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## **The Theory Deficit in Accounting**

Abstract

Accountants in all sectors of the accounting community--teachers, researchers, auditors, financial statement preparers, and standards setters--are handicapped by a lack of suitable accounting theories and a reluctance to use those that are available. These assertions are addressed from several directions. First, a definition and set of criteria of a good theory are proposed. Then, we consider theory in several other fields to provide some orientation. A classification scheme for accounting theories is proposed using the concepts of voice and domain. Fourteen candidates for theory status in the broad area of accounting are suggested and the apparent success of each in "the market place" is noted. The most common weaknesses appear to be failure to specify a limited domain and lack of importance of the apparent domain to significant numbers of accountants. Suggestions are made for contributions that theory could make to accounting education, research, standards setting, and the preparation of financial reports. The paper ends with a plea for work on accounting theories.

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Every science, methodology, or other body of knowledge is oriented to some conceptual structure - a pattern of ideas brought together to form a consistent whole or a frame of reference to which is related the operational content of that field. Without some such integrating structure, procedures are but senseless rituals without reason or substance; progress is but a fortunate combination of circumstances; research is but fumbling in the dark; and the dissemination of knowledge is a cumbersome process, if indeed there is any "knowledge" to convey. (Vatter, 1947, p. 1)

### I.

#### INTRODUCTION

Vatter's view of the nature and contributions of theory is an eloquent statement of the basis for this paper. One might expect that those attending this conference do not need to be convinced of the value of theory but those who value accounting theory are so rare in the population of accountants that such respect cannot be taken for granted. One reason for doubt is observance of a tendency to avoid the term. For example, the Financial Accounting Standards Board (FASB) did not label its ten-year effort "the theory project"; it was the "conceptual framework project" and the resulting publications are "concepts statements." Several popular accounting textbooks do not have chapters on theory; they cover "underlying concepts" or "objectives, assumptions, and principles" instead, which is entirely reasonable since they do not present a coherent theory. Accounting