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HICKSIAN INCOME AND CONTEMPORARY ACCOUNTING

The definition of income has been occupying economists' minds for centuries. Specialized literature is full of hundreds of pages on the topic. Irwing Fisher, Frank Knight, Ludwig von Mises effected the biggest impact on the understanding of the economic nature of income. The most famous concepts in accounting theory have been developed by Kenneth MacNeal, Edgar Edwards and Philip Bell, Raymond Chambers and others. Of them all, however, it is the theory of John Richard Hicks introduced in his fundamental work "Value and Capital", first published in 1939, that became the foundation of the contemporary accounting concept of income.

John R. Hicks (1904 - 1989) is a British mathematician and economist, lecturer and professor at London School of Economics, Cambridge and Oxford, winner of Nobel Prize for economics for 1971, one of the most important and influential economists of the 20th century. Hicks, in his magnum opus – "Value and Capital", introduces a range of novelties in economics. He defines for example the two effects influencing customer choice between two goods – substitution effect and income effect – something that is now regarded as a standard in demand and supply theory. He significantly expands the general equilibrium theory which he receives the Nobel Prize for. However, it is the dozen pages dedicated to the economic concept of income in his book that have the ultimate significance for the theory of accounting. They leave such a deep trace in both economic and accounting thought that the theory is now known under the name "Hicksian Income".

Paradoxically, John Hicks regards the notions of income, savings, depreciation, and investment as undefinable and vacuous. "There is far too much equivocation in their meaning, equivocation which cannot be removed by the most painstaking effort"[1], he writes. And continues: "… they are not logical categories at all; they are rough approximations, used by the business man to steer himself through the bewildering changes of situation which confront him"[2]. Zacharias (2002)[3] emphasizes that it is not at all by coincidence that Hicks develops the concept of income in chapter 14 – just before part IV, where he introduces his dynamic theory without the use of the terms income, savings, investment or depreciation. On the contrary, he does so completely intentionally as he believes that income cannot be ultimately defined and therefore each attempt would contain high level of imprecision. Hicks regards the term "theoretical concept of income" is inherently contradictive. Moreover, he advises that terms income and savings be eschewed in economic dynamics. „They are bad tools", he says, „which break in our hands"[4]. Despite all of that, Hicksian Income, as modified as it is, turned into the Theoretical accounting concept of income.

Although the financial concept for capital maintenance is pervasively spread and adopted, theory of accounting is becoming less and less interested in Hicksian Income. At the same time Hicks' theory being the foundation of the financial concept is of ultimate significance. The essence of widespread terms such as income, profit and loss cannot be fully understood without knowledge of their origin and it is to be found in the income of Hicks. This article therefore is dedicated to the concept of the economic category of income as developed by John R. Hicks. An attempt is made therein to present the theory of the British scientist and the way it was transferred to nowadays accounting knowledge. The article would not be complete without paying attention to all critics against the use of Hicksian Income.

This paper develops as follows: The next sections clarify the essence of Hicks' theory and provide practical illustration thereof. The Hicksian Income as transferred into modern accounting by IASB and FASB is presented thereafter. The major critics against the approach selected by the standard-setters are discussed at the end.

The Hicksian Income

Hicks believes that the necessity of income definition arises for the practical purpose of serving as a guide for prudent conduct only. He introduces the so called "central meaning" of the concept of income as "the maximum value which he (the individual – author) can con-

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[1] Hicks, John. Value and Capital. – Oxford Clarendon Press, 1942. – P. 171.
[2] ibid.
[3] Zacharias, Ajit. A Note on the Hicksian Concept of Income. – 2002. – P. 4.
[4] Hicks, John. Value and Capital. – Oxford Clarendon Press, 1942. – P. 177.

sume during a week, and still expect to be as well off at the end of the week as he was at the beginning“[1]. The person uses the knowledge of the value of his income to plan his conduct – “when a person saves, he plans to be better off in the future; when he lives beyond his income, he plans to be worse off“[2]. The income so defined is substantially subjective as it fully depends on the person's expectations and plans.

Hicks states that business men and economists do not use in their daily activities the central meaning of income but are usually content to employ some approximations thereof. He considers that there are three approximations and calls them “Income No. 1”, “Income No.2” and “Income No.3”.

The concept of “Income No.1” is the simplest of the three and is based on the assumptions that, on each date of valuation, the wealth of a person is the capital value of his future receipts in money terms; that the interest rate remains unchanged for the whole period; that the person does not employ any part of his capitalized wealth on consumption. Considering those assumptions, “the income”, Hicks says, “is the maximum amount which can be spent during a period if there is to be an expectation of maintaining intact the capital value of prospective receipts (in money terms)”[3]. In other words, the income shows the amount that a person can spend on consumption during the period and still be as well off at the end of the period as at the beginning. If we suppose that the person's wealth is W, his costs – C and the interest rate – r, then:

$$(W - C)(1 + r) = W.$$

After rearranging the above formula:

$$C = \frac{W}{1+r} r.$$

Or, costs are equal to the interest on the person's discounted wealth or his expected future receipts.

In so far as the income – E, by definition is equal to those costs:

$$E = \frac{W}{1+r} r.$$

“Income No.1” is relatively acceptable description of the concept of income. However, this concept is valid only when there are no expectations of changes in economic conditions. It is obvious that this is a hypothetical, fully theoretical and unrealistic environment. Hick therefore acknowledges that “This is probably the definition which most people do implicitly use in their private affairs; but it is far from being in all circumstances a good approximation to the central concept”[4].

In “Income No.2” Hicks adds the variability of the interest rate to the expectations defining income. In this case “we define income as the maximum amount the individual can spend this week, and still expect to be able to spend the same amount in each ensuing week”[5]. Using the third approximation – “Income No.3”, he introduces another aspect of real economic world – changes in prices. Expecting inflation, income is defined as “the maximum amount of money which the individual can spend this week, and still expect to be able to spend the same amount in real terms in each ensuing week“[6]. Of course, Hicks acknowledges that “there is no completely satisfactory answer“[7] to the question which is the appropriate index of prices to take.

It has to be emphasized that Hicks strictly differentiates the terms consumption and spending. „… saving is not the difference between income and expenditure, it is the difference between income and consumption“[8], he writes. When a person invests in durable consumption goods, his expenditures will exceed his consumption, and on the contrary – when he consumes durable goods he already bought in the past, his consumption will exceed his expenditures. Therefore “income is not the maximum amount the individual can spend while expecting to be as well off as before at the end of the week; it is the maximum amount he can consume“[9]. Again we find the subjectivity so inherent to Hicksian Income as there is no practical measure of the level to which durable consumption goods are consumed. Such a measure would only be “a perfect second-hand market for the goods in question, so that a market value can be assessed for them with precision, corresponding to each particular degree of wear“[10]. It is obvious that such a market is only an imaginary one, i.e. definition of income depends on the personal subjective feelings of the individual for the level of his own consumption.

Hicks examines income in two dimensions, naming them *ex ante* and *ex post*. To define them he introduces the terms Prospect I and Prospect II. They describe the wealth of the individual as calculated at different points of time but from the same perspective of time. Prospect I is assessed at the beginning of the period and expresses the available resources of the indi-

[1] Hicks, John. Value and Capital. – Oxford Clarendon Press, 1942. – P. 172.
[2] ibid.
[3] ibid. – P. 173.
[4] ibid.
[5] ibid. – P. 174.
[6] ibid.
[7] ibid.
[8] ibid. – P. 176.
[9] ibid.
[10] ibid.

vidual at that time and the discounted value of the net cash flows with which he would be able to buy other consumption goods in this and the ensuing periods. Prospect II also expresses the wealth of the individual but calculated from the beginning of the second period. The individual assesses both Prospect I and Prospect II at the beginning of the first period, i.e. the same assumptions are made for both of them; they differ only by the moment to which cash flows are discounted, as Prochazka (2009)[1] points out. The difference between Prospect I and Prospect II at the beginning of the period is income *ex ante*. It fully depends on the individual's subjective expectations and assumptions. It cannot be objectively defined as each individual can assess the same wealth differently.

At the end of the first period (i.e. at the beginning of the second one) the individual already knows what has really happened. He is able to update his assessment and his expectations and to recalculate his Prospect I and Prospect II, the difference between which becomes income *ex post*. In practice income *ex post* is the realized income *ex ante*. It is an objective measure of individual's wealth as it is calculated on the basis of statistical and historical data.

There is definition of income *ex post* corresponding to each income *ex ante*, however Hicks believes that the most important is the counterpart of "Income No.1" *ex ante*, which "equals the value of the individual's consumption *plus* the increment in the money value of his prospect which has accrued during the week; it equals Consumption *plus* Capital accumulation"[2]. This "very special sort of income" has a "supremely important property" and namely – this income is "almost completely objective". However, the author places a very important limiting condition – there is objectivity only if we focus on income from property and ignore the possibility of having wealth increased or decreased due to increment or decrement of the so called "Human capital" or the abilities of the individual to earn. Taking this limiting condition into consideration, "the capital value of the individual's property at the beginning of the week is an assessable figure; so is the capital value of his property at the end of the week; thus, if we assume that we can measure his consumption, his income *ex post* can be directly calculated."[3].

Hicks believes that income's two dimensions bring different sort of information. The information about income *ex ante* is useful to the individual for the purpose of his economic decisions as it reflects his expectations for the future. On the other hand, income ex post is a mixture of historical data and assumptions for the future. On the principles "bygones are bygones"[4] Hicks expresses his belief that it is meaningless to mechanically mixing past and prospect data. Such data has its place in economic and statistic history, it is useful as a measure of economic progress. However, it cannot have any relevance to conduct, i.e. income *ex post* cannot be useful to the individual for the purpose of his economic decisions.

Illustration of Hicks's concept of income

The theory of John Hicks on the economic category of income has been briefly presented above. The critical moment for the understanding of his beliefs about income is how the individual's wealth is defined. By no doubt wealth is not a static figure for Hicks. It is equal to the discounted value of the net cash flows that the individual expects to receive in this and the ensuing periods.

Let us assume that individual's wealth W_0 at the beginning of the period is equal to:

$$W_0 = \frac{\sum_{i=1}^{n} NCF_i}{(1+r)^i},$$

where

NCF_i – net cash flow for period i

r – discount rate

n – time span for which W_0 is calculated

W_0 represents Prospect I from the perspective of the first period.

The net cash flow realized during the first period is known at its end; thus, the wealth of the individual at the end of the period (and at the beginning of the second one) is:

$$W_1 = NCF_1 + \frac{\sum_{i=2}^{n} NCF_i}{(1+r)^{i-1}},$$

W_1 is Prospect II from the perspective of the first period.

Income *ex ante* $I_{ex\ ante}$ equals the difference between both Prospects or:

$$I_{ex\ ante} = W_1 - W_0 = rW_o.$$

Let us examine the following example:

Mr. X expects to receive equal net cash inflows amounting to 40,000 CU[5] during the next 5 years. The market interest rate for the period is expected to be 5% and is not expected to change. The market interest rate will be used to calculate the discount factor. Cash inflows are received at the end of each period.

At the beginning of the first period Mr. X assesses his Prospect I as follows:

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[1] Prochazka, David, The Hicks' Concept of Income // European Financial and Accounting Journal. – 2009. – Vol. 4, no.1. – P. 45.

[2] Hicks, John. Value and Capital. – Oxford Clarendon Press, 1942. – P. 178.

[3] ibid. – P. 179.

[4] ibid.

[5] CU – currency units.

Year	NCF	Discount factor	PV of NCF
1	40 000	0.952380952	38 095
2	40 000	0.907029478	36 281
3	40 000	0.863837599	34 554
4	40 000	0.822702475	32 908
5	40 000	0.783526166	31 341
		Wealth W_0	**173 179**

Propsect II from the perspective of the beginning of the first period is:

Year	NCF	Discount factor	PV of NCF
1	40 000	1	40 000
2	40 000	0.952380952	38 095
3	40 000	0.907029478	36 281
4	40 000	0.863837599	34 554
5	40 000	0.822702475	32 908
		Wealth W_1	**181 838**

It shall be emphasized that when calculating Prospect II the net cash flow for the first period is not discounted or is rather discounted with discount factor 1, as it is taken as already realized. Both Prospects are assessed on the grounds of the same assumptions; thus, there are no reasons to believe that the expected income for the first period will not get realized.

Having the above calculations, income *ex ante* from the perspective of the first period is:

$I_{ex\ ante} = W_1 - W_0 = 181{,}838 - 173{,}179 = 8{,}659.$

Income *ex ante* expresses the amount that Mr. X believes to be able to spend without reducing his wealth. If he wishes to save, he has to reduce his consumption.

Let us now assume that Mr. X realized only 38,000 CU during the first period; however, he believes that this is only a temporary shift and therefore he does not change his expectations for his future receipts. In order to determine his income *ex post* Mr. X shall perform reverse forecasting. He calculates his Prospect I from the perspective of the beginning of the first period but using the data for the realized cash flows that are already known, or:

Year	NCF	Discount factor	PV of NCF
1	38 000	0.952380952	36 190
2	40 000	0.907029478	36 281
3	40 000	0.863837599	34 554
4	40 000	0.822702475	32 908
5	40 000	0.783526166	31 341
		Wealth W_0	**171 274**

Prospect II is also from the perspective of the beginning of the first period using the information available at its end:

Year	NCF	Discount factor	PV of NCF
1	38 000	1	38 000
2	40 000	0.952380952	38 095
3	40 000	0.907029478	36 281
4	40 000	0.863837599	34 554
5	40 000	0.822702475	32 908
		Wealth W_1	**179 838**

The realized income *ex post* is:

$I_{ex\ post} = W_1 - W_0 = 179{,}838 - 171{,}274 = 8{,}564.$

Of course, as time passes it is usual for people to update their expectations. Market interest rate rarely maintains its level the same for many years. Economic conditions change. The individual is forced to change his plans and forecasts, thus changing the assessment for his wealth. Therefore income *ex post* could be equal to income *ex ante* only by coincidence.

Significance of Hicksian Income for theory of accounting

As it was already stated above, John Hicks regards income as an economic category that cannot be logically defined, a category without any cognitive value due to its highly subjective nature. Still, the idea of Hicksian Income penetrated into accounting knowledge and turned into a foundation.

It was Sidney Alexander (1950)[1] who introduced Hick's concept of income for the first time. Brief (1982)[2] points out that some ten years later Hicks's definition recurs with remarkable frequency in economic and especially in accounting writings. „Today", Brief continues, „whenever the income concept is discussed at a conceptual level, a reference to Hicks is likely to be found"[3]. Hicks himself remains surprised from the popularity his definition gains among accountants. In a letter addressed to Brief he wrote: „I had no idea when I wrote this chapter in *Value and Capital* that it would be taken up by accountants"[4].

The fundmentalization of Hicksian Income reaches its apogee in 2005 when IASB and FASB identify it as one of the underlying concepts to form the foundation of the future joint Conceptual Framework to be used as grounds for principle-based standard-setting.[5] Both boards clearly express their intention to place their concept of income on solid theoretical basis and found such

[1] Alexander, Sidney. Income Measurement in a Dynamic economy. – Sweet & Maxwell, 1950.
[2] Brief, Richard. Hicks on Accounting // Accounting Historian Journal. – 1982. – Vol.9, No.1. – P. 91.
[3] ibid.
[4] Brief, Richard. Hicks on Accounting // Accounting Historian Journal. – 1982. – Vol.9, No.1. – P. 98.
[5] Crook, Kimberley; Bullen, Halsey. *Revisiting the Concepts. A New Conceptual Framework Project.* IASB, FASB. – 2005. – May. – P. 7.

a basis in Hicks's definition. They modify it to overcome all its imperfections and develop it into the complete concept of income, profit and loss introduced in the Conceptual Framework published in 2010.

The two aspects changed by the Boards are the ones where the understanding of the concept of income hides – the definition of the term wealth, on one hand, and its measurement, on the other. Hicks believes that the wealth of the individual is equal to the discounted value of the net cash inflows the individual will receive in future, measured according to his own expectations – an amount that is too subjective to be appropriate for decision-making except as an unspecified and vague guide for prudent conduct.

Both boards, however, adopt company's capital as a measurement of its wealth. According to the pervasive concept of capital, capital is synonymous with its net assets or the difference between company's assets and liabilities.[1] Therefore, company's wealth is assessed by its net assets that, although being abstract figures, can be objectively identified.

The second aspect that significantly impacts the way the company's income is defined is the measurement of its wealth. One of the basic conventions that are widespread among accountants is that assets and liabilities are measured at historical cost. Other measurement bases are applicable in various cases too (current cost, fair value and so on), but in general the majority of the accounting standards from both sides of the ocean place a requirement for measuring assets and liabilities at historical cost.

In practice both boards borrow Hicks's "Income No.1" *ex post*, replace individual's wealth with the equity of the individual entity and measure it mainly at historical cost. Or, if we rephrase Hicks and complete it with the financial concept of capital maintenance[2], **company's income is the maximum amount that the company can consume so that to maintain its equity in money terms, i.e. so that its net assets at the end of the reporting period to be equal to its net assets at the beginning of the period, after deducing all changes therein due to actions of owners in their capacity of owners.** If the net assets at the end of the period exceed those at the beginning, the company has saved part of its income in the form of profit. Otherwise, it would seem that the company is not "living within its income", it consumes its reserves or simply said – realizes losses.

Critics to FASB and IASB-adopted concept of company income

The decision of both standard-setters to adopt Hicksian Income and to modify it thus making it one of the fundamental contemporary accounting concepts is opposed by part of accounting society. The boards have been accused of wrong and selective interpretation of Hicks's theory. Their definition of income is criticized for lack of objectivity; for not been useful to those who make economic decisions; for measuring only a part of company's wealth but failing to reflect its internally generated goodwill and so on. The major critics will be examined one by one below.

As it was already stated above, IASB and FASB explicitly point out their decision to step on Hicks's theoretical concept of income. Unfortunately they do not analyze it in more details in the 2005 Memorandum. Instead they focus on the substantiation of their selected "conceptual supremacy of assets"[3] and the respective definition of financial performance using assets and liabilities and not revenues and expenses. Thus, their stance definitely remains insufficiently grounded; it weakens it and opens the door to critics.

The major deficiency of the Boards' incomplete thesis is that they really approach Hicksian income in a selective manner. It is a fact that only fragments of Hicks's thoughts are presented in the Memorandum – only those that match Boards' definition. It is remarkable that the boards borrow only a part of Hicks's sentence for the almost complete objectivity of the income *ex post*, but somehow omit the limiting condition placed by the author that this is valid only for income from property but not for income that depends on the so called "human capital"[4]. Thus they give arguments in the hands of authors such as Bromwhich, Macve and Sunder (2010) to accuse them for "opportunistically cherry-picking the elements to suit their immediate objectives" and for "taking short quotations and interpreting them out of context"[5].

From pure formal point of view there is no way not to support critics. It is true that both boards address quite frugally the concept of income, mentioning it in only two short paragraphs in the whole Memorandum without placing any additional theoretical thoughts. The Memorandum, however, is not designed to contain Boards' full concept of income. It is only a prelude to the concept of income as later on developed in the Conceptual Framework. The fact that the Memorandum only implies IASB and FASB's ideas does not make their theory for income, capital and capital maintenance,

[1] IASB. Conceptual Framework for Financial Reporting. 2010. para 4.57.

[2] IASB, Conceptual Framework for Financial Reporting. 2010. para 4.59 (a).

[3] Crook,K. & Bullen,H. Revisiting the Concepts. A New Conceptual Framework Project. – IASB & FASB. – 2005. – May.

[4] ibid. – P. 18.

[5] Bromwich, M. Hicksian Income in the Conceptual Framework [Electronic resource] / M. Bromwich, R. Macve, Sh. Sunder. – 2010. – P. 2. – Mode of access: http://ssrn.com/ abstract=1576611.

all Hicksian Income-based, vacuous and does not place it on vague and ambiguous grounds. This critics is quite perfunctory and fails to account for the theoretical depth of both standard-setters' achievement.

The boards are also accused for claiming to having developed an objective concept of company's income. Critics keep on repeating that the development of an objective measure of income by stepping on such a subjective category as Hicksian income is not possible. However, by choosing the identifiable net assets as an expression of company's wealth and by applying the principle of measuring them at historical cost, IASB and FASB overcome Hicksian individual's subjective assessments. Moreover, it is Hicks himself that in a book review published in Economic Journal (1948) explicitly emphasizes the necessity of objectivity in accounting to be achieved by applying historical cost. In fact throughout his all work thereafter Hicks consistently takes the stance that the principle of measurement at historical cost shall be strictly observed. Even talking about companies' equity measurement at the 1969 meeting of the International Statistical Institute Hicks states: "An economist may often be found to declare … that the stock of capital equates to the present discounted value of the future stream of earnings that the stock of capital will generate. This is so inherently unmeasurable that it will amuse a statistician until he perceives that the suggestion is offered somewhat more than half-seriously"[1].

Critics also argue that Hicks clearly declares his opinion that it is only income *ex ante* which could be useful for the individual's future conduct, while income *ex post* could be of interest only to historians and statisticians but not to those who have economic decisions to make. For them income *ex post* is useless. Consequently, IASB and FASB's concept of income developed on the grounds of Hicksian Income No.1 *ex post*, cannot be relevant to anybody.

At the same time, there is a vast number of empirical research papers proving the direct relation between accounting information about company's earnings and its stock prices market changes. For instance, Dechow (1994) points out that "stock markets are efficient in the sense that stock prices unbiasedly reflect all publicly available information concerning firms"[2], and yet "they react to the release of earnings information and to forecasts of earnings" [3]. Dechow quotes the empirical research of Foster, 1977 and Patell, 1976, that find strong positive correlation between companies' accounting net income and their stock prices. The author concludes that "the production of financial information such as earnings is an integral part of price formation[4].

The main objective of financial reporting as set forth by the two standard-setters is to prepare and present such financial information that is useful for its users. Of course, therefore it shall comply with a number of qualitative requirements enlisted in the Conceptual Framework – relevance, faithful representation, comparability, verifiability, timeliness, understandability, and shall be prepared observing all requirements of the respective standards. Whenever financial information meets those requirements, it is useful. Many empirical researches have confirmed this by proving the direct link between income information and stock prices changes at international stock exchanges. It is the practice that refutes the opponents of the relevance of the concept of income.

The boards have also been accused that their defined income fails to encompass all that a company generates, and especially that it misses company's internal goodwill. Bromwhich, Macve and Sunder (2010) point out that the difference between market capitalization of a company and the book value of its net assets is defined as internally generated goodwill which depends on the skills of the management of this company. They argue that different managers with different management skills will achieve different return on the same capital. They believe that this is Hicks's "human capital" at company level – "the value of super profits over the normal rate of return on net assets that depends on the skills with which management and the workforce exploit an enterprise's resources and its markets, and its business, social and political opportunities"[5].

This accusation shall also be refuted even only for the reason that the boards are criticized for something they do not purport to aim. IASB and FASB does not regard financial information and especially the one concerning company's income that is contained in the general purpose financial reports as a tool showing the value of the reporting entity. The Conceptual Framework explicitly states that "General purpose financial reports … provide information to help existing and potential investors, lenders and other creditors to estimate the value of the reporting entity"[6]. Besides, the information about company's income is pervasively used as a measure of the stewardship of management. Quite often senior management bonuses are linked to company's performance measured by accounting financial results.

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[1] Brief, Richard. Hicks on Accounting // Accounting Historian Journal. – 1982. – Vol.9. No.1. – P. 97.

[2] Dechow, Patricia. Accounting earnings and cash flows as measures of firm performance. The role of accounting accruals // Journal of Accounting & Economics. – 1994. – Vol.18. – P. 12.

[3] ibid. – P. 14.

[4] ibid.

[5] Bromwich, M. Hicksian Income in the Conceptual Framework [Electronic resource] / M. Bromwich, R. Macve, Sh. Sunder. – 2010. – P. 7. – Mode of access: http://ssrn.com/abstract=1576611.

[6] IASB, Conceptual Framework for Financial Reporting. 2010. para OB7.

Hicksian Income is not directly applied in modern accounting when defining earnings. However, Hicks's contribution to the development of our nowadays understanding of income and profit cannot and shall not be denied. In practice, IASB and FASB stepped on Hicksian Income and then developed and modified it. The understanding of income presented by both boards in the Conceptual Framework is not just a borrowing from Hicks. It is a completely mature and applicable in practice accounting theory of income. The main contribution of John Hicks is that he directed our focus towards the concept of capital maintenance as grounds for defining concept of financial performance. John Hicks is a remarkable scientist that left deep trail in economics. His thoughts about concepts of income and objectivity penetrated the theory of accounting and turned into a foundation for the further development of the science.

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Петрова В. Теорія прибутків Дж. Хикса і сучасного бухгалтерського обліку

Стаття присвячена поняттю доходу в теорії одного з найвпливовіших економістів XX століття – Джона Річарда Хикса, який залишив глибокий слід в теорії бухгалтерського обліку. Його ідеї представлені і проілюстровані як теоретично, так і практично. Проаналізовано як вони були трансформовані в сучасному бухгалтерському обліку в МСФЗ і РСФО. Критика використання теорії доходу Хикса як теоретичної основи поняття доходу, прибутку і капіталу представлені як концептуальні основи фінансової звітності і також обговорюються в статті.

Ключові слова: доход, сучасний бухгалтерський облік, прибуток, капітал.

Петрова В. Теория доходов Дж. Хикса и современного бухгалтерского учета

Это статья посвящена понятию дохода в теории одного из самых влиятельных экономистов XX века – Джона Ричарда Хикса, которая оставила глубокий след в теории бухгалтерского учета. Его идеи представлены и проиллюстрированы как теоретически, так и практически. Проанализировано как они были трансформированы в современном бухгалтерском учете в МСФО и ССФУ. Критика использования теории дохода Хикса как теоретической основы понятия дохода, прибыли и капитала представлены как концептуальные основы финансовой отчетности и также обсуждаются в статье.

Ключевые слова: доход, современный бухгалтерский учет, прибыль, капитал.

Petrova V. Hicksian Income and Contemporary Accounting

This article deals with the concept of income of one of the most influential economists of the 20th century – John Richard Hicks, which left deep trails in the theory of accounting. Hick's ideas are both theoretically presented and practically illustrated. The way they have been transferred to modern accounting by IASB and FASB is analyzed. The criticisms of the use of the Hicksian income as a theoretical foundation of concepts of income, earnings and capital maintenance as adopted by the Conceptual Framework for Financial Reporting are also discussed in the article.

Keywords: income, modern accounting, earnings, capital.

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