

Behavioural Analysis Relating to Finance & Accounting

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Abstract

Behavioural Finance may be defined as the study of psychology of financial decision-making. In fact, it is a subject that involves the study of psychological influence on financial matters and the end results on the markets. There exist several factors that affect behavioural finance, in most cases these factors being closely intertwined or linked to the key concepts of behavioural finance. Psychological and emotional factors fall under the category of the main influencers of the choices that are made by an investor. Intelligence is most commonly overruled by emotions in main decision making. One of the key factors that affect behavioural finance is overconfidence. Misinformation and thinking errors also have the capacity to affect behavioural finance. The financial models used in money management and asset valuation may also affect it. These models integrate several key parameters with diverse effects on the behaviour of individuals. There are two major assumptions that are made in the field of behavioural finance. First, is that those investors will act in unbiased fashions to maximize the value of their portfolios. The other assumption is that people will always engage in economic moves that will foster their economic self-interest. It is paramount to know that both behavioural finance and accounting use social, cognitive and emotional factors in comprehending the economic decisions. It is also evident that both disciplines are simulators of microeconomics and thus their link to psychology. Reviewing the behavioral research in accounting indicates that a major portion of these studies have been performed in four areas of auditing, accounting, management, financial accounting and accounting profession. This is a descriptive type paper based on the available research information.

Keywords: Behavioural Finance, Psychology, Basic Concept, Affecting Factors, BAR

Introduction

Meaning of Behavioural Finance

Behavioural Finance is the study of psychology of financial decision-making. People know that emotions affect investment decisions. People who are working in the industry commonly talk about the role greed and fear play in driving stock markets. Behavioural finance may extend this analysis to the role of biases in decision making, such as the use of simple rules of thumb for making complex investment decisions.

In other words, behavioural finance not only takes the insights of psychological research but also applies them to financial decision making. In fact, it is a subject that involves the study of psychological influence on financial matters and the end results on the markets. This behaviour is mostly quantified to practices by financial practitioners to show the reasons for inefficiency of markets. Social as well as cognitive and emotional issues are utilized in understanding not only financial but also economic decisions arrived at by individuals and institutions. As a whole, these decisions not only give way to economic functions such as consumers, borrowers and investors but also give overall effect on market prices, resource allocation along with the final returns on investment. Rationale boundaries i.e. selfishness and self control may be a major concern to analysts who consider public choice and integrate insights from psychology and neo classical economic theory to try and sort out the puzzles.

Objective of the study

This research paper elaborate the need and basic of behavioural finance, factors which effect it, to explain the meaning behavioral research model, its various types and three categories of it, similarities and difference among these three categories. To find out the role of Expansion of psychological issues and behavioural decision making on behavioural accounting.

Traditional vs. Behavioural Finance

Over the past fifty years established finance theory has assumed that although investors have difficulty in making financial decisions yet they are well-informed, careful and consistent. The traditional theory holds that investors are not confused by how information is presented to them and not swayed by their emotions. But, reality does not match these assumptions so there is invention of behavioural finance which has been growing over the last twenty years. According to behavioural researchers, finance theory should take account of observed human behaviour. Behavioural researchers not only use research from psychology to develop an understanding of financial decision making but also create the discipline of behavioural finance.

Traditionally, people have been expected and assumed to behave in such a manner as to maximize utilities. Statman (1999: 18-27) describes standard (traditional) finance as "the body of knowledge built on the pillars of the arbitrage pillars of Miller and Modigliani, the portfolio principles of Markowitz, the capital asset pricing theory of Sharpe, Lintner and Black and the option-pricing theory of Black, Scholes and Merton". The main connection between finance and behavioural finance centers on issues that include investment, indicators and escalation among others. There exist several psychological traps that can dupe investment analysts who might give disproportionate weight to the first information received about a subject. This is escalated by status quo bias which makes recent observations in forecasts, overconfidence in forecasts and confirming evidence. Sentimental indicators help relate finance to finance behaviour by monitoring the activity of market participants such as floor traders, insiders, mutual fund managers among other sub factors. This is evident by the fact that some investors tend to consider future events based on previous events. The importance of this scenario is that it identifies major turning points in the markets.

A branch of behavioural finance known as prospect theory delves into the matters pertaining to why the utility of investors depends on deviations from moving points and not real wealth. This is well-illustrated by investors holding on declined stocks for too long, and then selling them very quickly when their prices go up. Studies indicate that semi-strong form of the efficient market hypothesis holding leads to investors not earning excess risk adjusted returns. Prediction of returns has not succeeded in predicting short term returns. On the flipside, however, they have been relatively successful with long term returns. Higher long returns for stocks can well be predicted using high dividend yields, high default spreads and high term structure spreads. Earlier theories have created an assumption that investors tend to act rationally so as to maximize profits. Investor characters that appropriately explain the case include practitioners identifying opportunities to profit from exploiting biases of other investors. However, security market information should have no relationship with

future returns if weak form of efficient market hypothesis holds.

Basic Concepts of Behavioural Finance Framing

Finance theory recommends not only treating all of our investments as a single pool, or portfolio, but also considering how the risks of each investment offset the risks of others within the portfolio. We're supposed to think comprehensively about our wealth. Rather than focusing on individual securities or simply our financial assets, traditional financial theory believes that we consider our wealth comprehensively, including our house, company pensions, government benefits and our ability to produce income.

However, human beings tend to focus overwhelmingly on the behaviour of individual investments or securities. As a result, in reviewing portfolios investors tend to fret over the poor performance of a specific asset class or security or mutual fund. These 'narrow' frames tend to increase investor sensitivity to loss. By contrast, by evaluating investments and performance at the aggregate level, with a 'wide' frame, investors tend to exhibit a greater tendency to accept short-term losses and their effects.

Anchoring

Anchoring is one of the major concepts that tend to attach an individual's line of thought to a reference point especially when people are dealing with new concepts. It is the decision making process where quantitative assessments are required and where these assessments may be influenced by suggestions.

It occurs where individuals hold on to certain reference point or "anchors" but on reception of new information shift the previous reference inadequately. Investors may refer to irrelevant figures and statistics in anchoring incidents because of a lack of established economic theories to help them establish values in inherently ambiguous markets. Historical prices, the most recent prices or price changes of other stocks may also be used as anchors.

Mental Accounting

Mental accounting can be defined as the way people categorize their money for separate accounts based on factors such as source of money and intended purpose of the money. An illustration of mental accounting is a situation where an individual has sets aside money for his children's college fund or a new house. It would be very difficult for such a person to spend that money as it is a very important account to him. Mental accounting may also manifest in the form of consistent investment in non profitable enterprises in the belief that one will recoup the money pumped into the investments. Additionally, this phenomenon may be employed as a means of moderating struggles pertaining to self-control. In such situations an individual may set-up distinct accounts that are inaccessible to their uncontrollable compulsions. One way of overcoming mental accounting issues is by understanding that regardless of the source, all money is the same.

Confirmation and Hindsight Bias

The common belief of "seeing is believing" as used by many is not a true representation of reality. This concept is known as confirmation and hindsight bias. People tend to have preconceived opinions on others or events on first encounter hence, selectively filtering information and paying more attention to information that supports their opinions. This is exactly what happens in investing where an investor will be more comfortable with information that supports original thoughts about an investment as opposed to different information. Another side of it is that an investor will think the outcome of an event was obviously predictable while this is not true. Therefore, to overcome this notion, one needs to find voice of reason in a second opinion.

Overconfidence

Having an overly optimistic assessment of one's ability to perform above a certain level on a particular project has often costed many people both their time as well as their assets. Overconfidence remains a key finding in the understanding of the psychology of judgment needed to judge market anomalies. The greater the confidence an individual has in himself, the higher the risk of overconfidence that especially manifests in areas one is not well informed bearing in mind that self-confidence typically bears no relation to an individual's actual knowledge.

Gambler's Fallacy

Incorrect assumptions and predictions of events led to by probability and lack of understanding is what is termed as the gambler's fallacy. One has a line of thinking that points to an event likely happening following a series of events. This is totally wrong and ill advised especially in investing where for instance one thinks that since stocks have gone up consecutively, they will not go up again. When investing, investors ought to base their decisions on fundamental and or technical analysis but not on pre existing events.

Overreaction and Availability Bias

There is a common belief that good news tends to raise securities on the stock market. Thaler (1985: 199-214) showed that people tended to overreact to dramatic and unexpected news occurrences. As such, the portfolios of prior "losers" are often seen to outperform those of prior "winners", consistent with the overreaction hypothesis. In a study conducted on the New York Stock Exchange, the best performing and worst performing stocks were monitored for three year period. It was noted that the best stock underperformed while the worst stock performed relatively above the index due to overreaction to good and bad news respectively. Availability bias makes people center on recent information making new opinion biased to latest news. To overcome this, it is advisable to do a thorough research and understand the true significance of recent news.

Herd Behaviour

It is a form of heuristics- a situation where individuals use practical efforts and experience, trial and error, to come up with "rules of thumb". This concept emphasizes the fact that people tend to copy

or ape actions of a larger group due to social pleasure of conformity. This is because everyone will want to be a member of a group and to gain entry they have to follow the group. Therefore, many will want to believe that such a large group cannot be wrong.

Prospect Theory

This theory can be described as a mathematically expressed alternative to the expected utility maximization theory. In the expected utility maximization theory, the investors are not averse to risks thus offering with certainty a representation of truly rational behavior. This theory proposed the "certainty effect" where investors behaved in such a manner as to show their belief in the impossibility of extremely improbable events happening, and extremely probable events as being likely to happen. The prospect theory was also based on value function. This value function fundamentally differed from the utility function in that it had a reference point determined by the subjective impression of each person.

Factors That Affect Behavioural Aspect of Finance

There exist several factors that affect behavioural finance, in most cases these factors being closely intertwined or linked to the key concepts of behavioural finance. Psychological and emotional factors fall under the category of the main influencers of the choices that are made by an investor. Intelligence is most commonly overruled by emotions in main decision making. On the other hand, most people tend to fear regret and hence many will make every effort to try and avoid anything that can cause regret. If an investor detects the potential of regret in an investment (for instance having a close friend who gambled in an investment that did not pay off), it is likely that the individual will be deterred from such a venture.

One of the key factors that affect behavioural finance is overconfidence. When an a person is too confident in himself it often leads to a higher portfolio turnover and lower returns, it may also result in conservatism or hesitation of investors acting on new information. Additionally, overconfidence could inspire one to persevere (believing things will ameliorate), a person may also ignore new information and it may also lead to loss aversion or propensity of people to hang onto losing stocks longer.

Misinformation and thinking errors also have the capacity to affect behavioural finance. Illustrations of such effects are seen in forecasting errors; individuals overlooking small samples, a lack of the diligence required in one's engagements and contracted framing. In some cases misinformation may result in a person evaluation very few factors before venturing into an investment, misinformation may also lead to biased information gathering in addition to mental accounting.

The financial models used in money management and asset valuation may also affect behavioural finance. These models integrate several key parameters with diverse effects on the behaviour of individuals.

Basic Assumptions and Models of Behavioural Finance

There are two major assumptions that are made in the field of behavioural finance. First, is that those investors will act in unbiased fashions to maximize the value of their portfolios. In this case, it is stated that investors are rational expectants of wealth maximization henceforth forming impartial expectations of the future. Consequently, they will buy and sell securities at high prices in order to maximize future value portfolios. The other assumption is that people will always engage in economic moves that will foster their economic self-interest. An individual will desire to invest for the future and in places where he/she is able to control the product of the investment. Accordingly, there are some financial models used in money management and asset valuation which incorporate behavioural finance parameters. Such models include Thaler's Model of price reaction to information, consisting of the under-reaction and overreaction phases. The stock image coefficient model also is another model closely associated with behavioural finance. This model is used in the valuation of stocks for future predictions of market prices or potential market prices hence profit from the movement.

Introduction of Behavioural Accounting

Also known as human resource accounting, behavioural accounting is defined as an accounting technique which considers and integrates human behaviour into accounting decisions in an organization. Behavioural accounting can also be defined as the study of the behaviour of accountants or the behaviour of non-accountants as they are influenced by accounting functions and reports. It cuts across financial, managerial and tax accounting research.

Arnold and Sutton (1997) comment that though up to the mid 1960's research in accounting was unreservedly determined by neoclassical assumptions of the functioning of capital markets and rational decision making of its actors, changes have occurred with human beings in the research now being bounded with rationality both as decision-makers and addressees of accounting decisions in organizations. In behavioural accounting, the behavior of human beings in diverse accounting contexts is explained and predicted.

Behavioural Accounting and Behavioural Accounting Research (BAR) are set up to make transparent the behavioural effects that relate to processes of information gathering, processing, and implementation in accounting systems. As such, BAR majors on the relationship between human behaviour, accounting structures, and institutional efficacy.

Behavioral studies in Accounting

Behavioral Accounting Research (BAR) is defined as follows,

Studies of accountants or non-accountants at time of getting affected by accounting processes and reports there is a large body of research on behavioural accounting and have included many different areas of accounting. For instance, the

purpose of some of behavioral accounting research in the auditing area is improving audits' decision making.

For example, when audits are planning a specific operation method of accounting for a customer, they must also assess the risk rate of the customer. Higher risk is available, greater accounting works have to be done. Risk assessment is a complicated task. If an assessment is performed inaccurately, and the audit executes weak auditing, he would bring serious consequences for the audit and the investor. The BAR contributes to analysis risk assessment of audits and improvement of these assessments.

Significance of BAR

1. Different research approaches of accounting like capital market and agency theory do not explain how individuals use information, but behavioral studies about decision making processes of suppliers of accounting data, users and accountants.
2. BAR can provide valuable information and knowledge about how producers and users process data and react towards them.
3. BAR may supply accoutering legislators' useful information like disclosure of information.
4. BAR results can improve and increase efficiency of accountants and other related professionals.

Expansion of Behavioral Accounting

The term BAR first appeared in 1967 in accounting texts and became a basis for behavioral studies in accounting theory of human judgment. This theory is in the field of psychology and a basis for such theorists as Aston who is the first accounting researcher and used the psychological technique of Brunswik lens model. Other methods include process tracking and judgment pattern which were considered by use of probabilities.

Brunswik lens Model

This model is a bias for most of behavioral and judgment research involving prediction (Prediction (bankruptcy) or (internal control assessment)). so, we can predict the future information and make decision. This model consists of three components as,

1. The decision maker
2. Basic data (help the decision maker to decide according to the data).
3. Decision Studies related to the lens Input

The fundamental information for entering the lens in accounting is derived from financial statements. Such group of studies evaluates how to use basic information in the process of decision making. These investigations indicate that three forms of disclosure affect investment decisions.

1. Disclosure of historical price data alone
2. Disclosure of current price information alone (the prediction power of studies since the results were similar to the historical price).
3. Disclosure of historical and current prices together.

Studies relevant to information processing of the Lens Model

These studies examine the significance of basic information by the decision makers. Professor

Hendrikson states that the problem is in understanding the decision making process of these individuals is that direct study of human brain is impossible by today's technology and some indirect methods are required. Three mental estimations most of decision-makers use in their decisions are:

1. Expressive basis each case expresses characteristics of the group, so the case belongs to the group.
2. The rule of maintenance and modification
3. The access rule That is, whether the event can be easily remembered or it is remembered under the influence of other events.

Studies of Lens Model Output

If decision makers decide together in a team, decisions will be better than individual decisions.

Process Tracing Methods

These methods have good explanatory power compared with the Brunswik lens model, providing no explanation on the decision –making process, using a mathematical model has enabled the decision maker to process and predict all the data. Resolving the Brunswik lens model having higher rate of prediction, though lower explanatory power, some scholars have used the process tracking method. Through the decision-tree the investigators have presented proper explanation about the decision-making process. But, unlike the Brunswik lens model, the new method has a weak predicting power so, the investigators utilize both classification and regression trees techniques (C.A.R.T.).

Due to intricate process of decision-making, first the properties of each decision need to be determined; the processing style of information is specified. Judgment and decision-making pattern

using probabilities Probabilities are a good source of decision-making, judgment and evaluation of data. This theory is used for accounting information value. In this model, it is discussed that correct method from a norm point of view for evaluation of initial beliefs, expressed in form of mental probabilities include applying the Bayes assumption which is a fundamental basis of conditional probability theory. The Bayes assumption states that the reviewed likelihood when new evidences are found, is equal to initial probability (base rate) multiplied by the value of former expectations must be reviewed, i.e. multiplying by informing or detection of new data.

The Bayes Theory

The Bayes theory is a method for classification of events in terms of probability of occurrence or not occurrence of an event and is more common in theories of probability. In actual situations there is no possibility of providing full version of information. Since, it is impossible to predict future definitely. Yet, using new information we can modify and review probabilities of the initial theory. The value of the information can be stated using the Bayes theory.

Limitations of BAR

1. Results of BAR fails to present a theory for clarification of users' behaviors from information.
2. Except for the process track investigation, most of BAR takes place in a laboratory and virtual environment.
3. The results of some BAR are contradictory.
4. Comparing with capital market reaction to accounting information, the BAR is ineffective on the users' decision.

Three Categories of BAR

Behavioral Finance Accounting (BFA)	Behavioral Tax Accounting (BTA)	Behavioral Management Accounting (BMA)
The behavioral finance accounting provides financial information for decision-making and judgment for investors, financial analysts and audits. In terms of behavioral accounting view, several effective factors on processing of information, disclosure and so forth are investigated.	The behavioral tax accounting deals with resolving disputes among tax agents, audits, tax advisors and the tax issue. The BTA works on effective factors on tax evasion.	Behavioral management accounting works in two macro and micro levels. The macro BMA examines organizational concerns and behavioral factors as a single series as well as environmental conditions. However, the micro BMA studies organizational concerns and behavioral factor in individual and group levels.

The Relationship between Financial Accounting, Management Accounting and Behavioural Accounting

Financial accounting is a branch of accounting that narrows down on the readying of fiscal statements for decision makers who include proprietors, stock brokers, employees, contractors, banks and government organizations. The focus of financial accounting is majorly outside a company.

Management accounting primarily focuses on the delivery to and utilization of accounting information by managers within businesses, in order to afford them the basis to make informed business choices that will equip them better in their management and control tasks. Horngren (1977: 673-692) describes managerial accounting as designing

formal controls that avail goal congruence and incentive through the use of technical tools. Its focus is predominantly within a company.

These two abovementioned divisions of accounting and behavioural accounting rely on different avenues to offer useful information required to make sound economic decisions. Financial accounting is chiefly centered on figures that give an overview of a company's fiscal strength in terms of profitability and in the long run, turn over. Managerial accounting in contrast seeks to review the accountability of an organization. These three divisions consequently enhance one another in guaranteeing the appropriate information needed by the company to carry out crucial economic decisions is accessible. Such decisions encompass mergers,

procurements, buy outs, expansion as well as specialization.

In summary, managerial, financial and behavioural accounting synergize to touch general purpose fiscal statements, make available information used by management of a business firm for policy making, scheduling and performance appraisal, and in order to satisfy regulatory requirements.

Factors Affecting Behavioural Aspect of Accounting

The administrative levels of a company have a big say in shaping the behavioural accounting system. Because this branch of accounting counts on decision makers, their experience and motivation has to be in prime condition so that the corporation realizes it's true financial strength.

Other factors for instance lack of proper information on the right practices expected contribute negatively to the subject. It is not uncommon to find accounting practitioners who do not know what the ideal approach is they should adopt to achieve optimum results in the firms.

Common Points, Differences and Comparison of Behavioural Finance and Behavioural Accounting

Noteworthy is the observation that there is no economy theory which can function well without incorporating human behaviour as Breitzkreuz (2008) correctly opines. Conventionally, economic models used the concept of rational acting market participant (homo economicus), but behavioural science, psychology and other helpful disciplines are now all being embraced in economics.

It is paramount to know that both behavioural finance and accounting use social, cognitive and emotional factors in comprehending the economic decisions of both individuals and companies executing economic functions. Included in this are borrowers and investors as well as the subsequent effect on market prices, profits and resource allocation.

It is also evident that both disciplines are simulators of microeconomics and thus their link to psychology. Similar to this is the case of the classical period during which Adam Smith through his theory of moral sentiments endeavored to explain individual behaviour while Jeremy Bentham wrote comprehensively on bedrocks of utility. This was however repackaged during neo- classical economics and made a discipline of natural science deducing economic behaviour.

Common Points

The shared research interests include the topics of heuristics, prospect theory, mental accounting, and risk-taking behaviour and more recently, perceived risk. Thaler (1980: 39-60), records that one main application of these disciplines, the behavioural life cycle hypothesis states that people mentally frame assets as belonging to either current income, current wealth or future income. This has implications for their behaviour as the accounts are largely non fungible and marginal propensity to consume out of every account. Framing is another common point shared between behavioural finance and accounting. Framing issues occur when

indistinguishable or equivalent depictions of outcomes or items result in different final decisions or inclinations.

Also to be included among common points also are the different fallacies associated with behavioural accounting and finance. Diverse fallacies constitute this branch of economics. Formal fallacies described as fallacious arguments due to an error in their technical structure are one of such fallacies. Under this category of fallacies are appeals to law, appeals to probability, arguments from fallacy, base rate fallacy, conjunction fallacy, correlative based fallacies, fallacy of necessity and false dilemma.

Others are propositional fallacies, quantificational fallacies, formal syllogical fallacies, informal fallacies and faulty generalizations.

Differences

In as much as these two disciplines have common points, they also have a number of differences which are hereby highlighted. The first and most striking difference is the manner in which concepts and models vary respectively. As a direct consequence of differences in the technicalities associated with the carrying out of behavioural finance and behavioural accounting practices, the crucial models as well as the vital models inevitably vary accordingly.

Based on experimental research carried out, there are indications that behavioural accounting leans towards the most use of mathematical or statistical methods when compared to behavioural finance. This is true to expectations because accounting duties often deal with tables and figures. In addition, in behavioural accounting only the attitudes of those concerned with accounting field are covered whereas in the case of finance behaviour, one goes deeper to find the influencing attitudes in markets, corporates as well as amongst individuals.

Furthermore, behavioural finance lays emphasis on the effects the biases of an investor have on the behaviour of financial markets. In the scenario involving behavioural accounting, one narrows down their focus to the results of managerial biases on accounting and reporting issues.

In a nutshell, the differences outlined above are just but divergent ways of providing effective information to help in the process of making decisions that is associated with investment and accounting matters. In the end everything is geared towards the achievement of a collective goal of economics in totality.

Comparison

Upon a critical evaluation of the similarities and differences between behavioural finance and behavioural accounting, it is possible to surmise that the two disciplines highlighted in this paper are more similar than different. In order to identify overlapping contents of behavioural research in finance and accounting while distinguishing the areas of diversity, selected studies from Behavioural Finance Research (BFR) and Behavioural Accounting Research (BAR) need to be comparatively analyzed (Breitzkreuz, 2008). For the sake of illustration, the prospect theory can be seen to apply to both disciplines because it is an

example of the generalized expected utility theory. Importantly though, it is motivated by concerns over the accuracy of expected utility theory.

The other similarity is seen in inter-temporal choice being common in behavioural finance and accounting. Inter-temporal choices involve hyperbolic discounting as a tendency to discount results in near future than for outcomes in the far future. This motif can be well elucidated using models of sub additive discounting that are able to tell apart the delay in addition to the interval of discounting.

Additionally, the neo classical assumption of perfect selfishness as considered in inequity aversion and reciprocal altruism also tends to be attached to both case scenarios. The methodology an individual would use to arrive at conclusions is similar for the cases involving behaviour accounting and finance. Using functional magnetic resonance imaging, the researchers are able to determine which area of the brain area is active during the making of economic decisions. Such experiments simulating markets such as stock trading and auctions can be used to isolate the effect of a particular bias upon behaviour.

Furthermore, the area of heuristics is another area of similarity. This is where people often make decisions based on approximate rules of thumb instead of strict logic. Herd behaviour, overconfidence, as well as overreaction and under reaction are all forms of heuristic processes.

Other similarities include framing, and market inefficiencies (which encompasses mispricing, non-rational decision making and return anomalies). The models used in behavioural economics characteristically seek to address a particular market anomaly and adjust standard neo classical models by defining decision makers as using heuristics and prey of framing effects.

In general, behavioural economics continues to reside within the neo classical framework although the customary assumption of rational behaviour is often challenged. While the exploration of human behaviour in finance theory has a long tradition, research in the area of psychological effects in accounting started not earlier than the mid of last century.

Objective of the study

This research paper elaborate the need and basic of behavioural finance, factors which effect it, to explain the meaning behavioral research model, its various types and three categories of it, similarities and difference among these three categories. To find out the role of Expansion of psychological issues and behavioural decision making on behavioural accounting.

Conclusion

Expansion of psychological issues and behavioral decision-making has a great role in appearance of behavioral studies in accounting. These investigations in addition to accounting area include psychological and sociological domains. Reviewing the behavioral research in accounting indicates that a major portion of these studies have been performed in four areas of auditing, accounting, management, financial accounting and accounting

profession. The areas of accounting show that the purpose of behavioral accounting is measuring and evaluating different behavioral factors and reporting the results to internal and external decision-makers of organization. Accounting as an information system in association with favorite peoples, for designing and introduction of effective reporting method in line with individuals' needs and decision-making. Doubtless, such information is not complete accounting reports and all required data are not presented to the decision-makers.

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