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THE IMPACT OF RESEARCH ON ACCOUNTING PROFESSION

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ABSTRACT

Accounting research does nothing but research which is the livelihood of University accounting departments because their reputation is largely dependent upon the quantity and the quality of members' research and publications. The objective of this paper is to explain our interpretation of accounting research, to connect the accounting research of the past 600 years, and the impact of research on Accounting. The year 1930 suggested the hypothesis that the profit and loss statement be replaced by the balance sheet as the focus of reporting practice. A few hypotheses may be formulated as the result of hunches. However, the paper concluded by setting out to test the hypothesis that the impact of accounting does not matter because it has had no effect on accounting practice. The research has had some impact on practice because it has helped Accountants to understand more fully the procedures. To adopt which in turn led to the reduction in the inconsistent practice. However the paper recommends that research should have had some impact on accounting practice.

KEYWORDS

Accounting, research, quality, quantity, practice.

INTRODUCTION

It is frequently asserted that, others being equal, individuals are happier if they believe that their work 'matters'. There is no reason to doubt that this assertion is appropriate for accounting researchers who do not engage in research for its own sake but because they believe that it matters. Of course, 'mattering' may be interpreted in a number of ways. At the personal level there is little doubt that accounting research matters it matters to graduate students in accounting, because their research may enable them to complete the requirements for a higher degree. It matters to teachers of accounting for two reasons. First, publication of the results of their research improves their promotion prospect and second, the results of research may be used to improve the content of their lectures. Accounting research does nothing but research because it is their livelihood. It matters to University accounting departments because their reputation is largely dependent upon the quantity and quality of members' research and publications.

Another interpretation of mattering, however, is that accounting research matters only if it has an effect on accounting practice. A number of writers have suggested that in this context accounting research has not mattered. For example, commenting on US experience, Stephen Zeff suggests 'that the academic literature has had remarkably little impact.... upon the policies of the American Institute or the SEC' [I]. This implies, perhaps, that accounting practice would not be very different from its present form if there had been no academic accounting research. 7^- This paper considers the hypothesis that accoj^tnjjesearchJia5 .had no effect on practice.

The paper is divided into three sections. The first explains our interpretation of accounting research. The second surveys the accounting research^ of the past 500 years and the third considers the impact of this research on accounting.

THE NATURE OF ACCOUNTING RESEARCH

Accounting research may be defined as the testing of accounting related hypotheses. The first, and probably the most important, step in the research process is the choice of a hypothesis for testing. The ideas for hypotheses may be generated in a number of ways. Some may be the result of casual observation. For example, observation of accounting practice may suggest to a researcher that accountants only change the method of accounting for depredation in order to 'smooth' reported profit. Others may be the result of reviewing the accounting literature. For example, reading the accounting literature of the 1920s and the 1930s may suggest the hypothesis that the profit and loss statement replaced the balance sheet as the focus of reporting practice.

A few hypotheses may be formulated as the result of hunches. For example, it may occur to a researcher that cash flow statements would provide information more relevant to users than conventional financial statements.

The choice of a hypothesis is critical. In many respects this aspect of research requires the most imagination and skill. By comparison, the subsequent testing of the hypothesis is often a fairly mechanical process. The essential characteristics of a 'good' hypothesis are that it should be both plausible and testable. An implausible hypothesis is hardly worth testing and the time devoted to the research is likely to be wasted. For example, a hypothesis that double-entry bookkeeping originated in Australia is so implausible that it is not worth testing. Similarly, a hypothesis, which cannot be tested, is hardly worth formulating. For example, a hypothesis that current cost accounting is in widespread use on Mars may be plausible but it cannot be tested.

Hypotheses are of different types. Some merely describe accounting practice. For example, a descriptive hypothesis would be that accountants use the straight-line method of depreciation more frequently than the reducing-balance method. To test this hypothesis a researcher will observe what accountants do. To this end he may ask company accountants which method of depreciation they use and/or he may conduct a survey of published company reports. Tests involving the observation of accounting phenomena are usually labelled 'empirical' and for this

reason descriptive hypotheses are sometimes referred to as empirical hypotheses. If empirical research supports a hypothesis, it is said to be confirmed and labelled a theory.

Other hypotheses are formal. They are concerned with consistency between the statements comprising the hypothesis. A formal accounting hypothesis would be that given double-entry bookkeeping rules, assets equal liabilities plus proprietorship. Formal hypotheses are tested using mathematics, logic or some other set rules. The test is concerned only with the internal consistency of the hypothesis. In the above example, bookkeeping rules together with logic will show that assets equal liabilities plus proprietorship. Where testing supports a formal hypothesis it is said to be validated and also labelled a theory.

In many instances, accounting researchers do not test single hypotheses. They test sets of hypotheses. In some cases they test an explanatory set of hypotheses. For example, an explanatory-set of hypotheses would be that accountants measure the historical cost of assets rather than objective than the latter. This explanatory set consists of two descriptive hypotheses, which could be tested by empiricism. These descriptive^ hypotheses are: (1) that accountants measure the historical cost of assets rather than their current cost, and (2) that the former is more objective than the latter. The link between these descriptive hypotheses is indicated by the word 'because'. This link is a formal hypothesis, which can be validated. Explanatory sets of hypotheses explain behaviour or phenomena and to test them involves both empiricism and logic, mathematics, or

Other sets of hypotheses are prescriptive or normative, suggesting courses of action. A normative set of hypotheses would be that accountants should measure current cost rather than the latter. This normative set consists of a descriptive hypothesis and a formal hypothesis. The descriptive hypothesis is that current cost is more useful than historical cost and can be tested empirically.

Table 1

The Nature of the Hypothesis(es)	The Nature of the Research
Descriptive	Empirical
Formal	Mathematics, logic or some other set of rules
Explanatory	Empirical and mathematics, logic or some other set of rules logic or some other set
Normative	Empirical and mathematics, logic or some other set of rules

The formal hypothesis is that given current cost is more useful than historical cost, and that usefulness is an agreed objective of accounting, accountants should measure the former rather than the latter. This formal hypothesis cannot be tested empirically, but it can be validated by logic. Testing and validating a normative set of hypotheses also involves both empiricism, and logic, mathematics or some other set of rules. In some cases explanatory and normative sets of hypotheses are so large and complex that if confirmed or validated they would explain or prescribe the whole area of accounting.

In summary, then research is hypothesis testing and the appropriate research procedure depends upon the nature of the hypotheses being tested. This relationship is summarized in Table 1.

ACCOUNTING RESEARCH

Prior to the year 1800 the double-entry bookkeeping system that had been developed in Italy during the 14th and 15th Centuries was being disseminated throughout Europe. By 1800 the Italian system of double-entry bookkeeping was firmly established in Europe. During the period between the publication of Pacioli's book in 1494 (reputedly the first published on double-entry bookkeeping) and 1800, books on bookkeeping concentrated on its mechanics. They listed the rules and procedures that had to be followed to prepare the accounts of a business, but no effort was made to explain or justify those rules and procedures. Peragallo has written that 'no theory of accounting was devised from the time of Pacioli down to the opening of the 19th century' [2]. It can be argued, therefore, that there was no accounting research prior to 1800, because a theory only results when a hypothesis is confirmed or validated by research.

Table 2

STAGES OF EVOLUTION OF ACCOUNTING THEORY SINCE 1800

Period	Nature of the Majority of Hypothesis being tested	Nature of Research
1801-1995	Explanatory	Primarily empirical but some Mathematics of logic
1956-1970	Normative	Primarily logic or mathematics but some empirical
1970-present	Descriptive	Empirical

The accounting research that has taken place since 1800 can be divided into three time periods. In each of these periods the majority of the research effort as devoted to testing similar of hypotheses. From 1801 to 1955, researchers concentrated upon testing explanatory sets of hypotheses. Researchers were primarily interested in explaining and rationalizing accounting practice. From 1956 to 1970, researchers concentrated upon testing normative sets of hypotheses. Researchers were primarily interested in prescribing what accountants ought to do. Since 1970, accounting research has generally been characterised by the testing of descriptive hypotheses. These stages in the evolution of accounting research are summarised in Table 2.

We will briefly survey the research of each period in order to assess its impact upon account-practices.

1988-1955

Beginning in about 1800 writers on accounting attempted to explain the reasons underlying the detailed bookkeeping rules and procedures, although this period began about 1800, it was BOI until the beginning of the 20th century that this phase in the development of accounting research began to flourish. The incentive to explain and justify accounting practice was provided by a desire to improve the quality of instruction in accounting. At the turn of the century, instruction in accounting was a matter of rote learning. Books on the subject listed detailed rules and procedures and provide numerous worked practical examples which were learnt by bean. A number of writers regarded this approach as unsatisfactory. They believed that if a few simple principles could be devised, students of accounting would be able to understand why the procedures listed these hooks were recommended.

One of the earliest hypotheses which were tested by observing accounting practice was the proprietorship or ownership hypothesis. This hypothesis proposed that the proprietor or owner of a business was focus of accounting procedures. Assets were owned by the owner, liabilities were owed by the owner, revenues were received for the owner and expenses were paid for the owner. Transactions were interpreted from the owner's viewpoint. The proprietorship or capital account was a control account for all the other accounts in the ledger. The proprietorship hypothesis can be illustrated by the equation:

[3] Assets ---------- Liabilities = Proprietorship.

Any transaction which increased assets or decrease liabilities, increased proprietorship by an equal amount. Conversely, any transaction which decreased assets or increased liabilities, decreased proprietorship by an equal amount. The effects of all transactions were summarised by changes in the proprietorship account. The proprietorship hypothesis proved very useful as an explanation of why accounting rules as 'for a cash sale, debit cash and credit sale' were appropriate. Making the proprietor's interest the focus of bookkeeping procedures revealed the logic and the reasonableness of the rules. By the end of the 19th century the hypothesis had acquired the status of a theory and widespread support.

Another explanatory hypothesis of accounting was tested by observing accounting practice during the second halt of the 19th century. This was the entity hypothesis. The rise of the company as an important form of organization meant that the assumption about the close relationship between the owner and the business implicit in the proprietorship theory was less appropriate. The entity hypothesis made the business the focus of accounting. All transactions were interpreted from the business. Assets belonged to the business rather than to the owner, while liabilities were owed by the business rather than the owner. Revenues were earned for the business and not for the owner, while expense were incurred for the business and not for the owner. From the business's viewpoint the owner was a provider of resources in much the same way as a creditor. The entity hypothesis can be illustrated by the equation:

[4] Assets = Liabilities + Capital

The entity hypothesis also acquired the status of a theory. The proprietorship and entity theories were attempts to explain accounting practices within the framework of a fairly simple model. However, while these hypotheses explained many accounting procedures, they were too simple to explain adequately all the practices of accountants. Accounting researchers who sought to explain accounting were focus to consider accounting practices in greater detail.

Careful observation of accounting practice revealed patterns of consistent behaviour. For example, it was observed that accountants tended to be pessimistic in measuring both revenues and expenses. Where judgment was necessary it was observed that accountants usually underestimated revenue and overestimated expenses. The result was a 'conservative' measure of profit. Similarly, it was observed that accountants behaved as if the value of unit of account (money) remained constant. These observations of accounting practice led to the formulation of a number of hypotheses such as: 'that where judgment is needed, the conservative procedure is adopted' and 'that it is assumed that the value of money remains constant'. Hypotheses such as these were confirmed by many observations of accounting practice. As a result of their observations. Many accounting researchers produced lists of confirmed hypotheses or theories about accounting practices which purported to explain what accountants did. In chronological order some of the more important explanatory theories were presented by Paton (1922) [5]; Sander, Hatfield and Moore (1938) [6]; Oilman (1939) [7]; and Paton and Littleton (1940) [8]. By 1940, the effort to produce an explanatory theory of accounting was virtually exhausted.

Not all of the research effort during the period 1800-1955 was directed towards testing explanatory hypotheses. Two important works which criticised contemporary accounting and proposed new accounting systems were published. MacNeal attacked valuation and realisation procedures and Sweeney proposed adjusting conventional financial statements for changes in the general level of prices [9]. These books were the forerunners of the normative hypothesis period which began about 1955.

With some notable exceptions, therefore, the researchers of this period devoted their efforts to testing hypotheses which described, explained and justified the existing system. During this period cost accounting system was established. Although the explanatory theories resulting from this research increased the level of understanding of accounting practices, it also revealed procedures which many observers believed were unsatisfactory. The use of historical cost as an apparent measure of value, the conservative measurement of profit, the emphasis on objectivity, and the recording of money amounts as if the value of accounting practices widely criticised during the early fifties.

1955-1970

In 1955, R.J. Chambers published the first of a series of articles which were to exert a consideration influence on accounting research [10]. Chambers argued that accounting research should be much less concerned with justifying and explaining contemporary practice and much more concerned with the development of a better accounting system. Chambers' view received a good deal of support and for the next fifteen years academic research was largely directed towards the testing of normative hypotheses of accounting. Normative hypotheses are concerned with what 'ought to be' and prescribed the procedures that will achieve a given objective.

The period 1956-1970 saw a considerable amount of effort and achievement in accounting research. The search for a better accounting system resulted in four broad proposals for change.

The first, largely developed by Edwards and Bell, suggested that accounting should be based upon the current replacement cost assets [11]. Edwards and Bell pointed out those contemporary accounting practices were deficient because they confused gains and losses from holding assets with gains and losses from selling or using assets. To overcome this deficiency, Edwards and Bell advocated matching current replacement cost instead of historical costs against revenue in order to distinguish between current operating profit and holding gains and losses.

The second, based upon the work of Sweeney, suggested that the historical cost financial statements should be supplemented with statements adjusted by an index of changes in the general level of prices [12]. In this proposal for change it was pointed out that contemporary accounting unreasonably assumed that the value of money remained constant. This meant that 'conventional accounting records at the present time suffer from this lack of comparability of the dollar at different points, of time' [13]. In addition, there was no indication of the gain or loss in purchasing power from holding monetary items.

Third, based upon the work of Chambers, argued that financial statements should be: upon the use of the current cash equivalent assets [14].chambers argued that the objective of accounting should be to provide up to date information about an entity's ability to adapt to changes in its environment. If the environment in which the entity exists is changed in way, the entity must adapt itself to the environment or fail to survive. For a business to, adaptation means the disposal of assets no longer appropriate and the acquisition of new assets more suited to the new environment. The ability of a firm to adapt is primarily dependent upon the cash which can be obtained by selling its assets. Chambers

concludes that the balance sheet should show the current cash equivalents of the separate assets and that profit should be measured as the change in the firm's adaptive capital over the period.
The fourth, developed from the work of Bonbright [15], proposed that "value to the owner' or ' deprival value' should be the basis of accounting procedures. The value to the owner of an asset is the amount which the owner should receive to compensate him for the loss of the asset. The legal approach to 'value' has been advocated by a number of writers including Baxter. Solomons and Parker and Harcourt [16]. In some cases the value to the owner of an asset will be the current replacement cost, in other cases it will be the net selling price and in a few cases it will be the present value of expected future cash flows.
Although the research effort aimed at finding a better system of accounting during this period was impressive, towards the end of the 1960s there was a marked change in the direction of accounting research. This change in emphasis resulted from dissatisfactions with the attempts to develop general normative theories of accounting [17] and a belief that accounting research methods should be more 'scientific' [18].

1970- The present.
Beginning in about 1970 there was a return to the use of empiricism. Researchers once again turned their attention to the study of 'what is' rather than 'what ought to be' and the normative hypothesis period proved to be only a short interruption to the empiricism of accounting research. This 'neo-empiricism'; however, is different from the empiricism of earlier period. The empiricism of the earlier period was concerned with testing explanatory hypotheses, whilst neo-empiricism is concerned with testing descriptive hypotheses and generally uses sophisticated statistical techniques. The hypotheses are primarily concerned with describing accounting and its environment and (the researchers rarely offer explanations for the relationships that are hypothesised. Examples of empirical hypotheses that have been tested are: that changes in accounting methods are used to 'smooth' reports; that accounting data can be used to predict corporate failure; that profit based upon matching current revenue with current expenses is a better predictor of profits than conventional accounting profit and so on.
Ball has suggested that the first examples of neo-empiricism appeared in the late 1950s [19], and index of published empirical research in accounting which he complied shows that six empirical studies were published in 1956 and that sixteen empirical studies were published in 1970. A comparison of the contents of a 1976 issue of The Accounting Review with those of a 1966 issue will indicate the magnitude of the swing back to empiricism. In 1966 only a small proportion of the articles could be described but by 1976 virtually all articles were based upon empirical research. We have chosen 1970 as the beginning of the neo-empirical period because the testing of normative hypotheses had virtually ceased by that date, giving way to empiricism as the predominant research activity.
There are several possible reasons for this return to empiricism:
(a). There was a desire to make accounting research more rigorous in order to improve the reliability of the results and to improve the level of understanding of accounting;
(b). There may have been a desire to enhance the status of academic accountants in the scholarly community by assuming the mantle of a scientist. The use of 'scientific' methods suggests that the researchers are 'scientist';
(c). An increasing number of a accountants are able to use the sophisticated statistical methods necessary for empirical research. In addition, easily accessible data sources are becoming more readily available. Without a group of competent researchers and suitable data, neo-empiricism would have been impossible.
To summarise, we have suggested that accounting research has progressed through three stages. In the first stage, 1800-1955, researchers were primarily concerned with testing hypotheses which explained accounting. Towards the end of the period, the insights into accounting which this research had provided led to a widespread dissatisfaction with accounting procedures. The dissatisfaction resulted in researchers testing hypotheses about improvements in accounting. The testing of normative hypotheses occupied researchers for about fifteen years between 1956 and 1970. Towards the end of this period there was increasing dissatisfaction with both the objectives and methodology of the researchers testing normative hypotheses. Accounting researchers largely turned to 'scientific' research and began to test descriptive hypotheses. This research is usually described as "empirical". Of the 178 years during which accounting research has been undertaken, 15 years were primarily devoted to testing normative hypotheses and the remaining 163 years were primarily devoted to testing hypotheses which described or explained accounting practice.
The effect of research on accounting practice
Testing of Explanatory and Descriptive Hypotheses
In the previous section we suggested that the overwhelming majority of accounting research has been concerned with testing hypotheses which explain or describe accounting practice. The very nature of this research suggests that it is unlikely to have a dramatic impact on accounting practice. It is designed to improve our understanding of accounting rather than to change accounting. This does not mean, however, that this type of research has had no effect on accounting practice.
The testing of hypotheses which describe and explain accounting practice leads to a clearer understanding of what accountants do. This should result in a better text book exposition of accounting procedures and improve the teaching of accounting. The result should be better trained professional accountant who not only knows what to do but why he does it. He should know when conventional practice is inappropriate and this could lead to better procedures. For example, in the USA the FASB required that as from 1 January 1976, firms must use the appropriate historical rates to translate amounts carried at past prices and the current rate for amounts carried at current or future prices, in order to prevent Firms with foreign branches or subsidiaries employing inappropriate measurement practices when translating foreign accounts into US dollars [20]. Similarly, the increased understanding of accounting which results from testing explanatory and descriptive hypotheses may reveal inconsistencies and undesirable procedures which could then be eliminated from practice. For example, in Australia, the Institute of Chartered Accountants required firms to depreciate their buildings as from 1 July 1971, in order to ensure that they comply more closely with the principle of matching [21].
Over time the cumulative effect of these improvements may be quite considerable. A comparison of an accounting text of 1900 with one of 1977 or published accounts of 1900 and those of 1977 will indicate that accounting has changed substantially. While not all of these changes can be attributed to the effect of research, there is no doubt that some of it is due to an increased understanding of the basic premises of accounting. However, it is frequently difficult to establish cause and effect. It may be argued that improved practice attracts the interest of researchers who then formulate and test hypotheses related to the improved practice. This is undoubtedly true in some cases. For example, the research into reporting to employees was stimulated by the fact (that a number of firms prepared special financial reports for employees. A similar sequence is evident with other accounting practices such as purchase versus pooling and accounting for social responsibility. Even in

situation where changes in practices stimulate research it is probably unfair to suggest that the research has no practice. First, research publicises the changes in practice and quickly brings them to the attention of practitioners. Second,, research may suggest improvements or refinements in the procedures. Thus research facilitates the diffusion of the new techniques, possible in an improved.
It is concluded that whilst the testing of explanatory and descriptive hypotheses has not led to any drastic impact on accounting practice the research has not been without effect. It has improved the understanding of accounting and this has resulted in better trained, more discriminating accountants. It may also have facilitated the diffusion of techniques and in some cases may have resulted in improvements in the new procedure.

THE TESTING OF NORMATIVE HYPOTHESES

Many normative hypotheses were tested during the period 1956-1970. Each of the resultant theories proposed substantial revisions to the existing accounting system. These alternative accounting systems have been widely considered and while each theory has its band of dedicated rents, no particular proposed for change has yet won general approval. However, there have been indications, recently, that some of the alternatives are viewed favourably by the professional accounting associations in the USA, UK and Australia.
In the USA, a Statement was published in 1969 by the Accounting Principles Board (APB) recommending that financial statements restated for changes in the general level of prices should be presented in addition to conventional statements [22]. Companies were not required to publish these supplementary statements and it is evident that, by and large, companies have not followed APB's recommendation. A survey of 600 companies in 1972 showed that none of survey companies presented financial statements adjusted for changes in the general level of prices [23].
In December 1974, the Financial Accounting Standard Board (FASB) issued an Exposure Draft in which it proposed that financial statement restated for changes in the general level of prices should be included in the annual report to shareholders in addition to the conventional statements [24]. It was proposed that the Standard should be implemented as from 1 January 1976. In November 1975, the FASB decided to defer further consideration of its proposal because the results of a field study showed that general purchasing power information was not sufficiently well understood by the preparers and users of financial statements to warrant the cost of implementing the Standard [25].
Despite this postponement, it is likely that the effect of price changes on firms will be recognised to a limited extent in the USA. A recent Accounting Series Release by the Securities and Exchange Commission (SEC) requires selected companies registered with it 'to disclose the estimated current replacement cost of inventories and productive capacity at the end of each fiscal year for which a balance sheet is required and the appropriate amount of cost of sales and depreciation based on replacement cost for the two most recent full fiscal years' [26]. It is interesting to note that whereas the FASB favours general price level adjustments, the SEC favours the recognition of specific price changes.
In the post World War II period it has been practice of an increasing number of companies in Australia and the United Kingdom to revalue their fixed assets periodically to reflect increase in price. There are now moves to require firms in those countries to incorporate the effects of changes in price in their financial statements. In Australia there is a recommendation that as from 1 July 1978 current cost accounting as outlined in the Statement of Provisional Accounting Standards DPS 1.1 should be used for the preparation of financial statements [27]. Essentially, the Australian proposal calls for the current cost (in general this will be the asset's replacement cost) of inventory and depreciable assets to be reflected in the financial statements. Paragraph 1.03 of DPS 1.1, summarises the operational features of current cost accounting as follows.
(a). The result of any one period of accounting is determined by matching the revenue for the period with the current cost of producing that revenue. To this end, the cost of goods sold is calculated (or adjusted) to reflect the current cost of the service potential or depreciable assets consumed or expired in the period. No adjustment is normally required in respect of any other costs brought to account as expenses for the period because such cost are already expressed in terms of the current prices of the goods or services to which they relate.
(b). In the balance sheet, the resources of the entity are stated, where applicable, on the basis of their current costs at balance date.
On the 30th November 1976, the Accounting Standards Committee in the United Kingdom released Exposure Draft 18 on 'Current Cost Accounting' [28]. Essentially, the British proposal is that the profit and loss statement will show a cgarge against revenue for the replacement cost of inventory consumed and fixed assets used while the balance sheet will show the appropriate current values for most assets. The exposure draft also proposes the separate disclosure of the gains or losses from holding monetary items. Apart from this requirement with respect to monetary items, the current cost accounting systems proposed in the two countries are virtually the same.
It is apparent that while the research which produced the general normative theories of accounting has not caused a significant change in accounting practice, it appears to have influenced the attitude of accounting policy makers. They are now willing to consider major changes to accounting procedures. Sterling has suggested that, in science, the chain of events giving rise to a change in practice is typically that research results lead to a change in practice through the education process [29]. Sterling argues that because accounting educators are largely preoccupied with teaching current accounting practice this chain is broken and research results as a consequence have little chance of influencing practice. In our opinion, Sterling overstates his case. The alternative, accounting systems have been a part of accounting curricula, particularly in the UK and Australia, for many years. For at least the past decade entrants to the accounting profession have had a working knowledge of these alternative accounting systems. As the economist J. M. Keynes in a famous passage has written: 'Practical men, who believe themselves to be quite exempt from any intellectual influences, are usually the slaves of some defunct economists. Madmen in authority, who hear voices in the air, are distilling their frenzy from some academic scribbler of a few back' [30]. What is true for economists is equally true for accountants. The results of research on normative hypotheses are stored in the minds of accounting policy makers and it is possible as a consequence that the final link in Sterling's chain will be forged in the not too distant future.
It is concluded that normative theories yet, had any marked impact on accounting practice. However, there is some evidence that accounting policy makers are aware of the results of the research and there may yet be significant consequent changes in accounting practice.
Why has not the research which produced the normative theories of accounting had a greater impact on accounting practice? There are number possible reasons. First it is possible that researchers proposing changes to accounting have failed to communicate clearly the ideas contained in their proposals for change. Mautz has suggested that 'if you want to reach me or people like me, use a language we can understand' [31]. If the ideas cannot be easily understood by accounting policy makers then it is not surprising that the ideas are not adopted in practice.
Second, because the process of setting accounting standards probably depends to a greater extent upon political rather than upon technical considerations, it is unreasonable to expect that 'good' theory and research will always become 'good' practice [32]. For example, Moonitz cites

the influence of the US Congress in the determination of accounting principles: 'Back in the 1930s, Congress had to amend the tax law for LIFO to become acceptable. Much more recently, Congress intervened directly in the tax allocation problem by outlawing 'flow-through' accounting for public utilities. It also intervened directly in the investment credit situation by legislating choice on a taxpayer's part as to the accounting he wishes to follow' [33].

Third, there is as yet, no agreement about the purposes of financial statements. For example, in the normative theory period there were four board proposals for change, each of which is consistent with a different implied capital maintenance objective [34]. The acceptance of one of the capital a maintenance objective is simply a matter of opinion. Thus, if the accounting community could agree on the importance of maintaining intact a firm's adaptive capital then an accounting policy which involved measuring the current cash equivalents firms' assets and liabilities would probably be implemented. It is not possible to agree on the form and content of financial statements without first having an agreed objective. The prospects for the agreement on the form and content of financial statements depend upon achieving a consensus on the objective statements [35].

CONCLUSION

The paper set out to test the hypothesis that the impact of accounting research does not matter because it has had no effect on accounting practice. It is apparent that the majority of the accounting research since 1800 has been concerned with testing hypotheses that explain or describe accounting. The results of testing such hypotheses would not be expected to have a dramatic effect on accounting, practice because the hypotheses are concerned with the existing situation. However, the paper recommends that research should have had some impact on practice. It has helped accountants to understand more fully the procedures they adopt which, in turn, have led to a reduction in inconsistent practice. In addition, in some instances this research that has to improvements in procedures. In contrast, the accounting research that has resulted in normative theories of accounting has had virtually no impact on accounting practice, although there is every indication that it may yet have an impact on accounting practice in the future.

Therefore, in answer to the question: Does accounting research matter? The papers response is: Yes—but not very much.

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