the more fundamental question.

What exactly am I looking at?

What distinctions were preserved? Which ones disappeared? Which assumptions are embedded in this representation? And is this actually the reality management needs in order to steer the business?

Perhaps that has become one of the most important questions in modern finance.