The legitimacy predicament of current day accounting theory

Date 2010

Author Buys, Pieter Willem

Abstract Recent corporate reporting history is well-known for its corporate failures and questionable accountancy practices, many of which caused the profession to be frowned upon. However, the splooge on the accounting profession’s reputation goes deeper than its corporate reporting failures. The scientific foundation thereof is also being questioned in academic circles. Even though accounting scholars have been trying to formulate foundational accounting theories, it has been the accounting regulators that have been more successful in promoting their versions of what accounting theory should be, which place a question mark on the legitimacy of current day accounting theory. This thesis aims to delve deeper into the foundational philosophies of accounting and its impact on the practice of accounting. With the current accounting globalisation efforts, the profession’s stewardship function is becoming less prominent in its promulgated standards, which in turn brings the focus on the many questionable ethical practices found in the profession. Even though the regulatory bodies require their members to commit themselves to professional codes of conduct, which entails competency, integrity, objectivity and confidentiality, the 1st article in this thesis claims that ethical conduct is more than mere adherence to rules and regulations. It is also about the image of not only the profession, but also accounting research and education. Accounting is broadly practised, researched and taught within its so-called conceptual framework, of which a key objective is to guide and inform accounting practice. The conceptual framework became the basis upon which accounting theory is based. However, many accounting scholars are openly critical of presenting accounting theory as a set of practical guidelines. The 2nd article in the thesis concludes that, from an academic perspective, accounting theory should be based on three quintessential guidelines. The 1st of which is its primary purpose of reporting on the historic economic events, secondly the provision of useable and comparable information about these events and finally, the facilitation of business decisions based on relevant and reliable information. The above mentioned business decisions, the concept of value is often taken for granted and many accounting techniques’ effectiveness is judged on how well it approximates an item’s value. The 3rd article argues that the multiple purposes for which accounting information is used complicates the issue of value, as reported by accounting. Two key conflicting valuation perspectives are the so-called decision-usefulness and true income perspectives. The current drive towards fair value accounting, as opposed to historic cost accounting, cast doubts on the reliability and relevance of accounting information. Even though it may be argued that value-based techniques are more relevant because it is a better reflection of the current business conditions, the mere subjective nature thereof and the accountant’s objective valuation skills make the true relevance of this information questionable. Furthermore, mixed model valuations found in financial statements makes cross-company information unreliable. Accountancy research of the past four decades focussed on the concept of user decision-usefulness. The user is also pre-eminent in the globalisation of accounting standards of the FASB and the IASB, where users are specified as the equity investors, lenders and capital providers. The 4th article acknowledges that although these user categories are important consumers of the financial data, there are other users which are also impacted by the financial information and the company’s operational performances. There are also concerns over accounting’s key assumptions, such as its quantification and predictive abilities, which are fundamental to the decision-usefulness objective. Furthermore, there are questions around how the regulators decided what information is supposed to be useful and what type of utility is being sought. In summary, the focus on the vocational aspects of accountancy stands in contrast to claims of accounting as an academic discipline in the social sciences. The reality is that the practices of the profession will probably always play a central role in what is taught at university level, and the regulators, as the final authority on accounting standards, will probably remain dictatorial in promulgating their versions of accounting theory. Yet, accounting and its wide spread impact on society, makes it a key discipline within the economical and management sciences. It is therefore essential for the resurrection of accounting as a social scientific discipline that there is a return to foundational accounting research that will prepare (and enable) prospective practitioners and academics to question the status quo and push back on accounting practices that are threatening to extinguish the flame of accounting scholarship.

URI http://hdl.handle.net/10394/4578
Maintaining legitimacy in the eyes of the traditional land-owners, the government of PNG, and the people of Australia can be important for the company to run its business without any hurdles (Beetham and Lord, 2014). Through this, the company can get support from different stakeholders including landowners, government, and community in operating the business hassle-free. Concerning, image restoration theory posits that the firm can restore its legitimacy and image by the use of symbols. The company can restore its legitimacy by using language to communicate a message including corrective action, compensation, displacement, minimization and apology to audiences. Management Accounting in the Light of the Legitimacy Theory. Sustainable management accounting involves, at an early stage of development, both its theoretical and practical use. Originality/value - This paper provides a review of current debates and positions of accounting for sustainable development as well as the barriers management accountants face in getting engaged in accounting for sustainable development initiatives. View. Show abstract.

Developing a teaching intervention to expose accounting students to pervasive skills
Viviers, Herman Albertus (North-West University (South Africa), Potchefstroom Campus 2016)
The need is widely advocated for accounting graduates to demonstrate competency upon entering the profession. Competency reflects the ability to execute tasks in the real world in an effective, meaningful and contributing ...

The development of an SME risk analysis tool for professional accountants
Cloete, G.C. (North-West University, 2018)
The development of Small and Medium Enterprises (SME) evolved to a stage where these types of enterprises comprise staggering portions of the economic activities in the Western World. It is therefore only natural that the ...

Applying a framework-based approach to teach complex problem-solving to Accounting students
Odendaal, Karen (2015)
Accounting transactions are becoming more complex, and more extensive accounting guidance is provided on a continuous basis in the accounting standards. In addition, accounting guidance changes often and additional guidance ...

Copyright © North-West University
Contact Us | Send Feedback