Factors Influencing The Development of The Accounting Role In Society

Indra Bastian
Gadjah Mada University

Abstract

The objective of the paper is to discuss factors influencing the development of the accounting role in society. The discussions focus on reasons why a study of the factors that influence the development of the accounting role is needed. The paper concludes that the factors influence the development of the accounting role led to ways of understanding individuals' perceptions of the accounting role over time. Related to these factors, the development of the accounting role can be classified into three periods: 1930s, 1970s, and 1990s.

Introduction

During reading many article on accounting histories, there are many pragmatical questions raised, such as: why is the accounting role changing?; is it a natural process or human made?; and, is it a dynamic process or a static one? These questions demand a discussion, specifically, about the factors that influence the development of the accounting role in society. This demand has a tendency to lead to a practical, rather than conceptual, analysis. However, the literature review could not distinguish between the impact of practical and conceptual factors in the development of the accounting role. As accounting phenomena, these factors are associated with each other.

The discussion begins by outlining the reasons why a study of the factors that influence the development of the accounting role is needed (Section 1). This rationale for study leads to consideration of The Factors that Influence the Development of Accounting Role in Society (Section 2). This section contains several subsections, each focusing an a particular classification or main ideas related to the theme of Section 2. Section 3, is a discussion section which attempts to produce an integrated picture of the role of accounting and associated factors. Finally, the key points of this paper will be summarised in Section 4.

1. The Rationale for Studying the Factors that Influence the Development of The Accounting Role in Society

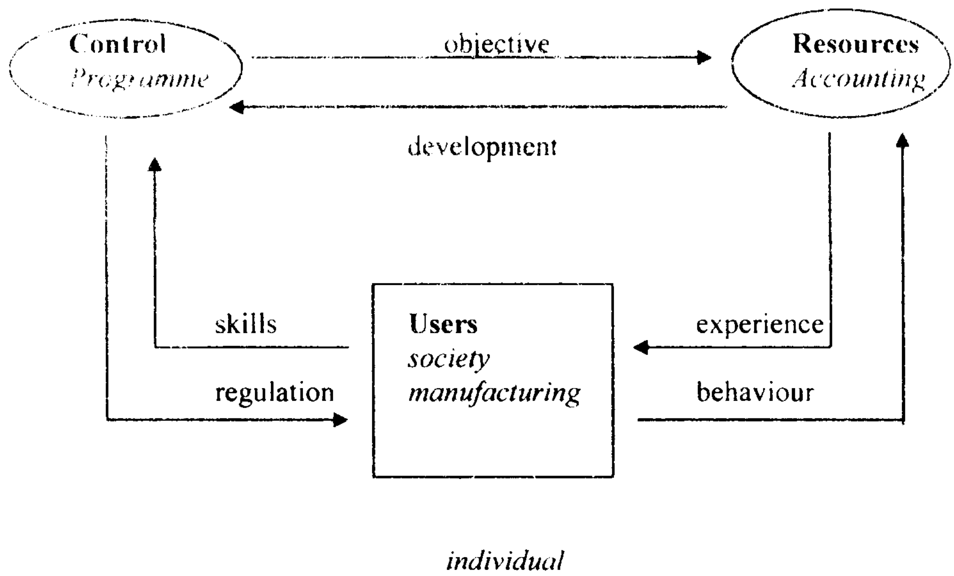
What do people want to know about the role of accounting? Early observations suggested that there are two issues that people always want to know about. The first is the meaning of the accounting role. Most individuals with whom discussion was held asked what was meant by 'the accounting role'. If the discussion reached a serious level, they would then ask what factors influenced its development. However, it must be recognised that the idea of the development of the accounting role can not be isolated from the meaning of the accounting role itself.

Thus, the motivation for this section is closely related to the rationale for studying the role of accounting. A major rationale is to optimise accounting's functions in society. Studying the factors that influence the development of the accounting role will support the objective of studying the accounting role.

The study of the accounting role is closely related to the study of accounting policy. To understand how accounting functions in society, it is necessary to learn about how accounting policies regulate the way that accounting works at the micro and macro levels of society. Accounting policy is about how the implementation of accounting is managed in the context of organisations, industry and society (Hendriksen & Breda;1992,p.234-235). Therefore, the study of the factors that influence the development of the accounting role in society is the study of how to manage the role of accounting at the micro and macro levels of society. Since the role of accounting can be viewed differently depending on context, the focus should be on the transformation process, i.e. factors that have caused or are capable of causing the role of accounting to change. Thus, a change management perspective is the basis for this discussion.

The major advantage of acknowledging these factors is that it makes possible a self - monitoring system on the development of the accounting role in society. Such a system is a system to control the accounting functions in organisations, industry or society. If the influence of the factors can be characterised, they can be implemented to control the accounting function, i.e. to plan and direct the implementation of accounting functions, and to evaluate the implementation. However, since the process of characterisation of each factor involves a qualitative assessment, subjective indicators are used. This means that a 'judgement' is made, in order to evaluate the development of the accounting role.

Figure 1
Change Management
The Accounting Role in Society



In our model, there are three main relationships that determine the development of the accounting role in society. The first is that between Control and Resource, which represents how the accounting functions are developed in society. An arranged programme is actually an effort to control the development of the accounting role by certain objectives, determined by the person who set the programme. The second is the Control – Users relationship, which describes how users control the role of accounting and vice versa. When the role of accounting for the users is regulated, policy makers cannot force users to implement the role of accounting beyond their skills. This means that the implementation of a programme in the development of the accounting role is limited by the users -

skills' condition. The third relationship is 'Resource and Users', which represents how users examine accounting as a resource in their work. This means that the users obtain experience and, additionally, through their behaviour affect the implementation of the accounting role. The factors that influence the development of the accounting role in society reflect these three relationships.

From the above discussion, the advantage of studying the factors that influence the development of the accounting role is to be able to control the development of the accounting role. In other words, the factors can be indicators for monitoring the development of the accounting role. If the monitoring mechanism can be implemented, the re-engineering of the development of the accounting role is a possibility.

2. Factors that Influence the Development of the Accounting Role in Society

The discussion of Section 1 has explained the rationale for developing this chapter. In this section, the factors that influence the development of the accounting role in society are presented. Since there are many possibilities for presenting this topic, a decision has to be made as to which presentation method should be adopted, according to the emphasis of the study. The presentation could be based on articles, periods, contexts, and perspectives. Here, it has been decided to use a periodic sequence to present the ideas of this chapter, in line with the argument that the development of the accounting role is about changes. This approach allows comparison between different periods to be undertaken .

Thus, in this section, the factors influencing accounting are classified into three distinct time periods: the 1930s, the1970s and the1990s. This classification was suggested as a result of reviewing the relevant literature.

2.1 The 1930s

The period around the 1930's was a significant one in world history. Many significant world events world occurred during this period: the crash of the New York Stock Market in 1929, the economic depression in 1933, the outbreak of the Second World War in 1939. This subsection will discuss how accounting academicians saw these events influencing the development of the accounting role.

Only a few academicians have discussed the influence of the events of the 1930s the accounting role. Chen (1975) did some research into the origin of financial stewardship. She suggested that it resulted from an accumulation of events from around the 1930s, especially in the United States. In particular, she referred to what she called 'the stewardship crisis of 1929' (Chen,1975,p.538), the initial stimulus of which was the crash of the New York Stock Market in 1929. *This crash left shock waves which reverberate 60 years later* (Hendriksen & Breda,1992,p.65). The depression started as the result of the ending of the First World War in 1919. During the 1920s, the psychological impact of the end of the war created a demand for consumer goods, plants and equipment. This condition fuelled an investment boom. For example, there was a rapid expansion of new industries making radios, telephones, motion pictures and, most markedly, the automobile. Car production, alone, by 1929 had increased eleven times since 1913 and by nearly three times since 1919. The unofficial employment figure in 1929 was as low as 3.3 percent and labour productivity had multiplied significantly. This was one of the best ever periods for the American economy.

By 5 September 1929, conditions were changing. A prediction from Roger Babson, a respected financial advisor, created fear in the public (ibid.). One month after that, on 21 October, and again on 24 October, the market dropped hundreds of millions of dollars in value. By 29 October 1929, stockholders had lost $15 billion and a great economy was in the process of being ruined. The days after the crash of capital market were bad news. Private investment dropped 90 percent and production fell 56 percent (ibid.). Even though the causes of the crash and its effects remain controversial (ibid.,p.66), accountants could not escape severe criticism. Berle and Means (1932,p.182-183) stated '*accountants themselves have as yet failed to work out a series of standard rules*'. They also attacked the concentration of power in the hands of the few:

> *So long as accounting standards are not hardened and the law does not impose any specific canons, directors and their accountants may frame their figures, within limits, much as they choose (ibid.).*

In the face of such comments, it was imperative that accountants improved their professionalism.

There is another way of viewing the 1929 situation. Statistically, the proportion of corporate wealth (other than banking) controlled by the 200 largest corporations was approximately 49.2%. Of these 200 big companies, 44% in number or 56% in wealth, were controlled by professional managers

(Chen,1975,p.538). During that period, some of the management from these big companies considered themselves so professional that they did not hold themselves accountable to any party (ibid.). In other words, management defined their own responsibilities.

Historically, both these phenomena, in the 1920 and 30s, brought a period of stewardship crisis. The management (accountants) tended to assume no stewardship responsibility either to the owners or to the public, disregarded their stewardship role.

The crisis of stewardship period ended during the 1930's depression (ibid.). During the period of recovery of the economy, some changes had already taken place. Business ideology had raised its base over social responsibility, this ideology gaining strength as a result of the economy recovering and a growth in social consciousness. Chen (1975) described this situation by citing Bruce,(1916,p.12):

> ... *a socially beneficial use has always been, and always should be, the one test and basis of the so called property right; that no man in society has a natural and unlimited right to own and to do as he pleases, and that the public welfare has always been, and always will be, the highest law and the test and the basis of the only lasting title deed*

In this quotation, she reflected the new consciousness that the exercise of a right might affect the right of others; that once people *'socialised their property'*, they should be concerned about '*an involvement of the interest of the society*' (Chen,1975,p.538).

Other changes, such as the growth in business size and the increase in managerial control, demonstrated the impact of the stewardship crisis in 1929. Chen (1975,p.539) mentioned a shift in the orientation of stockholders. Stockholders no longer had full control of the company. Small stockholders lost their power of controlling management. They had to understand that their roles were different. In the 1930s, investors were concerned that when they invested capital in a large corporation, they granted management full power to use and control their resources. Since the other side of the power of management was responsibility, management automatically accepted a social responsibility.

The events of the 1930s can be regarded as contributing the change in the characteristics of the business ownership. In the past, ownership had been highly diffused. People assumed business to be a collection of capital from investors. The larger the business size, the greater the amount of capital needed. As only a few people were able to contribute a certain amount of capital, ownership gained full control over the managerial process. From the 1930s, the situation of ownership became different. The dispersed ownership had transferred the power of control to management. The shifting of control to management created other types of stewardship, e.g. towards employees, customers and society as a whole. In other words, management have a stewardship obligation to the public.

As the above discussion has shown, the impact of the crisis of stewardship led to increase social consciousness in the concept of the accounting role, and a practical response in accounting practice, a charge in the accounting role. Hoxsey, J.M.B., executive assistant of the Committee on Stock List of the New York Stock Exchange, criticised the lack of uniformity in accounting practice (Hendriksen & Breda,1992,p.66). Even though this criticism was *a little unfair* (ibid.,p.67)[1], the accounting profession in the US gave it special attention by suggesting that the certification of accountants should be an attribute in the financial statements of listed companies. By certification, it was meant that accountants should be 'qualified under the laws of some states or country'. It should be noted that this accounting practice had already been in existence, in Britain, for 89 years.

The requirement that accountant who prepared financial statement be certificated was one way that accounting profession answered the demand for public stewardship. The consciousness of the impact of financial statements upon public welfare had stimulated the accounting profession into considering its social responsibility. This consciousness on the past of the accounting profession was only one of various ways that social responsibility consciousness grew in the 1930s. Alternatively, this response could be interpreted as one way the accounting profession survived in society. However, the response left one large question unanswered: 'how to evaluate the accomplishment of social objectives?' A debate on this matter still continues up to now, and is sometimes considered to indicate a weakness of accounting relating to the objective of supporting the public welfare.

In the above discussion, it was shown how factors that influenced the development of the accounting role reflected the social conditions of the 1930s. This fact implied that the accounting role was part of the social phenomena;

furthermore, that these social events constituted the development of the accounting role. In this case, the stewardship crisis events and the growth of social consciousness provided impetus for the development of the accounting role. Additionally, the development itself had a tendency to move toward social objectives.

2.2 The 1970s

The growth of social consciousness which began in the 1930s continued. By the 1970s, this consciousness had become stronger and more solid. Some academicians saw a need to understand accounting not only as a technical thing, but also as a part of social life. Scapens (1990,p.107) indicated a shift from presenting accounting *as a set of neutral, objective techniques available to managers* to accounting *as an integral element in a system of domination.* Furthermore, in the conference of Role of Accounting in Organisation and Society in UCLA, 1980, Eric G Flamholtz (1980,p.3) stated the mission of the conference as *to recognise the effects of accounting on individuals, organisations and society.* Both academicians delivered a message on the change of accounting orientation from a technical mean to an organisational and social mean.

Related to those phenomena, Burchel et al. (1980,p.5) indicated that some changes had already taken place. For example: accounting had become general economic management; and, accounting had become a cohesive and influential mechanism for economic and social management. They mentioned various factors that had caused these shifts, such as management of financial sources; the creation of particular patterns of organisational visibility; the articulation of forms of management structure and organisational segmentation; and the reinforcement, and indeed the creation of particular patterns of power and influence (ibid.). Each of these factors will be explored below.

2.2.1 The Management of Financial Sources

The comment made by Burchell et al. (1980) that

> *accounting developments now are seen as being increasingly associated not only with the management of financial resources ..... (p.5)*

Implies that people had acknowledged this factor before. Indeed, Chen (1975) mentioned this factor. Although Burchell et al. did not explicitly refer to Chen

(1975), we assume that they accepted that this factor originated a long time prior to their writing. The management of financial resources is a symbol for ownership and for the creditor (Brealey and Myers,1991). Both creditor and owner share the capital of the company. They also obtain full control of the management. Ultimately, they expect to be the first to receive an allocation of the benefits.

Financial resources, then, have been a symbol of the power to control. Owners provided funds for the company, in order to get a feed back stock earning in future. The creditors lent their money for the purpose of getting interest and principal. Both were concerned to increase their own welfare. In the past, when the size of business was relatively small, many people had a capability of furnishing the funds and, in turn, had the power to interface with the managerial process. By the 1930s, the situation had altered. Since business size had increased, only a few people were capable of contributing funds. So, management in an innovative way sold company shares in the capital market, or sold the company's obligation. This condition created increasingly more complex procedures concerning the management of financial resources.

In the 1930s, the management of financial resources had caused a shift in the accounting role. In 1970, it demanded more careful work, which can be classified into investment and fund management (ibid.). Many technique were adopted to aid planning in investment and fund management, such as net present value, discounted cash flow and tree decision - making. The existence of such technologies in financial resources management was caused by the complexity in calculation and a demand for a level of analysis. So, in the 1970s, the management of financial resources shifted the role of accounting from calculation to decision making.

Our conclusion above has presented the functions of financial resources management in terms of the technology for decision making and the stewardship relationship. As a feature of the stewardship relationship, financial resources management placed more emphasis upon legality. More stress was given to how management was able to fulfil their contract. On the other hand, as a technology for decision making, it gave more emphases to technical matters. This means that financial resources management has had a tendency towards technological, instead of social, economic and legal development.

2.2.2 The Creation of Particular Patterns of Organisational Visibility

In contrast to financial resources management, Burchell et al. (1980,p.5) mentioned the next three factors as new developments in the accounting environment. These three factors are related to the development of the organisational analysis of the 1970s. This means that Burchell et al. (1980) codified the impact of those phenomena into the accounting role development perspective.

The development of organisational patterns grew rapidly from the 1950s (Thompson & Strickland,1995:p.432). An organisation was initially based upon general management skills. People were trapped in post Second World War psychology. Consumption demand was high. Many countries were experiencing an economic recovery. This post-war attitude had a positive impact among the population. Business grew. During the 1950s and 1960s, many conglomerates were established, focusing on mass production. However, the demand of business was still restricted by the general basic skills of management.

This demand changed in the 1970s. The value added concept shifted corporation to the strategy concept and the portfolio planning techniques (ibid.,p.433). During this decade, business organisations started to diversify, though mass production characteristics still characterised manufacturing companies. Technological information became a competitive advantage for companies. Business people focused their attention upon resource allocation problems and balanced portfolio management (ibid.).

In the two previous paragraphs, the sense of a changing environment has been conveyed. This changing situation caused a challenge for organisational analysis, in relation to several analytical problems, such as: action, power, levels and process (Benson,1977,p.5). Work on the action problem emphasised the grounding of organisational patterns in the interactions and practices of people. Patterns have also been seen in recent studies as the expression of power relationships. The levels problem involved the analysis of inter-penetration and interdependence between distinct sectors of the social structure. The concern with process involves the continuous transformation of organisational patterns. In subsection 2.2.3, there is a further discussion about levels. In subsection 2.2.4, a discussion about action and power will take place. First, however, let us consider process.

As indicated above, process concerns the continuous transformation of organisational patterns. The purpose of such transformation is to adjust to the development of business competition and the organisational environment. It is about how to improve organisations' adaptive capabilities. The topic of organisations' capabilities can be classified into the implications of societal environments for organisations; and interactions in inter-organisational networks (Nystrom & Starbuck,1981). In the first of these areas, changes in the social environment, for example in technology (Shen,1981), in norms (Moch & Seashore,1981) and in population movement (Morrill,1981), had the significant contribution of improving organisations - making organisations more efficient, more humane, more rational, more fun, and more useful for societies (Starbuck & Nystrom,1981,p.xiii). On the other hand, the second generated an opportunity for improvement. The development of conglomerates motivated a redefinition in the meaning of organisation, which included organisation-sets, action-sets and networks (Aldrich and Whetten,1981,p.385). This means that the study of organisations moved beyond single organisations to an examination of the populations of organisations relating to their environment.

The influence of the environmental developments and the potentials inside the organisation led to an innovation in the patterns of organisations. In the 1970s, divisionalisation and the matrix structure of organisation became the symbols of developing organisations. The idea of these types of organisation co-ordination structures concerned the contract between parties or network arrangements (Gottfredson & White,1981,p.471). The other practical forms of the arrangement were mergers and price - fixing agreements (ibid.). However, the innovation was not only for large corporate, but also for middle-sized and small businesses. The concept of a partnership either in the form of a joint venture or collective bargaining (ibid) was becoming a usual practice for business.

An understanding of the development of the patterns of organisation led us to investigate how accounting worked in the 1970s. The role of accounting in decision making dominated organisational activities. Resource allocation problems and decisions over corporate strategy were the main concerns for management. Additionally, management were anxious to obtain accounting analysis support for their decisions. This showed a tendency for an implementation of a decision making model within accounting data. The greater needs of accounting for decision making made the development of management accounting faster than in any prior periods.

In inter-organisational relationships, the feature of an accounting role for the new stewardship was becoming visible. The inter-organisational networks were actually based upon contractual arrangements. Legal and economic responsibility were inherent in the contracts. This meant that a failure to fulfil the contracts would have legal and economic impacts. Since the measurement of the legal impact was in economic value, more attention was given to the economic than to the legal dimension. Additionally, the purpose of contracts should be in line with the public interest. As a result, contractual arrangements always tended toward public welfare.

From the social perspective, the patterns of organisational visibility were concerned more with communicating reality. The development of organisational patterns focused on how the organisations were able to achieve their objectives. In other words, it was about how management were able to optimise their resources. In management terminology, the guiding question for organisational activities was how to increase effectiveness and efficiency. Considering the objectives of the organisations, the role of accounting had a tendency to communicate reality, rather than constituting reality.

The development in the patterns of organisations' visibility has been shown to have had a positive impact on the functions of accounting in organisations and inter-organisations. The dynamic of organisational patterns had pushed accounting into more dynamic and applicable business practice. Within organisations, accounting came to function, not only as a calculation, but also as a part of the decision making process. In inter-organisation relationships, accounting data provided a useful aid to decision-making, especially relating to contract arrangements, where economic interests were dominant. The role of accounting, here, was to allocate economic resources. As a conclusion, the notion of the new stewardship role predominated.

2.2.3 Articulation of Forms of Management Structure and Organisational Segmentation

Another factor mentioned by Burchell et al. (1980) is an articulation of the forms of management structure and organisations. The word 'articulate' means to express something (in this case, 'organisation') clearly in our own words. Chandler and Daems (1979,p.3) perceived market economics organisations as having three main actors: markets, firms and interagency arrangements. They also articulated the views of organisations as a reflection of economic functions, meaning allocation, monitoring and co-ordination.(ibid.) Allocation is about resources to be allocated. Monitoring is about the performance of an activity on the part of the organisation to be monitored. Finally, co-ordination is about the flow of materials, funds, services and information between activities of the part of the organisation to be co-ordinated.

Next is a further discussion on the varieties of market economy organisations. In a context of exchange economics practice, the fundamental economics function is interpreted as the price system. The price is the symbol of allocation of economic resources. The dynamics of price is a means of monitoring economic conditions. The efforts to manage an economy can be co-ordinated by the manipulation of price determinants. However, Chandler and Daems (1979,p.4) had a different interpretation. In exchange economics, monitoring means self commitment of the units of activity to check the performance of the functioning and the rewarding of these units themselves. On the other hand, co-ordination is the process of structuring and facilitating the flows and transactions between parts of the organisation. This means that the price system has not been sufficient to reflect all the economics' functions. Chandler and Daems (1979) proposed administration and interagency arrangements to complement the price system. By administration, they meant a formal hierarchical organisation and control system, while interagency arrangement is a reflection of formal and informal conventions. These suggestions were derived from the historical facts on types of productive activities undertaken by the firm (ibid.,p.5).

Some types of productive activities can be explored in the history, the first being from Adam Smith. Adam Smith laid the foundation for modern micro-economic theory with his discussion of specialisation of economic activity with the co-ordination and monitoring performed by the now famous, 'invisible hand of the market'. The second is from Joseph Schumpeter. Joseph Schumpeter pointed out how an entrepreneurship, is a way to stimulate an innovation activity, facing the challenge from the bureaucratisation process in a large firm. The third, Frank Knight said that essential tasks of the firm were the bearing and sharing of risk and uncertainty. These three economists actually showed how to represent the production unit of the economic system.

Different types of productive activities affect the management structure and organisations, and, in turn, the accounting role. The traditional meaning of fundamental economic functions demanded a lower level of analysis. The price system was concerned with how to recognise costs and calculate numbers. On the other hand, Chandler and Daems (1979) put the fundamental economic system in context of the organisations. They inquired how organisations administer the co-ordination of the price system mechanism. Additionally, they argued that conventions among agencies stabilise the market price. These situations required a higher level of analysis of the management structure and organisations, not only in relation to the calculation and recording mechanism, but also in relation to the process before and after calculation and recording. The different demands on the level of analysis necessitated innovation in organisational analysis (Benson,1977,p.11-12).

The different articulation of fundamental economic functions has affected the implementation of accounting in society. In the traditional meaning, the role of accounting in organisation was about calculating numbers. The aim of the calculation process was to fulfil an obligation of stewardship to other parties. Here, the notion is of the old stewardship of the accounting role. However, this calculation mechanism, is indirectly related to the social perspective of the accounting role.

In Chandler and Daems' (1990)'s interpretation, an elaboration of the accounting role in organisations is found. In the traditional meaning, accounting worked to administer the price mechanism. In Chandler and Daems' interpretation, accounting did that work in the organisational context. This gave rise to the idea that the co-ordinated administration of the price mechanism favoured the organisation's objective. This is how accounting contributes to the decision making process in the organisation. Additionally, in a second complement to the price system, the interagency arrangement conveys a notion of the stewardship role of accounting. As this factor is closely related to fundamental economic functions, the notion of the accounting role is based more on the new stewardship role. This means that the accounting role was established to monitor the allocation of economic resources. However, in line with the calculation mechanism, the interpretation of Chandler and Daems (1979) placed accounting in a social perspective, as a tool of communication.

2.2.4 Reinforcement or Indeed Creation of Particular Patterns of Power and Influence

This subsection is about the fourth factor mentioned by Burchell et al. (1980). This factor differs from the others. The belief behind Sections 2.2.1, 2.2.2 and 2.2.3 was that management use accounting as one of the business technologies. In this situation, accounting was in a position to be explored. This means that there are choices as to how to treat accounting in management's work. When management do business, they prefer accounting to be a recording tool, including analysis. Over time, management made a decision. They can now choose whether to use accounting or something else.

In the previous section, literature on how accounting functions in the organisation was explored; this subsection starts with Bariff and Galbraith (1978) who researched power and influence in competition between accountants and Management Information Systems (MIS) staffs. They assumed that organisations could be viewed as shifting political coalitions competing for organisational resources (ibid.,p.15). The finding of the research was that a successful resource acquisition is highly dependent up on politics. With this result, Bariff and Galbraith (1978) rejected rational-economic decision making as the most influential factor in the organisation, and suggested the existence of political practice in organisational decision making. They researched to what extent the distribution of power works as a political practice in the organisation First, they suggested, the objective of an information system project actually minimises the effect of the current social structure. Second, the aim of a continuous information system modification affects the planning in the social structure. And, third, most of the information system modification enhances the relative power of the information system group. It seems that Bariff and Galbraith implicitly assumed that the organisation is a social system. This is in line with Parsons(1960).

Considering the politics of organisational decision making, it can be concluded that Bariff and Galbraith (1978) redefined the organisations, as a set of purposeful systems and a set of choices of objectives and performance of tasks. This means that management had the capability of selecting and modifying objectives and the means of their accomplishment (ibid.,p.16). This conveyed the idea of how to implement power within organisational activities. An implementation of the concept of power can be classified into the power of individuals and the process of producing information. The ability of individuals to control information establishes their perceived power over other individuals. On the other hand, services provided by organisational sub-units affect their power in relation to other organisational sub-units. Both power phenomena dominated accounting practice in many organisations and corporate bodies.

In line with Bariff and Galbraith (1978), during the 1970s, many approaches were produced, such as political economy, strategic contingencies and resources dependence (Benson,1977,p.10), the examination of which extended the conventional boundaries of organisation. Within accepted social assumptions, the social paradigms, such as Marxism, Foucauldian and Critical Theory, became common in analysing organisational realities. These paradigms required attention to the processes through particular organisational patterns. It was necessary to pay attention to history, to the sequence of events and contexts through which the present arrangements have been manufactured (ibid.,p.8). This increased interest in understanding organisational phenomena. In other words, the need for a perspective to see organisational phenomena became more important.

From the above discussion, the influence of perspectives and power in organisational analysis can be seen. Organisational analysis became more responsive to reality. In the organisational and inter-organisational perspectives, accounting functions in the decision making role and the new stewardship role. Most studies are looking at accounting in relation to the discussion of the accounting role in the decision making context of the organisation. They also considered the role in economic terms. There was an assumption is that organisation is a social system and actual consideration of the dynamics of that system, meaning that the probability is that accounting has influenced the social system. In a further exploration of this factor, the accounting role would be to constitute reality. However, in the 1970s, understanding of the accounting role in constituting reality was still limited to organisational phenomena. As mentioned by Bariff and Galbraith (1978), the information system designing process is useful in reinforcing and modifying management policies (ibid.,p.25).

An understanding of the factors outlined by Burchell et al. (1980) provides an insight into how to manage the functions of accounting in the organisation. However, two other influential theories must also be considered: Bell's Social Structure and Agency Theory. They are discussed below,

Bell's Social Structure

The previous subsection presented an analysis of the reasoning of Burchell et al. (1980), based on organisational development. In this subsection, another perspective is offered for the development of the accounting role. Gandhi (1976) adapted Bell's social structure as a tool to understand the intertwining of society's development and the development of accounting. He assumed accounting to be a message mechanism which creates a precondition to individual or collective behaviour (ibid.,p.34). The messages constitute a knowledge structure in the form of language, symbols and information. Gandhi concluded that this process was the way society adjusted to its larger ecological environment.

It seems that what Gandhi called a 'message mechanism' is a function of accounting as an information system. Gandhi implicitly assumed accounting to be an entity, sensitive to social norms and cultural values. Accounting has the capability to influence society and is also affected by societal development. Bell (1971) had described these phenomena in the context of post-industrial society, in which he recognised accounting as a developed form of technology and knowledge. This means that accounting was actually a part of society's development. Consequently, the factors that influence the development of post-industrial society also influence the development of accounting as a technology in that society.

The concept of post-industrial society is concerned with long-term changes in social structure. Bell (1971) explained the changes by pointing out the difference between pre-industrial, industrial and post-industrial society. He classified the changes into factors that influence the development of society. The first of these is economy. Pre-industrial economic activities were primarily extractive of agriculture and mining. In industrial societies, the main economic activities were manufacturing, and in post-industrial society, economic activity is centred on service activities. The second factor is the occupational slope. Work in industrial society was dominated by unskilled workers, such as farmers and fishermen. In industrial societies, semi-skilled personal, such as engineers, predominated. In post-industrial societies, the type of work was emphasises the professional and technical classes, such as experts and technocrats. The third factor is technology. In pre-industrial societies. people only used raw material in their work. In industrial societies, people started exploring energy as the main support of their work. In post-industrial societies, people have been able to develop self-sustaining technological growth. This development was due to the new devices for technological forecasting and the need to maintain productivity and expansion, so, at this stage, people developed information technology. The fourth factor is about the development of methodology. In pre-industrial society, people mainly learned from experience. They used 'common sense' to solve their problems. In industrial societies, people started formulating their experiences into an experimental framework. In post-industrial societies, people succeeded in formulating their theoretical knowledge as a central source of modern innovation and policy-formation in the society. They already had the capability to abstract their experience into certain theoretical frameworks. The product of this methodological process was models, simulation, decision theory and system analysis. The fifth factor is about axial principles. In pre-industrial society, people saw their environment in the traditional way such as the limitation of land and resources. In industrial society, people saw the development of their environment in terms of economic growth and industrial investment. In post-industrial society, people have created an 'intellectual technology' to explore their environment, as a result of a codification of theoretical knowledge.

Burchell et al. (1980) stated that the analysis of the post-industrial concept will give an understanding of how *accounting is introduced into more sectors of society (p.6)*. Related to this notion, Gandhi (1976) said that, in post - industrial society, the existence of accounting started from the accountability phenomenon. People in society developed the market economy mechanism which has served society well but is inadequate in an arena where public goods and services have increased so rapidly. Public goods and services here are indivisible, so, they must be provided collectively. This condition requires *a reorientation of accounting function (ibid.,p.40),* because control as a basic issue in an integrated society concerns public goods and services.

In a market welfare economy, the distribution of public goods and services relies on the invisible hand mechanism (ibid.,p.41). This mechanism aggregates multiple choice for individuals and simultaneously distributes the responsibility for the aggregated collective decisions. If the mechanisms is public and real, it will guide society's resource allocation. However, the mechanism in practice sometimes deviates from perfect work standards. This condition has to be considered as the alternative system, the non-market welfare economy (ibid.). In this system, decisions concerning the acquisition and allocation of public goods, services and resources are generally made through collective mechanisms, such as planning and arbitration.

Accounting developed during the growth of the non-market welfare economy. When a planning and arbitration mechanism was established, there was a need for a supporting mechanism to supply data for planning and for evaluation of the planning. In this case, accounting, as an information system, worked as a service economy activity. Accounting people developed themselves into a professional class in society, and because of the prestige attached to this class, requirements were set up to enter the accounting profession 'club'. These requirements concerned the capability of implementing 'intellectual technology' into accounting work. Their purpose was actually to declare the existence of a theoretical knowledge of accounting. This objective was important in promoting accounting into one of the central sources of modern innovation and policy formation of society. In other words, accounting established in the post-industrial society developed as a form of methodology and technology. This conclusion implies that, with a lack of environmental support, accounting could not develop in the pre-industrial and industrial stages of society.

In post-industrial society, the roles of accounting within in the organisational and financial economics perspectives are implemented. At this stage of societal development, accounting is implemented to solve the problem of resource allocation. This notion gave rise to decision making in the accounting role. On the other hand, since the implementation is within the context of public interest, accounting became an accountability tool in the relationships between entities / individuals and society. In this sense, accounting acquired its new stewardship function.

Agency Theory

In previous subsections, the focus was on how the stage of organisation development and social structure influenced the development of the accounting role. In this subsection, the reasoning behind the development of the accounting role will be explored in terms of the contemporary approach, agency theory. The accounting role under agency theory is a combination of the old and new stewardship roles (Ronen,1979). This means that the development of the accounting role can be classified into development of the old stewardship and development from the old stewardship into the new stewardship roles.

In the first development, the establishment of the old stewardship function was closely related to the accountability of management. As an agent of the owners, management has responsibility to safeguard and use the owners' resources, in such a way as to increase their value. This mechanism existed in conditions where management was separated from ownership. For Ronen (1979), this separation of management from ownership of the business entity was the primary factor that raised the stewardship function of the accounting role.

Regarding the second development, Ronen (1979,p.433) based on his observations on business environments in some developed countries. His first finding from his observations concerned increasing complexity of the business environment in developed countries. This finding demanded a re-orientation of the accounting role. In this case, the type of relationship was not only between entities, but also between entity and society. During the 1970s, society in the US asked business people to pay attention to environmental, ethical and other social issues. Since society represented the customers, management could not neglect this request, and began to concern itself with social responsibility. Management took their contribution to social welfare into account in corporate planning. In other words, management shifted their main interest from increasing the companies' value to optimising the society's welfare.

The second factor concerned the extent of interdependencies between corporations in the US. This factor arose from the quality demanded of a companies' product. Society, as customers, demanded high quality goods and services. However, the components of goods and services were products of other companies, which meant that the quality of goods and services was a result of cumulative quality production processes from many companies. To respond to this kind of condition, management developed the principle of serving society. This directed management towards society's interests.

The third factor concerned the increasing diffusion of ownership. With large numbers of owners in a company, agency costs affect a greater number of individuals in the economy. At the same time, the changing of the accounting policy in certain companies affects not only its stockholders, but also consumption and investment decisions in other companies. This phenomenon gave rise to the idea of an interdependency relationship between internal and external management. In other words, management put a concern for social interests into their decision making processes. So, management reduced agency costs, in order to increase the efficiency of resource allocation.

The fourth factor concerned the effect of advances in technology and communication. These advances have magnified the consciousness of the social impact of corporations and the need for information on such impact. This means that the social welfare argument was more likely to have been rooted in business environmental changes than in incentives to satisfy the demand for 'excuses'. In this case, the choice among productive alternatives can be affected by financial information. Further, financial information influences the efficiency of resource allocation in society.

This fourth factor in the development of the old to the new stewardship signifies the importance of the influence of changes in the business environment in optimising social objectives. Related to the whole study, changes in the business environment caused a shift from trend away from legal towards economic accountability, which means that the economic relationship was a major concern of the business relationship. In other words, the business orientation has a tendency to a notion of 'growth'.

From the above discussion, it can be seen that the factors influencing the development of the accounting role reflected the development of the accounting environment up to the 1970s. Changes in the environment, mainly in the organisation and business environment, influenced the development of the accounting role from the financial economic perspective and from the organisational perspective. However, the influence on the accounting role from a social perspective was limited. This means that the focus of attention until the 1970s was still on the development of the organisation and the relationship between entities.

2.3 The 1990s

The World in the 1990s is very different from that of the 1970s and 1980s. Business changes very fast, technological growth is everywhere, the information network has become worldwide, and there is increasing interdependency between people, entities and countries. The world is experiencing a new era, globalisation.

In this era, Lehman (1992) claimed that accounting's influence extends across the range of our life experience, *from the mundane to the globally consequential (p.1)*. She emphasised the vast array of accounting data, encompassing such diverse activities as estimating the productivity of robots and planning playgrounds for inner city schools. However, she still questioned the awareness of accountants of the social implications of the data. Most accountants are unfamiliar with critical thinking and lacking in political and social discrimination (ibid.,p.2). Based on this interpretation, Lehman (1992) tried to promote the importance of social analysis, especially social conflict, in accounting works.

In Lehman's view, the factors that currently influence the development of the accounting role are global debt, the cost of the international debt crises, and, boom and bust of mergers. Below, each of these factors is discussed in turn.

2.3.1 Global Debt to Pay

The global debt crisis was raised in the US Congress in 1986. The claims for bank failure and bailout ranged from \$60 billion to \$1.4 trillion, three times the US Federal Government's deficit. To make matters worse, \$1 trillion of the claim is from some developing countries, most of them Latin American. Most of these countries face negative or minimal growth, rising fiscal deficits and tremendous cuts in social programme. Since a majority of global loans are now owed to private commercial banks, default by any one or combination of these developing countries will lead to bankruptcy of the US money centre banks.

The background of this global debt is still a matter for debate. Lehman (1992) highlighted the role of banking accounting practices and misuse of debt. The banking accounting practices can be classified into disclosure practice and recognition of the loan assets. With regard to disclosure practice, many banks in the US were reluctant to disclose their debt. In many cases, banks did not want to write off debts, because their assets actually would not absorb them. Additionally, they tried to deny the deteriorating economic condition of the debtors. This practice has been in use for many years, so cumulative debt has become common in banking. However, the banks can not continue this practice, if their debtors are governments from developing countries which have bull debt. They should declare that they are in a nearly bankrupt condition.

The second banking practice highlighted by Lehman is about recognition of loan assets. Banks have not been consistent in implementing the Lower of Cost or Market Rule (LCOM). In practice, they have consistently ignored the spirit of LCOM and treated the exchange rates differently for different countries; for instance, in November 1987, five cents per dollar for Peruvian debt, thirty-five cents for Argentinean and thirty nine cents for Brazilian. Banks actually rated the exchange rate based on risk premiums for each country.[ii]

The misuse of debt was common in banking practices. The reality in 1980 brought a shift from the old assumption that all debtor countries should be treated alike. The case of Marcos (Philippines) and Duvalier (Haiti) taught the banking community that these countries misused their debts for private consumption (ibid.,p.6). So, banking should investigate the 'real' value of the loan and the credit-worthiness of the debtor.

The global debt phenomenon has led to difference in accounting treatment. In this respect, the accounting role functions as a communicating role and constitutes reality. The global debt events became an example of how accounting constitutes reality. It can be concluded that globalisation has had a positive impact on accounting.

2.3.2 Cost of the International Debt Crisis

The change in US economic conditions has been recognised as an important factor in the world economy. The global debt created a sequence of negative impacts on the economy. 400,000 jobs were lost as a result of declining merchandise exports to Latin America, the poor and the working class failed to increase their standards of living, violence in some developing countries increased, and finally, the democratic process has fallen behind. Global debt has caused an international debt crisis.

The international debt crisis became more complicated by the economic and political situation of developing countries. This situation was a result of the impact of the fundamental problem of transnational relationships[iii], that of the fundamental disparity between rich and poor nations. People have debated the problems of the international debt. Some experts say that the international debt crisis reflects how developing countries' debts boomerang on developed countries (George,1992). Financial assistance from developed countries was ostensibly provided to aid development programmes in the developing countries. However, the fact is that the public in the developed countries transferred their funds as disguised subsidies to commercial banks. Other experts say that the international debt crisis is the result of 'tricky' requirements from developed countries (Sjahrir,1994,p.312-314), in that, in the credit agreements, the creditor restricted the purchase of technology, goods and services to developed countries. Such agreements caused an outflow of capital resources from developing to developed countries. The international debt crisis exists because of the cumulative real debt in the creditor countries. In other words, the international debt crisis is a problem for developed countries, not developing ones.

In the above discussion, it was shown that accounting has had a tendency to communicate reality. Accounting, as an information system, should tell the 'truth'. If it is necessary, accounting discloses the history of the information to users. An implementation of the conservatism principle in accounting for assets, loans and other accounts would also inform banking and governments about the financial conditions of companies, governments and other international monetary institutions. Here, accounting, in order to create better conditions, functions to communicate reality and, also, constitutes reality.

2.3.3 Boom and Bust of Mergers

In the 1980s, US business experienced 'merger mania'. Benston (1980,p.7) explained the popularity of mergers as follows: (1) accounting procedures misled investors, thus motivating promoters and managers to effect mergers; (2) growth and changes in enterprises brought these enterprises to a stage in their development at which mergers were rational; and, (3) mergers were attractive investments for acquiring companies, owing to the economic condition and tax climate. He stated that merger practices made capital markets efficient. Mergers also meant the growth of companies.

The impact of mergers was not all positive, however, during the merger mania of the 1980s, negative impacts of mergers were felt (Lehman,1992,p.8). The practice of junk bonds as a main financial resource put mergers into difficult situations. The starting point of the junk bond phenomenon was about how management bought the other company's bonds, in order to merge their companies. When management bought those bonds, they were concerned with the price of the bond. However, there are obligations related to any financial claims. Thus, management acquired not only the bonds, but also the claims and debts associated with them. In these situations, the merger often caused bankruptcy.

The junk bond phenomenon is an example of how business people innovated opportunities around accounting procedures, especially disclosures. Accounting procedures required disclosure of any event that may effect decisions relating to financial reporting. Accountants faced difficulties when they found prospects of claims to be unclear. Accountants could not disclose these claims in the financial reporting.

The practice of junk bonds was really a negative feature in merger mania trends in the 1980s. A lot of companies suffered a loss (Fortune, May 20,1991). Many accounting firms were involved in litigation relating to audit reports concerning the financial performance of previous mergers. The only people who received any benefits from the junk bond practice were the bidders (Lehman, 1992, p.9).

It is clear that the boom and bust merger phenomenon gave rise to an emphasis on accounting's ability to constitute reality, reality here being the junk bond practice, litigation culture and other areas. This means that in modern society, the accounting culture of the 1990s has become more solid. Accounting has become not only a tool to analyse business, but also a framework to run business, for instance: to investigate un-disclosed information in the case of merger, especially related to junk bond practice.

An analysis of the accounting role up to the 1990s has emphasised the social perspective. The globalisation era has brought accounting closer to the social perspective. In other words, accounting has become more closely aligned to the culture of society, it has been seen that the influential factors in the 1990s have so far been U.S dominated, but it seems likely that similar trends will spread to other countries in different forms.

3.0 Discussions

Our discussion about the factors that influence the development of the accounting role leads to ways of understanding individuals' perceptions of the accounting role over time. Related to these factors, the development of the accounting role can be classified into three periods: 1930s, 1970s, and 1990s. Figure 2 below shows the intertwining of the accounting role and its factors.

Figure 2
The Role of Accounting and Its Factors
A Review

The Role of Accounting / Factors	Financial Economic Perspective	Organisation Perspective	Social Perspective			
	Old Steward ship	**New Steward ship**	**Calcu lation**	**Decision Making**	**Communi cation**	**Const itutive**
1930s						
• Stewardship crisis	*	*				
• Growth of social consciousness	*	*				
1970s						
• Management of financial resources			*	*		
• Organisational visibility			*	*	*	
• Forms of management structure and organisational segmentation			*	*	*	
• power and influence			*	*	*	*(limited)
• economic development		*		*		
• occupational slope		*		*		
• technology progress		*		*		
• methodology progress		*		*		
• principle development		*		*		

• separation of ownership from management	*					
• rising complexity of the business environment	*	*				
• extent of interdependencies among corporations	*	*				
• increasing in the diffusion of ownership	*	*				
• advanced of technology and communication	*	*				
1990s						
• global debt to pay					*	*
• cost of the international debt crises					*	*
• boom and bust of mergers					*	*

In the 1930s, social phenomena greatly influenced the perception of the accounting role. The stewardship crisis and the growth of social consciousness became the motivation for the shifting of the accounting role from the old stewardship to the new stewardship functions. This shift was a result of a change in society's perception about the use of accounting in societies. In other words, consciousness of existence of the accounting was raised. In 1970s, the development of science and knowledge influenced how people saw the development of the accounting role. The changes in environment were analysed by implementing an abstraction process. Changes in business attitudes, organisation and environment were observed. Then, through a process of abstraction, those phenomena were categorised into factors that influenced the development of the accounting role. Burchell et al. (1980) summarised the changes in organisational behaviour, form and structure as the organisational factors that influence the development of the accounting role. Gandhi (1976) implemented Bell's Post-industrial Concept to identify the influence of social structure related factors in the development of the accounting role. Ronen (1979) observed a change in the business environment. He implemented an agency approach in order to infer the factors in the business environment affecting development of the accounting role. In the 1990s, the globalisation trend has influenced people's perception about their environment. People think globally, so they see business events in the context of global events. Related to business, three events in particular have influenced the development of the accounting role: global debt, the international debt crisis, and mergers.

From figure 2, we found that the analysis of the development of the accounting role has a tendency to move closely towards the social perspective. In the 1930s, the function of accounting was accountability. In the 1970s, the perception changed as to how accounting worked in organisational activities, though the analyses of Burchell et al. (1980), Gandhi (1976) and Ronen (1979) were still restricted by the assumption that accounting was part of the organisational elements. Even though Burchell et al. (1980) tried to promote the power and influence factors, we suspect that the implementation was still restricted by the organisational boundary. This means that most of the studies based upon factors prevailing in the 1970s' will show how accounting works as a decision making tool and how this affects people inside organisations. In the 1990s, this limitation has been overcome by thinking globally. Global events are seen as factors that influence the development of the accounting role. As a result, in the 1990s, the accounting role is viewed more as being to constitute reality rather than only to communicate reality.

There was a tendency in the literature concerning the development of the accounting role to raise the question: how are the financial economic perspective and organisational perspective going to be in the future?. This question is an attempt to see the future of the legal-economic aspect of accounting and accounting as a technology. The key phrase needed to answer this question is 'a reorientation of accounting's functions.' The integration of the old and new stewardship concepts into the global context will produce the new features of the legal-economic concept. The relationship between entities has become complex, since such relationships can be between regions and countries. On the other hand, the social welfare definition has shifted to a broader area. The public is no longer limited to a certain region or country, but has become global. From the organisation perspective, the exploration of technology for decision making will act globally through the internet and other global communication facilities. It can be concluded that the financial economic, organisational and social perspectives will survive if they always adapt to the contemporary context.

Related this study as a whole, the factors that influence the development of the accounting role will provide a guide for classifying our empirical data. Additionally, they can be a tool by which to analyse the development of accounting in the telecommunication industry in Indonesia.

The study of the factors that influence the development of the accounting role has opened up some questions for future studies. Do social events influence the accounting role? What is the influence of communication technology on the stewardship concept and how does it operate? Is the internet making accounting more sociable? Do environmental cases like Chernobyl influence people's perception of accounting? These questions are only a few of the ones that we can raise for future research.

Our study will have the opportunity to contribute to accounting literature by intertwining the accounting role and its factors into an empirical analysis. In addition, there is another opportunity which is the location of the analysis of the accounting role into the context of the study's perspective. These opportunities present a challenge to produce, from the empirical analysis, a new insight into the accounting role.

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Endnotes

[i] The criticism of accountants was unfair, because several years earlier the AIA (the predecessor of the AICPA) had attempted ineffectively to draw the New York Stock Exchange (NYSE) into conversation. Also, the NYSE itself had been relatively loose in its listing requirements.

[ii] Risk Premium is a rate to measure the capability of the debtors to repay their debt.

[iii] The transnational relationship is recognised as a North - South relationship. North, here, represents the industrial (developed) countries. South represents third world (developing) countries.