A CRISIS OR CRITICAL DEVELOPMENT IN ACCOUNTING THOUGHT ?

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Abstract

Much of debate have been raised regarding the radical development in accounting. This development provides a new perspective in conducting research into the realms of accounting practices. As opposite to the mainstream perspective,the postmodern perspective offers totality of relations (social, economic, political, and ideology) and advances the accounting researchers and practitioners to react into rational demands for useful information. Thus, it is irrationale if accounting today is said crisis theory, yet a critical development in accounting thought is much more rational words.

Introduction

Is it crisis or critical development in accounting thought today? Much of debate have tried to answer this question (e.g., Tomkins and Groves [1983], Christenson [1983], Chua [1986], Gaffikin [1991]). Yet, the answer is still somewhere. The purpose of this paper is primarily to answer the question and discuss a growing number of debate that traditional knowledge claims of objectivity in accounting have hampered the maturation of the discipline and isolated accounting research from the realms of accounting practices, as it is practice by accountants today. In discussing this paper, the condition of accounting theory and aspects of accounting theory as science will be described, then followed by crisis in accounting. A next part is critical and radical development in accounting theory. Finally, summary and conclusion will be given.

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The Condition of Accounting Theory

It has been recognized that the major objectives of accounting theory are to provide a frame of reference by which accounting practice can be evaluated and analyzed, and to guide and direct accounting practice in new situations Williams and Griffin [1969], Chambers [1970],Henderson and Budge [1974],and Gaffikin [1980, 2008]). Many accounting theories may be required to accomplish these objectives. By the use of both (descriptive and normative Theories[1]), it should be possible to draw the basic criteria for accounting procedures. Ideally, whenever a question of application is raised, accountants should turn to theoretical criteria for assistance in finding the best answer. Unfortunately, theories of accounting are not well enough developed to fulfill these objectives in all situations. Much of debates have been raised to against the objectives of accounting theory. For example, the first serious attempt to determine a theory of accounting was by Patton [1920], yet very few accountants would be aware of that (Gaffikin, 1991). Consequently, accounting has been charged with a number of serious shortcomings, which can be corrected only by greater attention to sound theoretical bases.

It can be argued that developing such sound theoretical bases for accounting is an ambitious task and may be an impossible one. Nevertheless, accounting theorists and researchers continue to work until this present day. An exclusive work that tried to develop a theoretical base was by Chambers ("Blueprint for a Theory of Accounting," 1955). He attempted to sketch the form which such a theoretical base would take. In his article, he introduced four propositions as a basis form which to proceed. These propositions are as follows:

1. Certain organized activities are carried out by entities which exist by the will or with the cooperation of contributing parties.
2. These entities are managed rationally, that is with a view to meeting the demands of the contributing parties efficiently.
3. Statements in monetary terms of the transactions and relationships of the entity are one means of facilitating rational management.

4. The derivation of such statements is a service function.

Surprisingly, there was no claim or criticism addressed to whether a sufficient basis or not. As a result (two years later), Chambers ("Detail for a Blueprint," 1957) concluded these propositions are the most general and the most fruitful basis. Another effort that also attempted to sketch the form of accounting theory was by Mattessich ("Towards a General and Axiomatic Foundation of Accounting - with an introduction to the matrix formulation of accounting system," 1957). Different to the work of Chambers [1955], he introduced new approaches of accounting theory (Matrix formulations). Similarly, both Chambers [1955, 1957] and Mattessich [1957] still maintained they were being "scientific" approaches. As a result of both earlier writers, scientific approach to accounting was desirable to determine what accounting theory would seem to be the most suitable or appropriate in the 1960.

Aspects of Accounting Theory as a Science

Gaffikin [1984] pointed out that "to be scientific, a discipline must have demonstrated the highest standards of intellectual rigour." Has this statement been answered by accounting theorists, researchers, or practitioners? Even if there was little doubt as to the scientific nature of accounting in the early 19th century, there has been a growing number of accounting researchers to accept the advantages of employing a "scientific" basic for the development of accounting theory (e.g., Kam [1973], Peasnell [1978], and Stamp [1981]). They recognized that accounting is intended to be "scientific" activity. However, Peasnell [1978, p.220] especially emphasized that to be scientific, accounting should be (a) in a pre-science, pre- paradigmatic stage of development or (b) a fully developed science. But, what approach have accounting researchers been adopting now? Is it scientific?. Yes, most accounting researchers have urged the adoption of ("scientific method.") Yet, are the most accounting researchers aware of the meaning of that phrase? Gaffikin [1984, p.13] suggested that the term scientific method indicates the techniques employed by scientists in developing theories. Unless no one will know what techniques have been used, it reflects a 'positivist' view of science.

Fundamentally, the pure positivist view assumed that there is a "logic of science"(this term has been replaced by a "theory of research"). The emergence of the new view of science particularly influences accounting researchers on the changing image of science. Watts and Zimmerman [1979] are two of the most widely discussed contributors to the positive view. They

have attempted to identify and develop a "positive accounting theory." Its objective is to explain and predict accounting practice. Similarly, Hendriksen [1977] cited by Gaffikin [1984, p.14] developed three levels of theory based on the positivist language distinction. This new view of accounting theory particularly contrasts to normative theory which prescriptive. However, Whittington [1987] questioned the existence of positivist methodology. He mentioned that the most controversial aspect of positive accounting is its methodology. The most cogent and incisive critical analysis was by Christenson [1983]. His criticisms were that the methodology of positive accounting theory generally fails (1) to distinguish between two different levels of phenomena, (2) to be based on the misconception (derived from 19th century positivism) that empirical science is concerned solely with the actual, with "what is."

Crisis in Accounting

As discussed previously, it seems that there is some crisis of ideas of accounting theory development. As an evidence, the view of accounting as science has been questioned. And the emergence of positivist accounting theory has also been refused. Will other ideas be questioned and criticized? Of course, the answer is "YES." It has been pointed out by Kuhn [1970] that the emergence of crisis will occur in a science. Accounting is no exception. The pattern of ideas and rules, which are widely accepted at one time, will be found to be deficient at the other time. Based on this statement, Hakansson [1978] and Peasnell [1978] investigated the American Accounting Association's (AAA) Statement of Accounting Theory and Theory Acceptance (SATTA) based on the understanding of the philosophy of science. In particular, Hakansson underlied two points of concern [e.g., the inability of committees to make worthwhile contribution to research). His concern appears to be more important for that and this leaves without answer. As an evidence, he commented

> ... despite a high level of activity, the normative research of the last 35 years and our recently initiated formalization of empirical research hane not yet led to any major advances in accounting knowledge (Hakansson, 1978, p.721).

Concentrating on this statement above, which considers the formulation of empirical research, Hakansson again questioned three approaches which have been used to conduct research in accounting for years. These approaches are (1)"classical" approach which has been used both by normative deductivists and by chiefly positive, inductive writers, (2)decision usefulness approach, (3)information economics (single- and multi-individual case) (Hakansson, 1978, p.718). Unfortunately, from these three approaches, no theoretical approach has yet achieved dominant acceptance within the accounting community.

Similarly, Peasnell [1978] questioned and criticized the contents of SATTA. His particular attention was paid to what the committee of AAA has to say on the prospects of developing theoretical frameworks capable of the mature science of accounting. He was also pessimistic that a dominant consensus among theoretical approaches could be realized.

Critical and Radical Development in Accounting Theory

Critical studies in accounting are frequently concerned to explicate a theory of interest in understanding accounting practice and theory. Such studies have been contributed by a number of accounting theorists in the form of accounting theories (theories in accounting) and epistemological empiricism and realism (e.g., Chambers [1955, 1957], Tricker [1979], Abdel-Khalik and Ajinkya [1979], Christenson [1983], Tomkins and Groves [1983], Chua [1986], Cooper and Hoppper [1987]). As mentioned in the previous part of this paper, such variety of developing accounting approaches, however, seems to be symptomatic conflicts of the mature science of accounting. For example, Wells [1976] argued that accounting, presently, lacks of a definitive paradigm or disciplinary matrix. Basically, this argument is based on the deficiency of a disciplinary matrix approach which provides the basis for "normal science" activity. However, this brought some criticisms in conducting research in the 1960s and 1970s, and led to the emergence of several "schools" of accounting thought that start from different axiomatic positions. Wells [1976, p.478] identified such schools of thought as follows:

(1) Price-Level Adjusted (or CPP) Accounting: Jones [1956], Mason [1971].

(2) Replacement Cost Accounting: Edwards and Bell [1961], Mathews [1965], Gynther [1966], Revsine [1973].

(3) Deprival Value Accounting: Baxter [1967], Wright [1970], Stamp [1971], Whittington [1974].

(4) COCOA: Chambers [1966], Sterling [1970], Mckeown [1971].

Yet, none of these schools has formed the foundation of a new disciplinary matrix (Chua, 1986, p.602). As a consequence, the developments of accounting theory are undergoing a revolution. Recently, there is a growing number of ideas about classifications of accounting perspectives. As Chua [1986] pointed out, there are three sets of assumptions into accounting perspectives. These are (1) beliefs about knowledge, (2) beliefs about physical and social reality, (3) relationship between theory and practice (Chua, 1986, p.604-605). Based on these sets of assumptions, Chua combined with three sets of different accounting perspectives (Mainstream, interpretive, and critical perspectives). The results were as follows:

A CLASSIFICATION OF ACCOUNTING PERSPECTIVES ASSUMPTIONS

	MAINSTREAM	INTERPRETIVE	POSTMODERN
A. BELIEFS ABOUT KNOWLEDGE			
EPISTEMOLOGICAL	Theory is separate from observa tions that may be used to verify or falsify a theory. Hypothetico deductive account of scientific explanation accepted.	Scientific explanations of human intention sought. Their adequacy is assessed via the criteria of logical consistency, subjective interpretative, and agreement with actors' common-sense	Criteria for judging theories are temporal and context-bound. Historical,ethnog raphic research and case studies more commonly used.

		inter pretation.	
METHODOLOG ICAL	Quantitative methods of data ana lysis and collection which allow generation favored.	Ethnographic work, case studies, and participant observation en couraged. Actors studies in their everyday world.	-

B. BELIEFS ABOUT PHYSICAL AND SOCIAL REALITY

ONTOLOGICAL	Empirical reality is objective & external to the subject. Human beings are also characterized as passive objects; not seen as makers of social reality.	Social reality is emergent, sub jectively created, and objecti fied through human interaction	Human beings have inner potent ialities which are alineated(preve nted from full emergence) through restrictive mechanisms. Objects can only be understood through a study of their histo rical development and change within the totality of relation
			Empirical reality is character rized by objective, real rela tions which are transformed

			and reproduced through subjective interpretation.
HUMAN INTENTION AND RATIONALITY	Single goal of utility-maximization assumed for individuals and firms. Means-end rationality assumed.	All actions have meaning and attention that are retrospectively endowed and that are grounded in social and historical practice.	Human intention, rationality, and agency are accepted, but this is critically analyzed given a belief in false consciousness of ideology.
SOCIETAL ORDER/ CONFLICT	Societies and organizations are essentially stable; "dysfunctional" conflict may be managed through the design of appropriate accounting control.	Social order assumed. Conflict mediated through common schemes of social meanings.	Fundamental conflict is endemic to society. Conflict arises because of injustice and ideology in the social, economic, and political domains which obscure the creative dimention in people.

C. RELATIONSHIP BETWEEN THEORY AND PRACTICE

	Accounting specifies means, not ends. Acceptance of extant insti tutional structures.	Theory seeks only to explain and to understand how social order is produced and reproduced,	Theory has a critical impera tive: the identification and removal of domination and ideo logical practices.

Source: Adapted from Chua [1986, p.611, p.615, p.622]

Based on this figure above, each accounting perspective has a different insight. For example, the mainstream accounting has some perspectives. Such perspectives are that accounting researchers believe in the model of scientific theories which expresses in empirical testability (e.g., hypothetico-deductive account of scientific explanation). They also recognize that individual and organizational purposes are a controllable and inherent tendency to achieve social order. In contrast, they provide some weaknesses. First, the activities of accounting researchers depend on a current institutional framework of government, markets, prices, and organizational forms. Second, societies and organizations are essentially assumed to be stable overtime. Finally, their perspectives are controversial with the philosophy of social science which have questioned realism and the empirical testability of theories.

In contrast, the interpretive perspective indicates that in practice, accounting information is highlighted by the symbolic structure and may be attributed into diverse meanings. Accounting exists to satisfy the needs of individuals and society at large. Accounting numbers are often perceived as being more precise and "scientific" than qualitative evidence. As a consequence, accounting numbers are believed to be inadequate representations of things and events as experienced by individual or organizations. To be adequate representations of things and events, accounting numbers should be transcended and manipulated from the formality of the numbers and the symbolic meaning into particular intentions.

Different to both perspectives above, the critical perspective requires a radical interpretation of the real world. In terms of research methods, this perspective tends to exclude mathematical or statistical models. They

particularly emphasize on detailed historical explanations (qualitative analysis). According to Guess [1981, pp.1-2] cited by Aitken and Gaffikin [1986, p.22], the critical perspective has essential features as follows:

1) Critical theories have special standing as guides for human action in that:
    a) They are aimed at producing enlightenment in the agents who hold them, i.e., at enabling those agents to determine what their true interests are;
    b) They are inherently emancipatory, i.e., they free agents from a kind of coercion which is at least partly self-imposed, from self-frustration of conscious human actions.
2) Critical theories have cognitive content, i.e., they are forms of knowledge.
3) Critical theories differ epistemologically in essential ways from theories in the natural science. Theories in natural science are 'objectifying;' critical theories are 'reflective.'

Based on these explanations above, particular attention should be addressed to the critical accounting perspective. There are several new insights behind this perspective which differ with both mainstream and interpretive approaches. For example, accounting as a discourse with a particular mode of calculative rationality provides information to both macro- and micro-societal level. This perspective focuses the totality of relations (social, economic, political, and ideology).

Summary and Conclusion

As discussed, accounting today turn to a new perspective (critical theory) of accounting. The traditional or mainstream accounting perspective based on defunt methodology is gradually ignored by accountants. This old perspective is becoming a memory of accounting revolution. There is no and never crisis in accounting thought. As Kuhn [1970, p.6] pointed out, a series of tradition shattering revolutions of a science occur in which one "time-honored scientific theory is rejected in favour of another incompatible with it." It means

that a new insight moves from the old ideas to the new, that is, more acceptable and rational. Congruently, accounting today offers a new accounting perspective that research in accounting can be advanced into the realms of accounting practice, as opposite to the traditional perspective.

Footnotes:

1) Descriptive theories attempt to find relationships that actually exist, while normative theories employ a value judgment: contained within them is at least one premise saying that this is the way things _should be_ (Wolk, Francis, and Tearney, 1989).

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