

Perspectives of accounting theory

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ABSTRACT

The importance of strange accounting theory positions is used to explain accounting facts accurately and must have logical consistency. Theorists widely use accounting theory in an attempt to explain current phenomena by using robust accounting theories. Accounting theory relies heavily on the agreement on the notion of accounting as a discipline of knowledge. Accounting will be viewed as a science and as a technology. On the basis of the goals to be achieved, accounting theory can be divided into positive and normative theory. By the target of semiotics in communication theory, accounting theory is divided into false, semantic, and pragmatic methods. Accounting theory also derives explanation or justification through deductive and inductive reasoning. Various aspects of accounting theory must be verified or validly tested by logical argument, empirical evidence, predictive power, and agreed value standards.

ABSTRAK

Pentingnya posisi teori akuntansi yang kuat yang digunakan untuk menjelaskan fakta-fakta akuntansi secara akurat dan harus memiliki konsistensi logis. Teori akuntansi banyak sekali digunakan oleh ahli-ahli teori dalam upaya menjelaskan fenomena-fenomena yang sedang berlaku dengan menggunakan teori-teori akuntansi yang kuat. Teori akuntansi sangat bergantung pada kesepakatan tentang pengertian akuntansi sebagai sebagai suatu disiplin pengetahuan. Akuntansi dapat dipandang sebagai sains dan sebagai teknologi. Atas dasar sasaran yang ingin dicapai, teori akuntansi dapat dibedakan menjadi teori positif dan normatif. Atas dasar sasaran semiotika dalam teori komunikasi, teori akuntansi dibedakan menjadi teori sintatik, semantik, dan pragmatik. Teori akuntansi juga menurunkan penjelasan atau justifikasi melalui penalaran deduktif dan induktif. Berbagai aspek teori akuntansi harus diverifikasi atau diuji validitasnya secara tepatatas dasar penalaran logis, bukti empiris, daya prediksi, dan standar nilai yang telah disepakati.

1. INTRODUCTION

The importance of high accounting theory positions can be used to explain accounting facts accurately and it must have logical consistency. Theorists widely use accounting theory in an attempt to explain current phenomena by using robust accounting theories. In the field of accounting is often found a gap between practice and theory. The words "this is just a theory and which may be implemented in the real world" are some of the statements we hear often discussed or discussed by actors of accounting. The debates of why should be

"FIFO" or "LIFO," or the question of why "Debit" or "Credit" or "this is fair value theory" or "accounting theory" theory and so on. Theorists focus on postulates, basic concepts, and assumptions that usually underlie practice. A highly developed accounting theory ultimately leads to very diverse opinions about the arguments themselves. This diversity ultimately leads to disagreements that have an impact on the process of formulating accounting theory into a place of place even tends to be confusing. This confusion is caused by everyone looking at the same thing but with a different point of view. The

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result of this difference of viewpoint ultimately results in collections. But that does not mean there is not a single theory that was successfully formulated. But on the contrary, that many theories that have been successfully formulated, but only able to explain the accounting of parts by a particular part with a different point of view. Chamber (1965) optimistically states that "The history of accounting thought is not a history of development, but a series of disconnected episodes." (Carnegie & Napier, 2012)

In the end, the question arises what accounting theory is? Paton and Littleton (1940: ix) define accounting theory, "... is a coherent, coordinated, consistent body of doctrines which may be compacted." (Paton, 1980). While the purpose of accounting theory development according to Baridwan (1991) is used to explain and forecast accounting practices. Regarding decision-making, accounting theory is critical in the process of making the regulation. Therefore, both practitioners and regulators are required to have the complete defense of accounting theory. This understanding of accounting theory will contribute to the creation of comprehensive and adaptive guidelines that can accommodate effective accounting practices because basically accounting practices always face conflicting issues between practical and professional (Narsa, 2007). Although practical experiences can solve practical issues, this is not enough, to complete a comprehensive solution must be based on a strong ability in understanding accounting theory. Kam (1986) says Behind every practice is a rationale. A good practice is based on good theory whether we are aware of the theory or not. If we can formulate "good" theory, then we will have "good" practices if the theory is followed (Demska, 1988; Magee, 2002; Watts & Zimmerman, 1990)

2. LITERATURE REVIEW

Accounting Theory

Accounting theory is closely related to financial accounting, even accounting theory found especially in the context of commercial accounting. The notion of accounting theory depends heavily on understanding or defining accounting as a field of knowledge. That is, the position of accounting in the order of experience will also determine the understanding and scope of accounting theory (Watts & Zimmerman, 1990).

In the previous development, accounting can be regarded as the craft (art) because people who will acquire knowledge and accounting skills must go directly in the world of practice and do the

apprenticeship (apprenticeship) on practitioners. In subsequent developments, accounting knowledge and skills can be identified to form a whole set of knowledge that can be taught through educational institutions. Those who master such a set of knowledge can even call themselves professional. With such arguments and accounting developments today, it is not appropriate if accounting is included as a crafted field especially if interpreted with aesthetic problems. The mention of accounting as an art is meant to show that in practice accounting involves a lot of value-judgment that requires expertise and experience to choose the best treatment. So, if accounting is said to be art then what is meant is how to apply it not its nature as a set of knowledge. As a set of knowledge, accounting is more than just art.

When accounting is viewed by science, accounting will deal a lot with accounting phenomena such as why firms choose specific accounting methods, what factors drive management to manipulate earnings, and whether participation in budgeting affects the performance of division managers. Accounting no longer addresses how reporting objectives are achieved and how to treat (measure, acknowledge, present, and disclose) a good and sufficient transaction object. Accounting also no longer discusses how to create new techniques, methods, principles, or new accounting treatments.

Accounting theory is often intended as a stand-alone science that is the source or parent of accounting knowledge and practice. Accounting theory will be a set of descriptive hypotheses as for the result of research by using specific scientific methods. Therefore, accounting theory contains the entire analysis and its components (assumptions, definitions, and hypotheses) which are the source of reference for explaining and predicting accounting phenomena or events (Demska, 1988; Macintosh & Baker, 2002; Watts & Zimmerman, 1990).

The Perspective of Accounting Theory

Aspects of target theory

The targeting element of this theory underlies the differentiation of accounting theory into positive and normative accounting theory. This classification is a logical consequence of defining accounting as a science or technology. The view of science will result in a positive accounting theory, and a view of technology will produce normative accounting theory. This classification occurs because of different targets to be achieved or

generated by accounting theory.

Table 1
Aspects of Target Theory

| The Distinguishing Elements | Problem Facts | Value Issues |
|------------------------------------|----------------------------|-----------------------------|
| exposure target | <i>Positive</i> | <i>Normative</i> |
| Source of Statement | <i>Is</i> | <i>Ought/should</i> |
| Source of stability | <i>Facts</i> | <i>Values</i> |
| Based of Conclusion | <i>Objective/empirical</i> | <i>Subjective/reasoning</i> |
| Nada pernyataan | <i>Descriptive</i> | <i>Prescriptive</i> |
| Method of Result validity | <i>Science</i> | <i>Art</i> |
| Source of Theory | <i>True/false</i> | <i>Good/bad</i> |

Source : (hery, 2014)

Based on the different aspects above, the goal of positive accounting theory is to produce an explanation of what exactly happens objectively without being based on the value judgment. Differences of positive and normative accounting theory arise due to differences in technical objectives and problem areas that concern each method. When it is associated with a science-technology dichotomy, positive accounting theory is more closely related to accounting as a technology.

Aspects of the semiotics level.

Accounting is also concerned with the provision

and delivery of information as a business communication advice so that accounting can even say language business (the language of business). Communicative effects are subjected to the birth of ideas or information from the sender to the recipient of the data. Signs or symbols of language (pictures and words) and grammar form the expression of the style into the medium of communication. In linguistics is studied in three fields of study namely semiotics, linguistics, and logic. Semiotics is a field of study that speaks general theory of signs and symbols in the field of linguistics.

Table 2
Semiotics Stance In Communication Theory

| Dedicated | Target audience | Communication emphasis | Message content |
|------------------|--|-------------------------------|------------------------|
| Synthetic | Aspects of formal sign language (vocabulary, grammar). | Operational, tagging | Synthetic information |
| Semantics | Aspects of language sign content (meaning) | Interpretation, mining | Semantic information |
| Pragmatics | Effectiveness of language sign (communicative effect) | Functional, pragmatic | Information hearing |

Source: (Eco, 1977; Moriarty, 2005)

Well-known financial accounting is currently developed or engineered on the premise that investors and creditors are the intended audiences of information. The information we convey to them is input in the decision of investors and creditors. Accounting engineers theorize on the threshold of semantics, syntax, and pragmatics to produce a financial reporting structure within a particular country.

Semantic accounting theory emphasizes discussion on the problem of real-world or reality symbolization into the signs of accounting

language so that people can imagine the company's activities without having to watch the event directly. The theory of false accounting is the theory of orientation to discuss issues of how corporate operations that have been semantically symbolized in the financial elements can be realized in the form of financial statements. This theory includes the relationship between the features that make up the financial reporting structure or accounting structure within a country, ie, management, reporting entity (reporting), user information, accounting system, and report

preparation guidelines. The pragmatic theory focuses on the effect of information on changes in financial user behavior. In other words, this method discusses the reaction of the party directed by accounting information.

Aspects of the Reasoning Approach

Reasoning has an important role to accept or reject the truth (validity) of a theory. The inference process that generates a statement or explanation as a theory can be both deductive and inductive (Angluin & Smith, 1983).

Deductive reasoning is a process of inference that begins with an agreed general statement (premise) to a specific statement as a conclusion (conclusion). Deductive reasoning in accounting is used to provide explanations and support to celebrate an accounting statement.

Inductive reasoning is the opposite of deductive engagement. This reasoning originates from a specific statement or circumstance and ends with a general statement which is a generalization (robbery) of that particular circumstance. In inductive reasoning, the truth of the premise does not necessarily assure the truth of the conclusion of being constricted or generalized. The truth of conclusions can only be guaranteed with certain confidence levels, for example, 95% or 99%.

In practice, inductive reasoning in accounting cannot be carried out separately with deductive reasoning or otherwise. The two reasoning are interrelated. The premise of inductive reasoning, for example, can be the result of an inductive reasoning. Likewise, the accounting propositions proposed in the research are usually derived by deductive reasoning (Bader, 2002; Besnard & Hunter, 2001; Dudovskiy, 2016; "What is a Deductive Theory?," 1966).

When associated with other theoretical perspectives, normative accounting theory is usually based on deductive reasoning whereas positive accounting theory is usually based on inductive reasoning. In general, it can be said that accounting theory as logical reasoning is normative, syntactic, semantic, and deductive while accounting theory as a science is positive, pragmatic, and inductive (Demski, 1988; Watts & Zimmerman, 1990).

3. CONCLUSION. LIMITATION, SUGGESTION, AND IMPLICATION

Accounting practices within a country must always evolve to meet the demands of the development of the business world. Moreover, accounting practices

should also be developed deliberately to achieve certain social goals. The accounting theory addresses the various conceptual and ideal issues that lie behind accounting practice. Accounting theory has an important role in the development of sound accounting. According to Wright (1984) theory, without the practice of testing it, to verify his theory, corrects it, is futile speculation, but practice, without the theory to animate it, is a mere mechanism. In every art and business, a theory is the soul and practice is the body.

Accounting theory relies heavily on the agreement on the notion of accounting as a discipline of knowledge. Accounting can be viewed as a science and as a technology. By the goals to be achieved, accounting theory can be divided into positive and normative theory. By the target of semiotics in communication theory, accounting theory is divided into synthetic, semantic, and pragmatic theories.

Accounting theory also derives explanation or justification through deductive and inductive reasoning. Various aspects of accounting theory must be verified or validly tested by logical reasoning, empirical evidence, predictive power, and agreed value standards.

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