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THEORETICAL ASSUMPTIONS AND THEORETICAL BACKING FOR SOCIAL SCIENCE RESEARCH: THEORETICAL ANALYSIS

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KEY WORDS: THEORETICAL ASSUMPTION, THEORETICAL BACKING, AND SOCIAL SCIENCE RESEARCH .

1. INTRODUCTION

The design of a research project starts with the choice of a topic and a paradigm (Creswell, 1994). Further, methods , methodology and theory of any research project should be all defined (Ryan et al., 2002, p.8; Summerfield and Eye, 2003; and Dale, 2004)

The purpose of this article is to explain the assumptions underlying the paradigms suggested by Burrell and Morgan (1979), discusse the criteria for selecting a paradigm in general and to show that researchers' own values, theoretical assumptions , theoretical backing and research methods should be all related to each other and to the aim of the research and clearly defined.

For conducting the theoretical analysis, the researchers assume that they: (a) investigate the effect of accounting on national economic development of a developping country (the assumed research project); (b) choose to work within a multi-paradigm and accordingly, use methods from the functionalist and intepretive paradigms; (c) employ theory testing approach and a process of deduction induction approach to develop and emp-

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irically test an "environmental model" for the assumed research project; and (d) use accounting and economic development literature and economic conesquences of accounting standards literature to develop an environmental model and backup the theoretical analysis for the assumed research project.

This article consists of five sections. Section one presents the introduction. Section two explains theoretical assumptions of social science in general and for the assumed research project in particular. Sections three and four discuss accounting and economic development literature and "economic consequences" of accounting information which infuence the research approach throughout the assumed research project. Section five presents the conclusion.

2. THEORETICAL ASSUMTIONS OF SOCIAL SCIENCE

2.1 THE DEFINITION OF THEORETICAL ASSUMPTIONS(PARADIGMS)

A paradigm "is the mental window through which the researcher views the world. Generally, what he or she sees in the social world is what is objectively out there, as intrpreted by his or her paradigm of concepts, categories ,assumetions, and biases" (Bailey, 1978, p.18). In other words Paradigms "advance assumptions about the social world, how science should be conducted, and what constitutes legitimate problems, solutions, and criteria of "proof"(Creswell, 1994, p.1).

Thus , different researchers looking at the same thing from different paradigms may show notably different accounts. For example, if each of four researchers is looking at a house from a different angle, they are likely to describe it differently. All descriptions may be accurate in terms of where each of them stands because they have diffrent paradigms from which to observe the same phenomenon .

The social science literature, especially sociology, has reported a number of competing paradigms (Burrell and Morgan, 1979; Blaikie, 1993; Silverman, 1993; Creswell, 1994). This could mainly be attributed to a number of factors taken into account by social scientists. These embrace concepts, assumptions, scope, area and aim of related research, branch of enquiry within the social science and methodology (Bailey, 1978; Blaikie, 1993). Competing paradigms may be healthy phenomena and may stimulate research, because no single paradigm will be sufficient to explain all of the problems of social science. However, comp-tition between paradigms might produce some problems when proponents of different parad-igms are unable to communicate effectively with each other, or when each group considers the other views are incorrect (Bailey, 1978, pp.19-20).

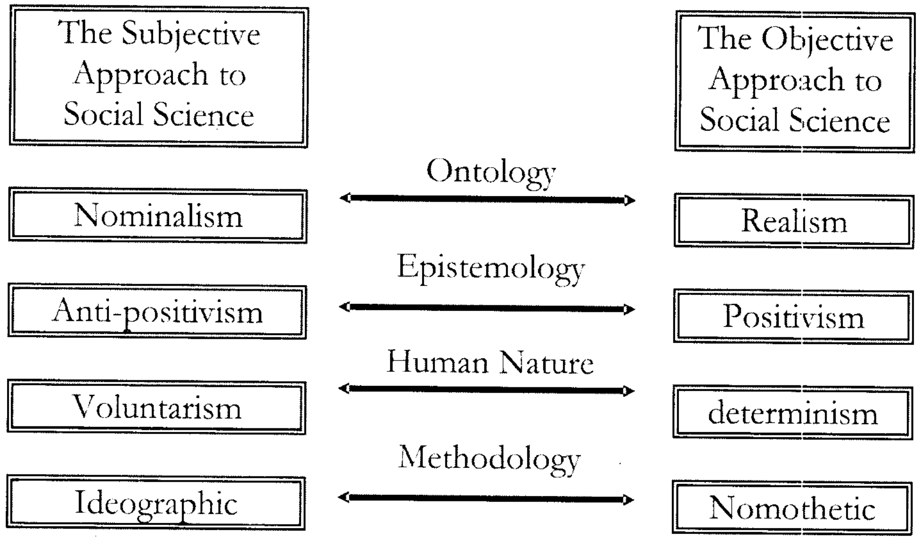
The Burrell and Morgan framework is utilised in this paper to review and group principal theoretical and philosophical assumptions relating to social and organisational aspects of acco-nting research. The framework is very much applicable to acco-nting (Belkaoui, 1992, p.514). It is discussed widely in the literature (Cooper,1983; Tomkins and Gr-oves 1983a; &1983b; Hopper and Powell,1985;Chua,1986; Belkaoui, 1987; Ibrahim, 1992; Laughlin and Lowe,1990; Macintosh, 1994; Laughlin, 1995). The following analysis of theoretical assume-ptions underpnning social science and accordingly accounting is based on the work of Burrell and Morgan (1979).

2.2 *THE BURRELL AND MORGAN FRAMEWORK*

The Burrell and Morgan fra-mework is developed from two independent dimensions based on two sets of philosophical assu-mptions regarding the nature of social science and the nature of society respectively. The four paradigms are founded upon mu-tually exclusive views of social reality. Each paradigm generates its own theories and perspectives of social life which are in essential conflict to those generated in other paradigms.

The social science assupt-ions consist of four distinct but related elements: assumptions about ontology, epistemology, human nature and methodology. These assumptions can also be thought of in terms of the subj-ective-objective dimension. The objective dimension emphasises the objective nature of relity, knowledge and human behaviour whereas, the subjective one emphasises the subjective aspects (Hopper and Powell, 1985, p.432) as shown in Figure1.

FIGURE 1



ASSUMPTIONS ABOUT THE NATURE OF SOCIAL SCIENCE (BURRELL AND MORGAN, 1979)

The ontological assumptions Concern the form and nature of " reality "to be investiated. Thus, researchers ask ,"is social reality external to individuals (imposing itself on their consciousness) or is it the product of individuals consciousness ?"; "is reality of an objective nature, or the result of individual cognition?";"Is it "out there" in the world or is it created by ones mind ? "(Cohen and Manion,1995,p.6).The answer to these ontological questions requires a consideration of the nominalism-realism debate . the nominalism viewpoint is based on the assumption that the social world (or the object of thought) is a product of individuals consciousness and consists simply of absolute names, concepts and labels which are structured by people to assist them understand reality and negotiate a shared conception of its nature with others. Realism, on the other extreme, regards the social world (or the object of thought) and its structures as real out there, factual, hard and having an empirical concrete existence, external to individual cognition, ordered and patterned and independent of any observ-ational bias (Burrell and Morgan, 1979, p.4).

The epistemological assum-ptions are concerned with the grounds and the nature of kno-wledge - what form it takes, how it can be obtained and comm.-unicated, and how it can be sorted as "true" or "false". The researchers ask,"is it possible to identify and communicate the nature of knowledge as being of an objective nature and capable of being transmitted in tangible form?"; "is knowledge soft, subj-ective and based on experience and insight of a unique and basically personal nature?" (Coh-en and Manion, 1995, p.6). The answer to these epistemological questions determines whether knowledge is something which can be acquired as in "positive-ism", or something of a subje-ctive nature which has to be personally experienced as in "anti-positivism"(Burrell and Mo-rgan,1979).Thus, epistemological assumptions involve engaging in the anti-positivism / positivism debate. The debate "focuses on the utility of a search for laws or underlying regularities" in the world of social affairs (Belkaoui, 1992,p.513).Positivist epistem-ologies seek to explain and pre-dict what happens in the field of social affairs "by searching for regularities and causal relation-ships between its constituent elements" (Burrell and Morgan, 1979, p.5). In contrast, anti-positivism rejects the utility of the above mentioned search and arg-ues for individual participation in the activities that are to be studied as a condition of unders-tanding the social world (Burrell and Morgan, 1979).

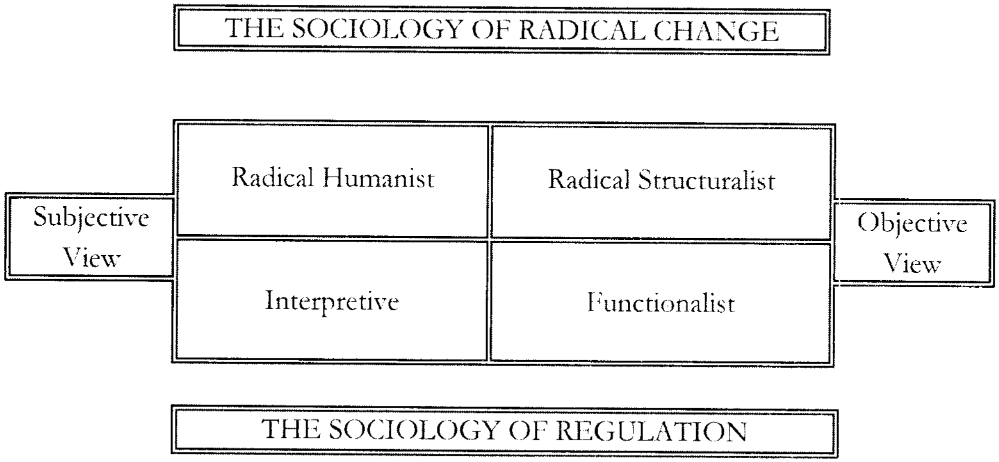
Assumptions about human nature refer to the relationship between human beings and their environment and involve the voluntarism-determinism debate. The debate revolves around the issue of whether human beings and their behaviour and exp-eriences are completely determ-ined and constrained by their external environment, as in dete-rminism, "or are the result of their free will, as in voluntarism" (Belkaoui, 1992, p.513).

The ontological, epistem-ological, and human-nature assumptions have a direct impact on the methodological approach adopted by researchers (Hopper and Powell, 1985). A researcher's methodological approach should be arrived at after due consideration has been given to the ideographic-nomothetic debate. This debate focuses on whether the methodology involves the analysis of the subjective accounts generated by "getting inside" situations, as in the ideographic approach, or whether the methodology involves a process of testing hypotheses in accordance with the canons of scientific rigour, as in the nomothetic approach. For example, a social science researcher might view the social world as the same as the physical or natural world whereas, another might view it as being much softer, personal and possessing a more subjective quality. The focal point of the former view is an analysis of relationships and regularities between the different elements of the social reality under investigation. In this case the principal methodological issues are the identification and definition of these elements, their measurements and the identification of the universal laws which explain and govern the observed reality. Then, such a researcher might use methods from the natural sciences to locate, explain and predict social regularities and patterns. These methods often include: (a) the use of questionnaires and surveys to collect data, and (b) the utilisation of statistical techniques to test hypotheses and to analyse collected data (Hopper and Powell, 1985, p.431). The latter view is likely to focus upon the subective experiences of individuals and the way in which they construct, modify and interpret the world in which they live. In methodological terms the latter approach emphasises "the relativistic nature of the social world to such an extent that it may be perceived as "anti-scientific" by reference to the ground rules commonly applied in the natural sciences" (Burrell and Morgan, 1979, p.3). Alternatively, the researcher is likely to reject natural scientist methods and employ methods that allow insight into individuals' inner worlds such as participant observation and in-depth interviews (Hopper and Powell, 1985, p.431)..

The nature of society assumptions needs to be seen in terms of a continuum ranging from what Burrell and Morgan call a "regulation" to a "radical change" debate. Burrell and Morgan's "sociology of regulation" seeks to explain society by emphasising its unity and cohesiveness and the need for regulation, order and stability in human affairs. According to Burrell and Morgan it is a sociology concerned with: "(a) the status quo,(b) social order,(c)consensus(voluntary and spontaneous agreement of opinion),(d)social integration and cohesion,(e)solidarity,(f)need satisfaction" (focus upon satisfaction of individual or system "needs"), and "(g) actuality. Their "sociology of radical change" on the other hand, sets out to explain why society seeks the potential for "radical change" and focuses on the fundamental divisions of "(a) radical change,(b) structural conflict, (c) modes of domination, (d) conflicts, (e) liberation, (f) deprivation, and (g) potentiality" (conflicts and unequal distributions of power that provide the potential for "radical change") (Burrell and Morgan, 1979, p.18).

As argued by Burrell and Morgan (1979) , any social science discipline , including accounting, can be analysed based on theoretical assumptions about: (a) the nature of social science, in terms of the subjective-objective dimension, and (b) the nature of society, in terms of a regulation radical change dimension .Using these two independent dimensions, Burrell and Morgan developed four mutually exclusive frames of references for the analysis of social theory, including accounting.The frames consist of four distinct paradigms, labelled as"radical humanist", "radical structuralist" "interpretive" ,and "functionalist ".The scheme is illustrated in Figure 2. Figure 2 shows that "each of the paradigms shares a common set of features with its neighbours on the horizontal and vertical axes in terms of one of the two dimensions but is differentiated on the other dimension" (Burrell and morgan ,1979,p.23). Furthermore, the four paradigms outline four views of the social reality "based upon different theoretical assumptions with regard to the nature of science and society" (Burrell and Morgan, 1979, p.24).The functionalist paradigm represents a perspective which is firmly rooted in the "sociology of regulation" and explains the social world from a realist, positivist, determinist, and nomothetic point of view .The functionalist views the social world ,including accounting phenomena,as composed of a relatively concrete

FIGURE 2



real world and relationships which can be identified ,studied and measured through scientific explanation and prediction (Burrell and Morgan, 1979, p.26).

The theoretical thrust of the functionalist paradigm is mai-nly theory testing rather than theory construction . within the theory testing context, aresear-cher starts with theory from previous research in the problem area and employs logically dedu-ctive reasoning to move from the general to the particular. Previous theory (integrated with the rese-archer's beliefs) is used to predict possible relationships among the several factors which have been identified as important to the investigated problem area. The predicted network of relation-nships can then be tested using appropriate statistical analysis. If the predicted relationships are correct this lends support to the theory, or else either the theory is wrong or the researcher's pred-iction was illogically derived from the theory (DeVaus, 1991, p.12). Thus, most of the research conducted within the function-nalist paradigm is termed as the quantitative[1] the traditional, the positivist, the experimental, or the positivist, the experimental, or empiricist research (Creswell, 1994, p.5).

Theorists located within the interpretive paradigm view the social world from a "sociology of regulation" perspective. The interpretive paradigm focuses on approaching and explaining the social order from a nominalist , anti-positivist, voluntarist and ideographic point of view. It is interested in understanding the social world, including acconting , at the level of subjective experience. "It seeks explanation within the realm of individual consciousness and subjectivity, within the frame of reference of participant as opposed to the observer of action" (Burrell and Morgan, 1979, p.28). Most of interpretive research is qualitative (Creswell, 1994, p.4). Theory building in the interpretive paradigm is inductive by nature (Ibid, p.5). Thus, the interpretive research process mostly involves theory construction rather than theory testing. The theory consruction approach starts at the empirical level with a set of observations and moves forward to develop theories of these observations. It is also called grounded theory because the theory comes after the observation rather than before it (DeVaus, 1991, p.12).

The radical humanist paradigm places most emphasis upon radical change, modes of domination, emancipation, deprivation, and potentiality from a "subjectivist" stand point. Much like the interpretive paradigm, it views the social world from a nominalist, anti-positivist, voluntarist, and ideographic perspective (Burrell and Morgan, 1979, p.32). The basic notion underlying this paradigm is "that the individual creates the world in which he/she lives and tries to change it to escape alienation or false consciousness" (Belkaoui, 1992, p.516), which prevents human fulfilment.

The radical structuralist paradigm places emphasis on forms of radical change from an objectivist standpoint. The para-digm shares many similarities with the functionalist one, but it is directed at fundamentally dif-ferrent ends. Radical struct-uralism is committed to "radical change, emancipation and poten-tiality using an analysis empha-sising structural conflict, modes of domination, contradiction, and deprivation" (Belkaoui,1992 p.516). It approaches these general concerns from a realist, positivist, determinist and nomothetic standpoint (Burrell and Morgan, 1979).Figure 3, summarises the goals, theoretical concerns, and theory-building approaches of the four paradigms.

However, the framework is not problem free. For example, Hopper and Powell (1985) challenged the mutually exclusive nature of the radical structuralist and the radical humanist paradigms. They pointed out that such separation is based on a distinct epistemological break between the earlier and the later work of Marx. In their opinion, such a distinction does not adequately consider efforts that have been made by some radical theorists to philosophically integrate the objective and subjective epistemologies of Marx (e.g. Habermas, 1974; 1976; Giddens, 1976; 1979: cited, Hopper and Powel, 1985). Consequently, they regard the objective-subjective dimension as a spectrum and divide studies relating to the organisational and social aspects of accounting into three main paradigms-functional, interpretive and radical. Although, Laughlin and Lowe (1990, p.36) adapted the Burrell and Morgan framework in their work they criticised the framework from the following two points of view:

-The inability of the framework to capture a comprehensive picture of alternative approaches;

-The framework does not set the functionalist paradigm as "objective and true" and all the other paradigms as "relative and false". However, they pointed out that, Burrell and Morgan "are posing the view that choices have to be made on key assu-mptions , and once made, form the basis for alternative persp-ectives, on a relatively defined "firm foundation "(Laughlin and Lowe, 1990, p.36).

2.3CRITERIA FOR PARADIGM SELECTION

Keeping in mind that different paradigms are based upon different theoretical assumptions, paradigm selection would depend on at least four sets of factors. These are the researcher, the nature of the problem to be investigated, the objective of the study, and the audience for the study (Creswell, 1994, pp.8-10).

Social science researchers, including accounting researchers, approach their subject via their basic ontological beliefs (Guba and Lincoln, 1994). These ontological beliefs are explicitly or implicitly reflected in their research (Chua, 1986). For example, a researcher who believes in "objective social reality" and "sociology of regulation" is most likely to work within the functionalist paradigm(Burrell and Morgan1979) .

Furthermore, some researchers are interested in scientific explanations and understanding of the social reality as it is within the subjective experience of individuals, whilst others are interested in challenging, critiquing and changing prevailing social norms. The former are presumably to work within the context of the critical perspectives (radical humanist and structuralist paradigms) while the latter would presumably work within the context of the interpretive paradigm (Chua, 1986).

Different paradigms require different research methodology and accordingly different research methods and requisite skills. It is useful for a researcher to consider data collection and analysis methods to be associated with the chosen paradigm. He or she should either have the required skills through his/her present training and experience, try to acquire them, or to work within the con -text of a paradigm whose resea- rch methods match his/her skills (Tagoe, 1996, p.57). For example, a researcher who sees reality as objective, is trained or experienced in the use of official statistics and Factual questionnaires to collect data, and is able to utilise computer statistical programs to test predicted possible relationships and to analyse collected data should choose the functionalist paradigm.

The central role of social research, and accounting research is no exception, is to try to answer two fundamental questions about social reality or the investigated problem: (a) "*what* is going on (descriptive research), and (b) "*why* is it going on (explanatory research)" (DeVaus, 1991, p.11). The objective of such kinds of research is to describe and understand social reality. The development of a good description and understanding of the research problem area involves two related processes: theory construction and theory testing(2) (Ibid).For example, where theory is well developed, a researcher would apply theory testing processes and accordingly research methods associated with the functionalist paradigm. In such a case, a body of literature exists on which the researcher can build. Furthermore, variables influencing the problem to be investigated are known, and theories may exist that need to be tested and verified. The explanation and use to which the findings are put

FIGURE 3

PARADIGM DIFFERENCES AFFECTING THEORY BUILDING

Paradigm Differences	**Functionalist**	**Interpretivist**	**Radical Humanist**	**Radical Structuralist**
Goals	To *search* for regu-larities and *test* in order to *predict* and *control*	To *describe* and *explain* in order to *diagnose* and *understand*	To *describe* and *critique* in order to *change* (ach-ieve freedom through revision of conscious-sness)	To *identify* sources of domination and *pers-uade* in order to *guide* revolutionary practi-ces(achieve free-dom through revision of structures)
Theoretical Concerns	relationships Causation Generalisation	Social construction or reality Reification Process interpretation	Social construction of reality Distortion Int-erest served	Domination Alienat-ion Macro Forces E-mancipation
Theory-Building Approaches	*Refinement* through causal *analysis*	*Discovery* through *code analysis*	*Disclosure* through *criti-cal analysis*	*Liberation* through *structural analysis*

Source: Gioia and Pitre, 1990, p.591.

forward, however, depend on the researcher's theoretical assumptions.

The audience for the research is the final factor to be taken into consideration. The selected paradigm must be sensitive to the audience. In other words, it must be "one the audience understands or at least sup-ports as a viable, legitimate methodology" (Creswell,1994,p.11). Furthermore, the researcher should use "research methods that would enhance his credibility and the relevance of the findings to the audience "(Tagoe, 1996, p.59).

2.4 PARADIGM SELECTION FOR THE ASSUMED RESEARCH PROJECT

The main objective of the assumed research project is to model and test processes which affect the development of accounting practice and national economic development in a developing country. In other words the main research objectives are to understand what is going on (descriptive research) and why it is going on (explanatory research). The development of this descryiption, explanation, and understanding is carried out through examining and building on the existing literature.

Depending heavily on Burrell and Morgan's framework the researcher concluded, as put forward by Burrell and Morgan (1979, p.28), and others (Chua et al., 1981; Cooper, 1983; Hopper and Powell, 1985; Cooper and Hopper, 1990; Laughlin and Lowe, 1990; Belkaoui, 1992), that most accounting researchers approach their subject from within the bounds of the functionalist paradigm with "realism" as their ontological assumption; "determinism" as their human nature assumption; "positivism" as their epistemological assumption; "nomotheticism" as their methodological assumption; and "sociology of regulation" as their societal assumption. However, the underlying assumptions behind the functionalist thinking have been greatly criticised under numerous rubrics such as functionalist (Bourn et al., 1982: cited Hopper and Powell, 1985, p.446; Laughlin and Lowe, 1990), mainstream accounting (Chua, 1986), and positive accounting (Tinker et al., 1982; Christenson, 1983; Whittington, 1987; Arrington and Francis, 1989; Lehman, 1992; Ogden, 1993). For example, Bourn et al. (1982) argued that accounting researchers have insufficient knowledge "about accounting in actual practice, how it interacts with other organisational processes, and how it contributes to organisational effectiveness and adaptability". Accordingly, some accounting scholars called for more "interpretive" research where more emphasis is given to the perceptions and explanations of the participants themselves (Colville, 1981; Tomkins and Groves, 1983a). Laughlin and Lowe (1990, p.37) criticised the functionalist thinking "in terms of its demonstrable inability to either adequately understand accounting systems design in particular organisations, or change and improve these designs". On her side, Chua (1986, p.602) pointed out that the mainstream world-view of accounting "has limited the type of problems studied, the use of research methods, and the possible research insights that could be obtained". Christenson made the fundamental criticism of positivism(3)at it is really a "sociology of accounting" rather than accounting theory, since it "is concerned with describing, predicting and explaining the behaviour of accountants and managers, not that of accounting entities" (Christenson, 1983, pp.5-6). Christenson draws a comparison with chemistry:

"Chemical theory consists of propositions about the behaviour of chemical entities (molecules and atoms), not about the behaviour of chemists" (Christenson, 1983).

Tinker et al. (1982) criticised positive accounting theory (PAT) on the basis that it has normative origins. Whittington (1987) criticised the value-free and scientific aspects of PAT. Whittington challenged the value-free judgements of PAT. He made two objections to such an inference. Firstly, PAT is not value-free from prescriptive implications (judgements)."At the most basic level, the question asked (or hypothesis tested) implies a prior view of what is an interesting question, and at the level of empirical testing, value judgements can influence the choice of maintained hypothesis" (Whittington, 1987, p.329). Secondly, it would be untrue to assume that all non-positive theories, in the sense of leading to empirically testable hypotheses , is normative in the sense of leading to prescriptions (Ibid). Whittington draws an example with mathematics:

Mathematics ***"is not usually***

thought of as being , nctl despite the fact that l chel method is deductiol- oth- mptions, rather thal testing, and empirical researchers themselves make considerable use, in assessing their results, of statistical techniques founded on probability theory, which itself is a body of theory based on deduction rather than empirical testing" (Whittington, 1987, p.329).

Whittington also criticised PAT's emphasis on empirical evidence rather than *a priori* theory. He pointed out that the total reliance of PAT on empirical testing would not solve all the problems of accounting theory (Whittington,1987, p.330). Further, accounting is viewed as a "multi-paradigm science" (Chua, 1986, p. 602; Belkaoui, 1992, p. 499) which means that there are some researchers who, in some sense, consider that their work can not be accommodated within one paradigm. In keeping with this approach, the researchers chose to work within the Functionalist paradigm. However, the complexity of the area under investtigation imposes difficulties in using a single paradigm. Using a single paradigm would limit and constrain the empirical investtigation which could be dysfunctional. Consequently, researchers used other methods from other paradigms where necessary. For example, they used perception questionnaires and interviews. In methodological ter-ms these methods focus upon the subjective nature of the social world and the subjective experiences of individuals and the way in which they construct, modify and interpret the world in which they live. This means that the researchers are informed by the Interpretive paradigm. Also, by the process of deduction the researchers used the existing literature to develop an "environmental" model for the empirical work. The empirical results were then compared against the backdrop of the developed "environmental" model. This was essentially an inductive process. Overall, the researchers adopted a deduction-induction approach. This approach reflects both the functionalist and interpretive paradigms. This again emphasis the fact that although the work is mainly functionalist, the researchers borrowed from the interpretive paradigm.

The following subsections give a review of accounting and economic development and the economic consequence of accounting standards in the accounting literature. They consider briefly the major impact accounting standards might have on economic development and on the decision making behaviour and investment decisions of affected parties and accordingly on the attainment of national economic goals.

3. ACCOUNTING AND ECONOMIC DEVELOPMENT

The issue of the role of accounting in economic development has attracted increased attention from accounting scholars since the beginning of the 1960s(Winjum,1971;Perera, 1989). Economic development deals with acountry's ability to increase its per capita economic and social welfare (Enthoven, 1981, p.190). It is"a transitional process between economic stagnation and economic progress and is achieved through the execution of series of structural social and economic changes and improveements" (Enthoven,1973,p.138). The definition of "economic development" shows that the concept is not restricted to only the economic aspect (i.e. economic growth).It is used in a more comprehensive sense to refer to "social and economic development".

Economic development in developing countries requires mainly a well-established and monitored planning process (Belkaoui, 1994, p.69). Successful development plans, are dependant, mainly, upon the availability of reliable and timely micro and macro information for measuring economic activities, efficient allocation and utilisation of economic resources, standards of performance measurement, and control. Accounting plays an important role in the provision of this information (Ibid) (see also Ameiss, 1971; Abdeen, 1980; Shuaib, 1980; Samuels, 1990). As a consequence, accounting systems could have a significant impact on the promotion of economic development of developing countries (Seidler, 1967; Amiess, 1971; Enthoven, 1973; 1977; and 1981; Needles, 1976; AAA, 1977; Cassell,1979;Shuaib,1980;Foroughi,1981;Mirghani, 1982; Ndubizu, 1984; Samuels and Piper, 1985; Perera, 1985; and 1989; Talaga and Ndubizu,1986;Ghartey, 1987; Belkaoui, 1988; 1994 ; Samuels, 1990;Wallace, 1993; and Mahmud and Russell, 2003).

For example, Ameiss (1970, p.90) pointed out that the newly emerging nations may benefit from the experience of more mature economies which have used accounting as a tool of national policy. He added:

"Accounting provides essential keys both to the measurement of available resources and to the control of their use. Since a nation seeking rapid developpment tends to rely on centralised national planning for the allocation of basic resources to stated national objectives, accounting can make a significant contribution to the achievement of such goals".

Enthoven (1973;1977 and 1981) drew attention to the role of accounting in economic development and to the importance of accounting education being relevant to the domestic needs of developing countries. Accordingly, he emphasised the use of accounting not only to business enterprises, but also to government activities and to economic planning activities. According to Enthoven (1977), economic planning involves two phases, namely, macro economic planning and micro economic planning. In considering macro economic planning accounting plays a significant enhancement function.

The issues raised were emphasised and extended by other authors.For example,Cassell (1979, p.23) argued that:

"an urgent need to recognise that accounting is a necessary technique for aiding economic developpment, particularly in the Third World countries which are involved in economic growth and development for improving the human and material welfare of millions of lives. This will require the promotion of a new type of accountancy called "economic development accountancy".

Furthermore, Cassell (1979, p.23) explained how accounting can help to bring development plans to implementation and identified areas where improvements in accounting practices are needed to facilitate the attainment of national economic goals. In this regard he stated that:

"At the planning (policy-making) stage goals and objectives are established. Programmes are drawn up by which goals and objectives may be met. The accountant would be able to design an information system for feedback and review on input/output for the continuous monitoring and evaluation of output to ensure that predetermined goals and objecttives have been met in practice. In view of these needs much work on designing and developing management information systems is necessary, with emphasis on management accounting".

On the same theme, Foroughi (1981, p.182) extended the argument and added:

"accounting can help the economic and industrial development process of developing countries in two major ways: (1) by leading and guiding the investment parties to invest in useful, profitable and productive projects, and (2) by helping the management of the industrial and business enterprises to plan for the efficient utilisation of development capital". According to Amenkhienan (1986, p.21), the absence of relevant accounting systems has been considered as a primary contributory factor in the poor economic performances by developing countries .Accounting plays a significant and vital role in economically developed countries (AAA, 1977, p.70). "Thus, it can be concluded that an important relationship exists between accounting and economic development (Amenkhienan, 1986, p.21).

Belkaoui (1988, pp.173-174) stated that accounting plays a crucial role in achieving economic development programmes in developing countries. He goes on to say:

"History has shown that the rate of growth and the development of a nation's economy in both the private and public sectors are tied to a certain extent to the adequacy of the accounting system and the accounting development process in that country. As the developing countries suffer from relatively low growth rates, we may safely propose that action in the development accounting process is urgently needed in the developing countries".

In the majority of developing countries, as mentioned earlier, there is a lack of sound accounting systems and of awareness of the potential significant role that accounting could play in the economic development process. This situation has contributed substantially to the misdirected efforts, waste, theft and econ-omic losses in many developing countries (Staats, 1979).

The development of accounting systems which fulfil the information needs of developing countries are essential (Perera and Mathews, 1990) and "should be viewed as equivalent to the development of part of the infrastructure necessary for achieving economic development" (Mirghani, 1982, p.58). Furthermore,the existing literature shows that the type of accounting system adopted or developed by the country must meet its development programme (Briston, 1978; Samuels and Oliga, 1982). Accordingly there is a strong justification for each developing country to maintain appropriate national accounting systems to support its economic developpment. According to Perera (1989, p.145) such systems should be capable of accumulating all accounting needed information so it can be used as the primary data source for decision making processes at different levels. Also, the systems should combine the different branches of accounting, external reporting as well as management accounting, national income accounting, balance of payment accounting and so on rather than solely to ensure the efficient functioning of capital markets. The public sector in a developing country is best served if business enterprise accounting interrelates with national economic policies (Choi and Mueller, 1984). Accounting should be used to ensure that macro economic policies and broad national economic goals are harmoniously interrelated (Perera, 1989). To emphasise this end it is necessary to stress national and international influences on the accounting system.

Yu (1974) argues that two major approaches (paradigms) to accounting exist. These are normative accounting thought and positive accounting thought. Normative accounting thought is a value-based accounting system where the accounting profession is free, and even required, to make subjective judgements of different types concerning accounting data According to Yu (1974), normative accounting thought views accounting as: (a) value statements;(b) issues related to goal determination and user needs; and (c) interpretation of accounting data. However, positive accounting thought, in its purest form is a value-free accounting system. Any two accountants given the same data and following the same rules of logic would reach the same conclusion. Positive accounting thought is derived from some authority outside the particular accounting entity.

Talaga and Ndubizu (1986) use normative accounting thought and positive accounting thought to propose that different paradigms of economic development require different and consistent paradigms of accounting. Their analysis was based on Wilber and Jameson's (1979) paradigms of economic development. As pointed out by Talaga and Ndubizu (1986, pp.57-61), the accounting paradigms and the development paradigms outlined in the analysis are not the only methods to classify the thought in the fields,but they are a convenient way to present the ideas.

Wilbur and Jameson (1979) suggest that there are two main approaches to economic development:

orthodox paradigms and political economy paradigms.These can be described as "free-market" paradigms and "centrally planned paradigms". Four characteristics are presented in the pure form of the orthodox paradigms.These are: the attainment of a high mass-consumption society; (b) the measurement of economic development used is per capita income or national product; (c) the system is a private enterprise economy with a representative democratic political structure; (d) the process of development is a national historical development in which the country passes through stages; and (e) the methods for facilitating development is laissez-faire.

The political-economy paradigm takes a very different stance from the orthodox paradigm. The traditional economists focus on economic growth as the key to development whereas, the political economists are more concerned with the nature of the process by which economic growth is achieved. Furthermore, traditional economists look to development as an end with people's value as a means whereas, political economists hold development as a means, not the end, to enhance people's value. The goals of the political economy paradigms are to enhance people and enhance nations. The course of development is not automatic or natural but occurs after a protracted struggle. The nature of this struggle depends on who controls the economic or social surplus(4). Controls of economic surplus in an economy is thought to be the key to power and control, which in turn determines the nature of the development process (Wilber and Jameson,1979,pp.1-19).

Talaga and Ndubizu (1986), among other things, concluded that:

- orthodox paradigms are better suited to normative accounting practice and vice versa;
- political economy paradigms are better suited to positive accounting thought and vice versa; and
- the orthodox development system with the positive accounting system is a mismatch.

Furthermore, Talaga and Ndubizu(1986, pp.64-66) pointed out that the last approach (orthodox-positive) is typified by the case where a developing country has implanted some pre-existing Western accounting system onto its economy. Although the accounting system is a normative system, when transplanted to the developing country, it becomes a positive system. This happens because the value-free accounting system and particular environmental factors that created the system do not necessarily apply to the local environment of the developing country.The result is effectively to have a value-free or positive accounting system. In the case of developing countries, the accounting system is positive in the sense of structure, not in terms of function. Positive accounting systems in the orthodox development system provide users with inadequate or useless information due to the inflexibility and irrelevance of the accounting system. In developing countries where management skills are moderate or low in terms of sophistication, the need for information which meets the national needs is very critical for economic development. In addition, for the economy as a whole, the orthodox-positive system would result in a great degree of resources waste if compared with either an orthodox-normative system or political-economy-positive system.

The above review of the role of accounting in economic development discloses that most accounting scholars have emphasised the economic aspect of development (i.e.economic growth) rather than dealing with development in a more comprehensive sense (i.e. by emphasising the social aspect of development as well as the economic one).However,it seems that althoughugh,most accounting researchers believe in the vital role that accounting can play in economic development they have not attempted to prove such a belief (Wallace, 1990).

4. ECONOMIC CONSEQUENC?S OF ACCOUNTING STANDARDS

4.1 THE EMERGENCE OF ECONOMIC ONSEQUENCES

Financial accounting standards are regulations because they may:(a) restrict the choice of accounting methods available to management ;and(b) force companies to report in a form which those companies may not have chosen voluntarily (Sutton, 1984, p.81; see also Wells, 1978). Financial accounting standards, as regulations, "are economic goods or economic regulation because of their economic consequences" (Rahman, 1992, p.137). According to the literature accounting standards have wealth transfer capabilities (Watts and Zimmerman, 1979, p.275) without exclusive reliance on market mechanisms (Morgan, 1976). Such wealth transfer may be viewed as the allocation of scarce resources among competing demands, which implies that accounting standards may be demanded because it is in a way demand for wealth (Rahman, 1992, p.137).

"Economic consequences" may be defined as the impact of accounting standards on the decision making behaviour of preparers and users of financial reports as well as the public at large (Zeff, 1978, p.56). The impact consists of resource allocation effects and income distribution effects. Broadly speaking, resource allocation effects are those which affect the entire wealth of the economy (such as gross national product), and income distribution effects are those which move or redistribute that wealth among individuals,groups or sectors (Selto and Neumann, 1981, p.318).

Consideration of economic and social consequences of accounting standards ("economic consequences") in financial accounting research surfaced in the 1970s (Zeff, 1978). By the mid 1970s, it became the main topical issue in accounting (Collins, 1983). Ten years later, it was one of the most common themes in the accounting literature(Taylor and Turley, 1986).

Prior to the 1970s, the standard setting approach employed by accounting policy makers was limited to technical accountting considerations (accounting principles), such as the recording and measurement of assets, liabilities, income, and the "fair presentation" of financial state-ments (Zeff, 1978, p.57). The fair presentation approach to accounting policy setting views accounting's role as a means by which economic reality should be truly and fairly measured. It considers that accounting should be neutral in nature and should not benefit particular groups at the expense of other groups in a society where it operates.

The advocators of this approach claim that financial reporting matters (accounting standards) should be considered as technical issues to be concluded by solicitation to a "technical framework" (FASB,1980;Solomons, 1986, p.92; Dyckman, 1988, p.23; Gaa, 1988, p.147) and be insulated from politics (Armstrong,1977; Kirk, 1978; 1986; Wyatt, 1990).

Perfect neutrality of accounting standards is not easy to achieve, because the application of accounting standards is subject to subjective judgement. Individuals and groups would back the financial accounting standards which can best meet their interest even at the expense of other individuals, groups, society at large or the fair presentation of financial statements. The technical approach was criticised, mainly because it paid little attention to interpreting the function of the social, political and economic factors on the development of accounting standards and practices (Rappaport, 1977, p.127; Beaver, 1989, pp.17-18; Someya, 1993, p.103).

Since the 1960s, the literature on the behavioural implications of accounting information has grown significantly, drawing the attention of accounting researchers and policy makers to two associated topics. These were: (a) the importance of considering the effects of accounting information, and (b) increasing involvement and intervention of the "non-professional"(5) in the standard-setting process (Zeff, 1978). The inte-rvention of the "non-professional" into the accounting standard set-ting process, is related, to some extent, to the belief that accounting standards have economic consequences which could nega-tively affect their interests (Ibid).

In contrast to the technical approach, some academics have presented the accounting standard setting process as a political activity having possible social and economic consequences (Sutton, 1984; Maijoor, 1991; Tutticci et al., 1994; Fogarty et al., 1994). For example, in spite of the FASB's stated goal of providing neutral information regardless of effect on particular interests (FASB, 1980, paragraph 98), the FASB leaders have freely admitted the political potential of standard setting (Armstrong, 1977; Kirk, 1978; Wyatt, 1986). Brown (1982), a preceding member of the FASB, affirmed that standard setting bodies were influenced by both the nature and effectiveness of the debates introduced by respondents. Furthermore, the FASB's mission statement (FASB, 1991) explicitly endorses the intent to reflect business conditions and consider economic consequences. Also, "It is made clear in the Australian Conceptual Framework Statements that standard setters are to take into account economic consequences or, as they are referred to in those statements, "costs versus benefits"" (Collett, 1995, p.19). Despite this apparent acceptance of the potential for economic consequences, the normative issue of whether standard setters should be formally required to consider such consequences, remains contentious(Collett, 1995, p.18). However, there is a considerable argument over which economic consequences and constituencies should be considered by financial reporting policy making (Armstrong, 1977; Rappaport, 1977, and Zeff, 1978).

The economic consequences approach to accounting policy making has been explicitly advocated by academics (e.g., Beaver, 1973; Buckley 1976; May and Sundern, 1976; Zeff, 1978) and accounting policy making bodies (Collins, 1983, p.126), and implicitly by "other parties through their lobbying against standards that they perceive could adversely affect their interests" (Ingram and Rayburn, 1989, p.58). In this regard Beaver argued that "without a knowledge of consequences ... it is inconceivable that a policy-making body ... will be able to select optimal financial accounting standards" (Beaver, 1973, p.56). Supporters of move to introduce economic consequences as input for the accounting standard setting process see that the setting of accounting standards involves the restriction of the behaviour of preparers of financial statements. Any restriction of accounting choices may have economic and social consequences. This situation may have come about because financial statements had to be prepared and accordingly financial information released. Financial accounting statements , as will be seen later, may influence the decision-making behaviour of preparers and users of such statements, owing to the involved wealth reallocations and income redistribution between affected social and economic groups (Watts and Zimmerman, 1986).

4.2 ECONOMIC CONSEQUENCES IN THE ACCOUNTING LITERATURE

Zeff (1978, p.56) observed, that the explicit consideration of social and economic consequences of accounting standards had received little attention until recently. However, five years later, a sizeable body of empirical research had accumulated in this area (Chow, 1983, p.73). The majority of the economic consequences empirical research has been concerned with the identification of particular consequences associated with individual standards (Dopuch, 1989; Espahbodi et al., 1991; Rahman, 1992; Khurana and Loudder, 1994). The vast majority of that research have been primarily associated with detecting their effects on share market prices (Rappaport, 1977, p.129; Selto and Neumann, 1981, p.317; Taylor and Turley, 1986, p.470; Maijoor, 1991, p.267). However, relatively Little research has been devoted to:

- analyse the nature of consequences against their source;
- investigate how economic consequences affect income distribution and resource allocation among effected parties and sectors;
- investigate how economic consequences can be incorporated into the process of choosing a standard (Taylor and Turley, 1986);
- investigate the impact of economic consequences on investment (Forgarty, 1994).

The scope of analysis should be therefore extended beyond stock prices to include other segments of the economy and society as a whole. Since policy-makers are presumably interested in social welfare, they would be interested in the effects of accounting standards on other segments of the market and on society at large. Even if a given accounting standard benefits shareholders, it may still be socially undesirable if the shareholder's gain is at the expense of some other segment of the market or the society (Chow, 1983; and Someya, 1993, p.95). To discuss the relevance of the economic consequences of accounting standards for the assumed research project, the researchers consider briefly the effect of these standards on the decision making behaviour of effected parties (see below).

4.3 THE EFFECT OF ACCOUNTING STANDARDS ON THE DECISION MAKING BEHAVIOUR OF AFFECTED PARTIES

It is commonly accepted that accounting information prepared in accordance with accounting standards is an economic good because it has consequences that are economic in nature. Accounting choices can have real economic effects (Lev and Ohlson, 1982, p.250; Chow, 1983, p.85). They are likely to have economic consequences if changes in rules used to calculate accounting numbers alter the distribution of cash flow, or the wealth of parties who use those numbers for contracting or decision making (Holthausen and Lefwich, 1983, p.77; see also May and Sundem, 1976; Solomons, 1978).

The economic consequences literature revealed favourable and unfavourable economic impacts of standards on different parties under varying circumstances (Chow, 1983). Accordingly, it may not be possible to generalise the nature and direction of the economic consequences, but it may be inferred that accounting standards do have economic consequences which can be favourable or unfavourable to the affected parties. Those who perceive that they are affected by such consequences may participate in the standard-setting process and try to influence the outcome in their own favour (Johnson and Messier, 1982; Sutton, 1984).

Accounting standards can affect the behaviour or the investment decisions of intended recipients of corporate financial reports (shareholders and other investors). Their decisions may influence security prices and thus affect the wealth of market participants(Rappaport,1977, .89). Empirical research in economic consequences of accounting standards, as will be seen later, shows that accounting information, such as changes in earning per share, is associated with changes in stock prices. "The collective evaluation of the company by the market based on accounting information as well as other sources of information is reflected in the company' security price" (Rappaport, 1977, p.129). Since financial accounting standards influence corporate financial reports and consequently accounting information, it can be concluded that financial accounting standards applied at a certain time may have an economic consequence by their influence on share prices and accordingly on the present wealth of investors. Changes in stock price also may have an impact on the reporting corporation's resources allocation decisions because of its influence on the corporation's cost of capital (Ibid).

Publicly available financial accounting reports may also affect the behaviour of "free riders", who are neither intended reci-pients nor suppliers of such reports. Free riders (such as the community as a whole; customers; suppliers; unions ...etc.) may use accounting information presented in these reports as an input to their decision making calculus and accordingly experience economic consequences of reported accounting information. For example, corporations' financial accounting information disclosures form an essential basis for governmental macroeconomics policy making and a community as a whole may be affected(negatively or positively) by accounting information; customers, suppliers and competitors may each adopt their tactics on the basis of reported information; regulatory bodies may use the accounting information as a base for relaxing air pollution standards for manufacturers because accounting information indicates declining industry profits and unions might use financial accounting information as a basis for labour negotiation.

Management, the prime target of financial accounting standards, look to have become increasingly worried about possible economic consequences of accounting policy decisions made by policy making bodies such as the Accounting Principles Board (APB) and Financial Accounting Standards Board (FASB) (Collins, 1983, p.125). The economic consequences debate has been invoked with increasing power and pressure by management in an attempt to lobby against suggested accounting changes in the fields of research and development, foreign currency, leases, debt restructuring , inflation accounting, and oil and gas accounting (Zeff, 1978). Management is mainly concerned with the possible undesirable or negative effects a proposed change in accounting methods would have on share prices (Collins,1983, pp.125-126).Companies, managers or preparers of financial accounting information lobbying activities have been observed and/or described by accounting researchers (Watts, 1977; Watts and Zimmerman, 1978, Hussein, 1981; Sutton, 1984; Kelley, 1982; 1985). Companies with different characteristics lobby differently. Companies most interested in lobbying activities may be anticipated to be large (Watts, 1977, pp.68-69; Sutton, 1984, p.93; Deakin, 1989, pp.142-143); are directly affected by the accounting methods or regulations through earning changes, political costs, information production costs and higher debt contract costs (Watts, and Zimmerman, 1978, pp.115-116; Hussein, 1981, p.28; Sutton, 1984, pp.81-93; Deakin, 1989, pp.140-143); are undiversified producers (Sutton, 1984, p.93); and having management compensation plans which could be affected (Watts and Zimmerman, 1978, p.116; Deakin, 1989, p.114). Since financial accounting standards have economic consequences, corporate management's expectation of the possible reaction effects of the company's external financial reports on the behaviour of intended recipients and third parties, might steer management to lobby in the standard setting process and to change its own economic behaviour. The latter will "manifest in changes in resources allocation decisions within the company and, hence, collectively in real changes at the industry and the economy levels" (Rappaport, 1977, 130). For example, the belief that accounting information, is the main determinant of the colle-ctive evaluation of corporations by the market based on accounting information is reflected in the corporate's share price; also the belief that earnings per share is a share price determinant, may lead management to make its capital investment decisions differently in the face of a new accounting standard that effects earnings per share(Ibid,pp.129-131). Furthermore, managers may change "their investment strategies in anticipation of an adverse reaction to information that will have to be supplied to comply with a new standard" (Collett, 1995, p.19).

4.4 ACCOUNTING STANDARD SELECTION AND NATIONAL GOALS

Since the mid 1970s there have been an increasing belief that accounting standards can induce far reaching economic consequences (Rappaport, 1977, p.128), and the political agencies (such as government departments) and accounting researchers are becoming more and more aware of economic consequences of corporate financial reporting. Furthermore, they require technical and political points of view to be applied in the establishment and selection of financial accounting standards. Even more they expect corporate standard reporting to be responsive to more consideration than technical reasons, to be consistent and supportive of governmental social and economic policies. For example, Hawkins noted that the USA Congress and the executive branch of the federal government were:

"Becoming more and more aware of the behavioural aspects of corporate reporting and its macro economic implications. Increasingly, I believe, these policy makers will demand ... that the decisions of those charged with determining what constitutes approved corporate reporting standards result in corporate reporting standards that will lead to individual economic behaviour that is consistent with the nation's macro economic objectives .... This awareness on the part of economic planners brings accounting standards setting into the realm of political economics" (Hawkins, 1975, pp.7-8; cited: Solomons, 1978, p.36).

Hawkins also pointed out that: "The (FASB's) objectives must be responsive to many more considerations than accounting theory or our notions of economically useful data .... Corporate reporting standards should result in data that are useful for economic decisions *provided that the standard is consistent with the national macro economic objectives and the economic programs designed to reach these goals*" (emphasis added) (Hawkins,1975, pp.17, 9-10; cited:Solomons,1978, p.36).

Furthermore, Hawkins argued that since standard setters have the power to influence economic behaviour, they have an obligation to support governments' economic plans in advancing their economic policies (Hawkins, 1975, p.11; cited: Solomons, 1991, p.293; Collett, 1995, p.19). May and Sundem (1976, p.750) claimed that "if the social welfare impact of accounting policy decisions were ignored, the basis for the existence of a regulatory body would disappear". On his part, Armstrong stated:
"... We should extend our research into macro-economic conesquences of accounting policy, and that economic effects should be more clearly understood by all in connection with the decision

process" (Armstrong, 1977, p.77).

In 1978, Zeff said:
"It has become clear that political agencies (such as government departments and congressional committee) expect accounting standard setters to take explicitly into consideration the possible adverse consequences of prop-osed accounting standards. This expectation appears to be stro-ngest where the consequences are thought to be significant and wid-espread-and especially where they might impinge on economic and social policies being pursued by the government"(Zeff, 1978, p.63).

In 1978, Solomons stated:
"Accounting is financial map making .... It is our job-as acco-untants-to make the best maps we can. It is for others, or for acco-untants acting in some other cap-acity, to use those maps to steer the economy in the right direct-ion" (Solomons, 1978, pp.41-44).

In 1993, Someya stated:
"Accounting standards may be selected for technical reasons as well as for political reasons. As far as technical reasons are conc-erned, selection is basically a problem of recognising which accounting practices are "best", and can be settled by seeking the help of accounting theory. From a political point of view, selection becomes a matter of choosing between those parties that will benefit by the selection of a certain practice, and those parties that stand to be hurt. There is quite potential for political considerations to become woven into the setting of accounting standards .... There no doubt that financial reporting will come to play an even more important role in the relationship between soc-iety and economic conditions in which business are evolved" (Someya, 1993, p.95).

In view of the above discussion it would appear that the time has come to take a new look at the link between the freedom to choose accounting standards and the consequences such choice might have on society. For ins-tance, when the socio economic consequences are undesirable some limitations should be placed on the flexibility that the standard setters have in choosing alternative accounting standards.

Moreover, since accou-nting standards can affect the attainment of national goals, they should not be set by the private sector alone. The public sector which represents the national interests should be involved in the standard setting process. For instance, in 1977 the USA Senate released the report of the Metcalf Committee entitled "The Accounting Establishment". The main conclusion of this committee report was that financial accounting standards should be set by the federal government and not by private sector (US Senate, 1977).

5 . Conclusion

Theoretical assumptions behind any piece of research, including accounting research, are not completely objective, value free or socially neutral. Researchers' perceptions are coloured by their work experience and by their aesthetic, emotional, educational and environmental characteristics (Tinker et al., 1982; Hopper and Powell, 1985; Chua, 1986; Gray et al., 1987). It therefore seems to be desirable that researchers should be fully aware of the theoretical assumptions upon which their perceptions are based. Furthermore, they should make them as explicit as possible (Burrell and Morgan, 1979; DeVaus, 1991; Ibrahim, 1992) and assess them to ensure that they are consistent with their own beliefs(Hopper and Powel, 1985). By doing so, researchers can better understand alternative points of view (Burrell and Morgan, 1979, p.xi) and accordingly better understand the phenomena under investigation(Creswell, 1994, p.1); demonstrate all phases of their research designs; and show that their own values or beliefs, theoretical assumptions, theoretical backing and research methods are all related to each other and to the aim of the research (Hopper and Powell, 1985, p.431).

Notes :

1-For detailed information regarding quantitative and qualitative paradigm assumptions and associated methods see creswell,1994,pp.4-16.

2- For more details regarding these processes see DeVaus, 1991, pp.11-20.

3- The objective of positive accounting theory (PAT) is to *explain* and *predict* accounting practice (Watts and Zimmerman, 1986, p.2). In this sense, PAT puts emphasis on prediction rather than assumptions as a means of testing the validity of theories. This is distinguished from "normative positions" which try "to prescribe the contents of accounting reports" (Ibid, p.7). This distinction is based on the view that "prescription requires the specification of an *objective* and *an objective function*" (Ibid). In other words PAT attempts to provide a scientific explanation of accounting practice (Watts and Zimmerman, 1978). Thus, positive accounting theorists search for knowledge closure, universal regularities and causal relationships. This leads to the claim that PAT is "the economic-based accounting theory that evolved from the use of the associated methods see Creswell, 1994, pp.4-16. scientific concept of theory" (Watts and Zimmerman, 1986, p.13). It might be understood from this that PAT is somehow value free, and "scientific". Consequently, PAT claim that the empirical world is objective and is characterised by knowledge, constant relationnships and accordingly, as mentioned in previous sections, it uses the natural sciences methods.

4- Economic or social surplus means" the residual factor which remains after necessary consumption has been subtracted from the total output" (Wilber and Jameson, 1979, p.19).

5- the terms "professional " and "nonprofessional "are open to ambiguity.
" Acconuting profession" is used in a diversity of situations. In the term typicall refers to independent certified public accountants. Controllers, internal auditors, management accountants , and government accountants also might be included . in the UK , the term regularly applies to a wide groue of gualified accountants than in the USA . zeff and keller used the term " third party " or " outside party" in place of " nonprofessional" (Zeff, 1978, p.20) .

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THE STANDARDS THAT RULE THE INTERNAL AUDITORS OF THE INDUSTRIAL COMPANIES IN THE CITY OF BENGHAZI

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The development of the role played by internal auditors in recent years from auditing documents and books to controlling and evaluating all faces of internal control either financial or managerial, had led the writer to conduct this study.

The aim of this paper is to focus the attention on the standards that should exist to rule the function of the internal control in assisting management to carry out its responsibilities.

These standards are : independency , efficiency , extend of internal audit work, internal audit performance and internal audit management. Even though these standards have been developed too much in the Libyan companies they are still weak.

Therefore the researcher conducted imparical study to emphasize this fact using theory testing approach.

Questionnaire was used as a main tool to collect data. The results of the descriptive analysis of collected data were:

1. Lake of independency of internal auditors.

2. Lake of efficiency and proficiency of internal auditor.

3.The scope of work standards are not available.

4. Management performance audit was not existed.

From the results arrived by the study the following recommendations was deduced:

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1.The necessity to develop internal audit sections.

2.The necessity to enhance internal audit independency.

3.The necessity to enhance the role of the university such as teaching, scientific conferences and meetings .

4. The necessity to issue laws that organize internal audit proficient.

5. The necessity to follow the modern internal control that emphasizes auditing management performance.