



The failure of accounting research to improve accounting practice: a problem of theory and lack of communication

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Abstract

There is anecdotal evidence to support the assertion that accounting research, or what is alleged to be research, is of little or no value to the practice of accounting, nor to the development of accounting as an academic discipline. The problem is not that efforts have not been made to conduct research, but rather there is a fundamental flaw in the accounting research process itself.

Tricker suggests that the research process can be understood using two models. One is a set of relationships which “feed-forward”. That is, a known theory suggests a hypothesis, which is tested through the accumulation of data. If the hypothesis is proven to be true, it is added to the body of knowledge, enhancing the legitimacy of the underlying theory. The second model is intended to provide “feed-back”. That is, the real world is observed and a model of it is proposed, based on known theory. Data is collected and processed, and the model is refined. When the model is consistent with the real world and known theory, it is added to the body of knowledge. These research models depend on the existence of known theory for their usefulness.

The central problem of accounting research is that there is no known theory to use as a reference for creating hypotheses or models to be empirically researched. The absence of theory can be seen in education, practice, and the research literature itself. Practitioners, for example, because of their training and lack of experience with and interest in research tend not to look to research findings to meet their professional needs. Accounting researchers, on the other hand, have created what appears to be a highly advanced research context which, in effect, is an environment dominated by sophisticated methodology, rather than theory. The research basically emulates the hard sciences, which makes

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its pursuit academically acceptable, but it lacks substance. This explains the failure of accounting research to improve accounting practice.

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1. Introduction

The report of the American Institute of Certified Public Accountants' (AICPA') Special Committee on Financial Reporting (Jenkin's Committee) entitled *Improving Financial Reporting—A Customer Focus* (AICPA, 1994) provided the first empirical evidence that financial reporting was not effectively meeting user needs. Some of the problems are rooted in the failure of financial accounting to remain relevant. We assert that there has been an inadequate investment in substantive, appropriately-focused and structured research to identify the continuing and emerging needs of users of accounting information and to develop "products" to meet those needs.

2. Basic premises and structure of the paper

Our first premise is that most, if not all, of what purports to be research in accounting is, in fact, a trivial pursuit. We will demonstrate that accounting is not a science and that the mere use of scientific methodologies does not change the basic facts. We also contend that the reported research is nothing more than correlation analysis, rather than the testing of theories and related hypotheses. Moreover, the "decision usefulness theory of accounting" (Staubus, 2000) is no more than a rationalisation of observed activities. Generally Accepted Accounting Principles (GAAP) provides a normative implementation structure and set of regulations consistent with the assumptions and presumptions of the "decision usefulness" theory. We contend that the assumptions inherent in that theory have not been researched. Thus, without appropriate theory, accounting cannot be the subject of scientific research because, as a discipline, it lacks a basic requirement of a science. Researchers are thus unable to raise and research fundamental, non-trivial questions.

The second basic premise is that accounting research is not significantly linked to accounting practice because the issues and methods of interest to academic researchers are of little or no consequence to practitioners and, moreover, are not focused on fundamental questions. Additionally, it is important to note that in the university, at the undergraduate level, the "educational" process and curricula are based on a strong bias towards training for practice, rather than on education and the development of an appreciation for research. At the graduate level, the bias is towards pseudo-scientific research constrained by GAAP, resulting in the failure to discover new knowledge and develop relevant products to serve user needs. Several highly respected members of the academic community have addressed these issues (Albrecht and Sack, 2000; Demski, 2001; Selto and Widener, 2001).

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