The two approaches of accounting research

The positivist approach and the critical approach are the two approaches of accounting research. This article explains the concepts of positivist approach and critical approach, and then explains some of the problems of these two approaches. This article discusses the inter-relationship between accounting research, accounting standards and accounting practice. Through the research findings, this article use the case of intangible assets to illustrates how accounting research impact on accounting standards. Secondly, this article shows how accounting standards effects accounting practice. Thirdly, this article explains the inter-relationship between accounting research and accounting practice.

Introduction

The positivist approach and the critical approach are the two methodologies of accounting research. Hooper, Davey, Liyanarachchi and Prescott (2008, p20) described that the positivist approach is generally considered to be a combination of induction and deduction. The traditional view for the positive approach to research is to understanding and solving problems. The traditional characteristics of the positive approach are empiricism, logic and causality. These characteristics are often referred to as ontological, epistemological and methodological characteristics of a research paradigm. Positive accounting research experiments to describe “ what is” without making any value judgments as to how things should be. The positive approach has been important in recent years. The critical approach to accounting research does not provide a particular method or methodology for research but rather a dialectic and Socratic approach to the evaluation of knowledge claims (Hooper et al, 2008, p33). The critical research focus on the accounting theory that is concerned with resolving conflicts between the corporation and general public. The only ideology is the belief in humanness and the concomitant and emancipation of humankind. Critical theory offers processes for the consideration and evaluation of knowledge claims without providing a single way forward for the researcher.

These two accounting research approaches are not mutually exclusive but are complementary. Hooper et al (2008) states that the positive approach has a number of problems, such as lack of agreement on what the positive approach actually is; appeals to the authority of science but focuses on behavior and so on. The critical approach also has some problems, such as the critical research cannot generalize findings; critical research cannot predict or replicate studies. Both of these two theories have its own advantages and disadvantages, it is necessary to combine the two methodologies in actual accounting practice environment.

Accounting research helps accounting standards setters and others understand the economic world, but accounting research does not seek prescriptions of techniques to make the world better. However, knowing what works and what does not work can help corporations or standard setters choose techniques that have the best chance of working in as yet untested situations. Accounting standards have been categorized on the basis of their nature into two categories: principal-based standards and rule-based standards. Hooper et al (2008) states that accounting standards are based on a set of principals and concepts. Intangible assets defined as non-physical and non-monetary sources of probable future economic profits accruing to the firm as a result of past events or transaction (Canibano et al, 2000). Intangible assets should be accounted and reported in the financial statement. Maines, Bartov, Fairfield, and Hirst (2003) states that for pragmatic reasons, most research on intangible assets focuses on those intangibles, intangible assets generated by R&D expenditures. R&D expenditures data are widely available because R&D expenditures must be disclosed separately under FASB No. 2, Accounting for Research and Development Costs. Because there is no such requirement for other types of intangibles assets. Canibano et al (2000) describes that control of the probable future benefits arising from the intangible investment is considered by most accounting standards setting bodies as a basic requisite for recognition. Lev and Zarowin (1999) suggest that intangible assets should be accounted for following the same methods applied for tangible assets, but at the same time some argument arise that there are significant differences between tangible and intangible assets which make it necessary to apply different criteria for the recognition and valuation of the latter (Hendriksen, 1982). According to the SFAC6, paragraph 25, the FASB (1985a) considers the ownership or control of the future benefits as the main requisite for the recognition of intangibles. If it is focus on the ownership of the benefits, then intangible assets such as human resource could be recognized. There is a new trend in accounting research, which seems to be providing strong support to reporting intangibles (Canibano et al, 2000). Accounting research suggests to use disclosures on intangibles assets and those intangibles expenditures have future much benefits, but that these future benefits are more like uncertain than those associated with conventionally recognized assets. Thus, there is some empirical support for the capitalization of estimated R&D intangibles. Given research results, Maines et al (2003) makes the following recommendations: first, support the FASB's decision to add another project which considers the disclosure and recognition of information related to intangibles assets. Second, believe that the FASB needs to consider recognition of internally generated intangibles assets, because current accounting standards require capitalization economic similar as intangibles assets acquired externally. Third, Despite our support for intangible assets's disclosures related to and possible recognition , we encourage the FASB to proceed carefully on disclosures and recognition information on intangibles, given significant uncertainties related to accounting research in this paticular area. Concerns related to this research include the following. Finally, while research documents associations between intangibles information and designs make causal inference difficult. All of the accounting research in this area is based on R&D expenditures for data availability reasons. It is not clear how easily these accounting research results generalize to other types of intangibles assets.

Accounting Standards play an important role in accounting practice. McCombie and Deo (2005) state that accounting standards provide the accountant with a guideline to reports economic transactions and events for an organization. The accounting standards are also described " as a piece of delegated legislation…parliament has given the power of making accounting standards to a body that has experts on it rather than developing the documents itself as a body of legislators" (Ravlic, 2003). The number of companies that have to apply standards in preparing financial reports is therefore quite important. Macve (2010) states that audited accounts are part of an organization that defines the economic environment in a country, or across countries, and enables investors to have confidence in the system as a whole as one to which to entrust their money. This was justified by Edwards (1938) in his call for a revolutionary reform of UK accounting practice. It still seems as true today. In the view of the US SEC it is the overall regime of standards of corporate governance, accounting, auditing and enforcement in a country that lowers the cost of capital to firms in that economy and thereby stimulates investment and economic growth. This effect is probably greater than what any individual firm can achieve by improving its own accounting and disclosures (cf. Botosan, 2006). The accelerating growth of accounting practices over the years has changed the format of corporate annual reports. International Accounting Standards (IASs) and International Financial Reporting Standards (IFRS), along with other statutory requirements, have changed the way in which financial statements are reported (Gouws and Cronjé, 2008). All the information is generated by a diversity of accounting practices, all of which are therefore worth researching. Accounting research leads to an enhanced understanding of the fact that these practices are driven by two systems that provide the information included in corporate annual reports. This shows that practices peripheral to traditional accounting practices also have an important role to play, both for educational institutions and accounting.

Accounting practices should not be seen in isolation (that is, only from an accounting perspective), as they are multidisciplinary in nature. Environmental practices and information, social practices and information, ethical practices and information, as well as management accounting practices and information, together with financial accounting practices and information, form the context within which reporting in corporate annual reports takes place (Gouws and Cronjé, 2008).

Accounting Research have made Accounting Practice more efficient and effective, but

Accounting research and accounting practice are not always seemed to be synchrony. One of the great attractions of conducting applied accounting research in accounting practice is that the research topics extend beyond the normal boundaries. It brings worldviews into conflict, improves accounting practice, and raises doubts about professional social and values (Schiehll, Borba, & Murcia, 2007). HENDRIKSEN (1982) corroborates this argument, adding that accounting theory may be defined as logical reasoning in the form of two principles that: (1) accounting research provide a general frame of reference by which accounting practice can be evaluated, and (2) accounting research guide the development of new accounting practices and procedures. However, some of the research shows results of accounting research have not led to changes in accounting practice; this may be caused by practitioners not accepting the research findings or a lag in putting new accounting theory into accounting practice. This has been an over-emphasis on a theory and the research results in some cases, and it is correct that standard-setters and practitioners have not accepted or have been cautious in using the accounting research results as a basis for new accounting rules and practices, such as market efficiency research. However, in other cases research appears to be quite useful to standard setters as they establish new rules and practices, such as earnings management research. Llewellyn and Sue (1996) states that theories for practice would place more emphasis on theory as “ a map or recipe or instructions manual which provide means by which we can do things in the world or cope with events”. Auditing Practice, Research, and Education, A Productive Collaboration, published in 1995 through a joint effort of the American Accounting Association and the AICPA, set the goal of preparing a monograph “ documenting the successes of prior, less-harried times when collaborative efforts produced significant insights and often solutions to challenging auditing problems” (Bell and Wright, pg 178). They explain the “ rich heritage of practitioner or academician collaboration in addressing auditing challenges.” The authors indicate the importance of a periodic review of academic research for use of those in practice. The monograph also calls for increased interaction with practitioners, the use of “ academic research fellows” in practice, and integration of the research process into audit education (Anderson et al, 2003). Accounting practice depends on accounting research, and accounting research guide the development for accounting practice.

Conclusion

Both of the positivist approach and the critical approach has its own advantages and disadvantages, the best way to use accounting research is to combine the two methodologies in actual accounting practice environment. The inter-relationships between accounting research, accounting standards and accounting practice are Accounting research helps accounting standards setters and others understand the economic world, accounting research have made accounting Practice more efficient and effective, but accounting research and accounting practice are not always seem to be synchrony. Accounting standards provide the accountant with a guideline to reports economic transactions and events for an organization.