Accounting, Organizations and Society, Vol. 7, No. 4, pp. 307–318
Printed in Great Britain.

0361–3682/82/040307–12 $03.00/0

THE IMAGES THAT HAVE SHAPED ACCOUNTING THEORY*

STANLEY W. DAVIS
University of Maryland

KRISHNAGOPAL MENON
The Pennsylvania State University

and

GARETH MORGAN
Faculty of Administrative Studies
York University, Ontario

Abstract

Accounting theory elaborates imagery. Working within a framework defining a numerical view of reality, accountants draw on different images of the accounting process to elaborate different theories of accounting. This paper examines how different images have shaped developments in financial accounting and considers the implications for future theory and research.

The way accounting theorists and researchers shape and understand the world of organization and management is influenced by the images which they bring to their subject of investigation. Like individuals in everyday life, scientists and social scientists shape knowledge through means of constructs which help them organize and make sense of the complex and ambiguous experiences they encounter (Boulding, 1956). The image or set of constructs used to shape and understand the reality being investigated generates many insights, the implications of which can be examined, measured, or put into operation in detail as a basis for scientific research. In this way, research builds on a network of assumptions that are often taken for granted, yet which exert a decisive influence on what is seen and studied (Morgan, 1980). Viewed from this perspective, accounting theory and research rest on the elaboration of different images of reality and many insights and contributions to the future development of accounting theory stem from this realization.

As the term implies, accounting is really a process of "accounting for"; it involves a process of making sense of situations. Accounting as artifact, i.e. as a collection of specific theories, conventions, and practices, is a tangible product of this sense-making process. As such it must be understood in relation to the context in which it is set, and of which it makes sense. As has been shown elsewhere (Kula, 1976; Burchell *et al.*, 1980), accounting has emerged and developed along with changes in social organization, e.g. from feudalism to capitalism, and continues to evolve and change

* We acknowledge the helpful comments of the participants of the Accounting Colloquium at The Pennsylvania State University.

within the capitalist mode, and its socialist or state-capitalist variations. These various modes of organization provide contexts, of which the images which researchers use to shape accounting theory and practice make sense.

Morgan (1980) has illustrated the role of images in theory building by looking at organization theory. We can picture an organization as a machine, for example, and use our knowledge of mechanical operations to understand the working of organizations. In doing so, we tend to see the organization as being devised to perform certain tasks in pursuit of prespecified ends. The focus is on the analysis and design of structures that facilitate the coordinated functioning of the different components and on the technology of the organization. A completely different perspective is obtained, however, if the organization is viewed as an organism. We now conceive of a living entity, attempting to survive in a changing environment. Emphasis is placed on understanding the interaction between the organization and its environment, and on identifying the skills and activities that provide the organization with the capability to maintain itself and grow. Both of these images have been powerful in helping us learn about organizations, but as Morgan shows, they by no means exhaust the possibilities. Many alternative ways of looking at organizations add new dimensions to organization theory. These include views of organizations as cybernetic systems, language games, political systems, cutures and instruments of domination.

By explicitly recognizing how images and assumptions shape the understanding of context, accountants have a means of exploring the detailed nature of their professional theory and practice and of developing new ways of approaching these domains. In this article we explore the images which have shaped accounting theory, and attempt to show how contemporary debates in this field revolve around the advocacy of competing images. More often than not, accounting theorists subscribe to a favored image as if it were the one best way of getting at accounting truth. Yet if one explores how these images are created and developed, one sees that the image usually offers no more than one particular limited mode of insight. While each image provides a valuable basis for understanding and action, it also serves to constrain these activities, because in defining an area of concern in one way, it precludes definition and understanding in others. Images generate insight, yet also bind and constrain the way we understand the domains to which they give form.

Of all the images that have shaped accounting, that of a numerical reality has been most important. While accountants generally take the concept of number as an objective, value-free phenomenon, the use of numbers to depict various aspects of the organizational world rests on an important act of social construction: when we characterize the size of a corporation in terms of the number of employees, total assets, or annual sales, or the success of a corporation in terms of rate of return on investment, growth in profits, etc., we abstract from a more concrete reality. We depict a world of relationships between people and things in terms of an abstract and reductive system of numerical signs. The numbers are made to stand for the reality, and the reality is interpreted through the numbers. In essence the numbers stand in analogical relationship to the reality which they describe, and are manipulated to try to create different ways of characterizing and describing that reality. When we calculate relationships between sales, profit and return on investment, or plot the performance of different profit centers, we depict and slice the reality to which they relate in different ways. This process generates many kinds of insight, yet as suggested above, also has its limitations and blind spots, presenting a partial view of the reality for which the numbers are made to stand. As all accountants know, the numbers only give us an outline of what the organization is like; an outline devoid, for example, of the human and political dramas that also constitute the reality of organizational life.

The power of accounting is generated by the power which a numerical view of reality bestows on those who are able to abstract from reality in these terms. The Pythagoreans of ancient Greece were the first to see the world in this way by abstracting from nature those simple numerical relationships that provided the foundations of their mathematics. The accountant gains a similar power of abstraction through the numerical representations that define the basis of his or her craft. The idea that reality can be defined through number defines the basic framework of accounting and provides constraints upon accounting. It generates a way of seeing that takes precedence over other ways of seeing. Witness the way, for example, accounting shies clear of the unqunatifiable. Only what is quantifiable in terms of the bedrock of number is objective and real.

Within the framework set by this numerical view of reality, accounting theory and research has developed in a variety of ways, drawing on specific kinds of imagery as a basis for detailed theorizing. Financial and managerial accounting have both been shaped in these ways, generating numerous debates about the relative strengths and weaknesses which their competing visions of numerical reality bestow. This paper will focus on the images that shape financial accounting.

IMAGES IN FINANCIAL ACCOUNTING

Four principal images have shaped the development of financial accounting. They are those which treat accounting as a *historical record*, as a descriptor of *current economic reality*, as an *information system*, and as a *commodity*. The notion that accounting is concerned with the production of a historical record has existed for many centuries, while the others are of more recent origin, much influenced by developments in other disciplines. An appreciation of the nature of these images allows us to see how many controversial issues in accounting surface and resurface without apparent resolution and how in appreciating that they involve the advocacy of competing images we might use the insight provided by the different perspectives to gain more understanding of the issues being discussed.

Accounting as a historical record

Accounting is often seen as providing the history of an organization, recording the economic transactions of an enterprise with other entities in its external environment. This image applies to organizations run by their owners or managers. For a business run by its owner, the accounting record can be seen as the extension of the owner's personal memory. In the case of absentee-owner situations, the manager is the steward of the owner's resources, and the accounting record provides a history of this stewardship. When accounting is viewed as providing a historical record, emphasis is placed on maintaining a faithful record of the actual exchange events of an entity, with an emphasis on information that is reliable, verifiable and quantifiable. The historical cost accounting system tends to be seen as the only acceptable form of financial accounting.

In its effort to be objective, the historical record approach has to find an unambiguous yardstick. Most often this is found in a money value – the cash exchanged being used to represent exchange events. The selection of this one value, however, reflects but one attribute of a multifaceted transaction. As such, systems based on such measures are partial, ignoring alternative representations of the transaction, such as opportunity cost, replacement cost, etc. Further, the selection of exchanges between the organization and the environment as the only events to be recorded is, while objective, also exclusive. Several other types of events that affect the organization are excluded. These aspects, of course, are precisely those which stem from other images of the accounting process.

The skill of the accountant, within the context of the historical record image of accounting, comes into play when the accounting data is summarized and classified in a manner that facilitates the reporting of relevant events. This inevitably involves the accountant in a process of interpretation, a process which has occasionally given rise to the description of accounting as an art, and hence to the idea that accounting is as much a matter of taste as it is of objective fact (Sterling, 1975).

Research under the historical record image can thus be characterized in terms of two main streams of activity, generating descriptive studies of extant financial reporting practices (Paton & Littleton, 1940; Sanders *et al.*, 1938) and normative statements of the principles to be used in classifying accounting information (Littleton, 1953).

Accounting, in short, becomes an issue of recording and interpreting, with debates revolving around issues of principle and convention. Attempts are made to make sense of practice in terms of universal principles (alternatively called, depending on author, "postulates", "doctrines", "standards", or "concepts") such as objectivity, consistency, conservatism and verifiability. Accounting research thus for the most part follows practice, with theory serving as part of a reflexive exercise to justify or debate the merits of current procedure.

The relationship between images of accounting and social context is clearly illustrated in the case of the historical record. This conception of accounting has a long history stretching as far back as the Babylonian empires, *ca.* 2300 B.C. where the need to keep track of wealth set the basis of record keeping (Jencks, 1954). The fact that the records were kept by temple stewards and other agents involved in business transactions also set the basis for ideas about accountability and stewardship. We find here the basis for an accounting practice which is later rationalized in theoretical terms in various theories of historical accounting and the related notions of stewardship and accountability which provide a means for guiding practice. Accounting theory, when viewed in this way, can be seen as both a product of context and also a means of shaping and changing context. It is a social construction which articulates and makes sense of a particular social situation in a way that serves a set of structural requirements which stem from the nature of that situation. The newer images of accounting discussed later in this paper have emerged to make sense of the problematic contexts that have accompanied the development of capitalism, both private and public, where accounting for wealth is but one concern among others, such as the need to maximize use of resources and to increase wealth, social cost/benefit, etc. The images which shape accounting theory both reflect and constitute reality in a super-structural sense – they articulate an ideology for making sense of structure for specific ends.

Accounting as current economic reality

A second image of financial accounting stems from the idea that accounting should be concerned with depicting current economic reality. This image was introduced by theorists with training in economics in the early part of this century (e.g. Canning, Paton), and shows strong signs of this discipline. (See AAA, 1977a, for a fuller discussion of this point.) The economic reality image draws on the idea that current and future prices affect enterprise behavior, and advocate the development of accounting statements, such as the balance sheet and the income statement, which reflect these prices rather than the historical prices. It is suggested, for example, that the balance sheet should show the financial position or wealth of the firm by using the economic values of assets and liabilities. Correspondingly, income is generally seen as being the change in the wealth of the firm over a period of time. The major objective of accounting is seen as measurement of the economic values of assets and liabilities and the related measurement of income.

Central to this image of accounting is the notion of income as a concept, rather than as the outcome of the accountant's art. Income exists as an economic reality ("true income") independent of allocations, classifications, or other interpretations of exchange events. The image expands the potential accounting choices from an obligatory historical price to a choice among several alternative methods of valuation. This facilitates restricted types of research–deductive theories prescribing normative accounting principles that result in a better measurement of income. Debates then arise among appropriate methods of valuation, such as replacement costs, net realizable values, or some other value (Canning, 1929; Paton, 1922; Edwards & Bell, 1961; MacNeal, 1939).

Like all images, strengths are accompanied by weaknesses. In the same way that the view of accounting as a historical record presupposes that the activity of providing a faithful record of exchange events is useful, the economic reality image presumes that accounting based on current values is *prima facie* useful. The economic reality approach often tends to ignore the existence of the diverse and divergent needs of users. The compelling role of accounting is seen as being able to provide current value information, and there is no explicit framework for considering the costs of information production, or for identifying situations in which these costs may be imposed on private individuals.

It is noteworthy that while the economic reality image has never become the dominant image in accounting theory, it has had substantial influence on the development of accounting thought, encouraging the historicists to refine their position in important ways. The current economic reality image has in effect presented the first major alternative view of accounting, challenging the historical record image, and in the process, has given impetus to the development of new images.

Accounting as an information system

Foremost among the newer images is the image that dominates accounting research today, and one that has been able to provide the basis for several different streams of accounting research, as well as for different research methodologies. It is the image of accounting as an information system. As in the case of other images, this image is often implicit in accounting debate, though occasionally is stated quite explicitly. Viewed from this perspective, the financial accounting process is seen as an information system conceived in its simplest form as a process linking an information transmitter (usually, the accountant), a channel of communication and a receiver (external users). This image of the accounting process explicitly builds upon a simple communications model and is frequently represented in diagrams of the kind shown in Fig. 1.

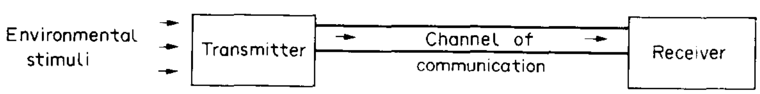

Fig. 1. Adapted from Sterling, 1970.

The accountant in this view is seen as responsible for selecting certain stimuli from the environment and communicating these to external users. As Chambers (1974, p. 184) writes, communication involves "the process of encoding observations in the language of the accounting system, of manipulating the signs and statements of the system and decoding and transmitting the result."

This image of the financial accounting process generates several important insights. The image draws attention to the importance of "usefulness"; the rationale for accounting data is seen as resting in the needs of its users; accounting exists only because there is a user who needs useful information. While the same idea may have been implicit in earlier images in the general sense that any purposive activity presumes usefulness, the new emphasis given to usefulness has changed the way in which accountants view the role of accounting and has made an impact on both research and practice. The change in emphasis is clearly reflected in professional accounting statements. In 1953, for example, the AICPA described accounting as: "the art of recording, classifying, and summarizing in a significant manner . . . transactions and events . . . and interpreting the results thereof" (AICPA, Accounting Terminology Bulletin No. 1, 1953). This statement is, of course, inspired by the view of accounting as a historical record, and of the accountant as a presenter and interpreter of history. By 1978 the emphasis had changed to a position which is much more consistent with a view of accounting as an information system. The basic purpose of financial reporting is now seen as being "to provide information that is useful to present and potential investors and creditors and other users in making rational investment, credit and similar decisions" (FASB, 1978).

One of the implications of the information system image is that since channels of communication are necessarily restricted in terms of capacity the accountant must choose which information to transmit, on the basis of its usefulness to receivers. Given this, it becomes necessary to develop a hierarchy of the qualities that make information useful [SFAC No. 2 makes an attempt to do this (FASB, 1980)] so that information can be evaluated and decisions made as to what information should be transmitted. Alternatively, an attempt must be made to gauge usefulness by seeing whether or not information is actually used. The image thus opens up new areas of accounting research, since the onus is placed on the accountant to identify the nature and degree of utilization of different kinds of accounting information and make appropriate judgments on the design of accounting systems.

Accounting research has looked at the qualities of usefulness and the utilization of accounting information in a number of ways. The predictive ability literature, for example, has sought to evaluate alternative accounting measurements in terms of their ability to predict events of interest to decision makers (Beaver *et al.*, 1968). Other research has studied the extent to which different groups of users have utilized accounting information. One user set that has been consistently researched in this type of study has been the capital market. Several studies have used the efficient market hypothesis to assess the information content of different accounting numbers or of new accounting standards (e.g. Ball & Brown, 1968; Beaver, 1968).

The information systems image of accounting encourages the accountant to know how the user uses or processes information, so that the sender can adjust the frequency, the speed, the redundancy and the form of information transmitted. The problem becomes more complex because different users have different information processing characteristics. This has led to specific research in an area that has been described as human information processing – the ability of individuals to cognitively process and store accounting information. Such research studies have focused on such factors as the effect of aggregation of accounting information, the effect of cognitive characteristics on the perceived importance of information, and the effect of varying accounting information load on decisions of users (Libby & Lewis, 1977).

The behavior of the sender is also important since the transmitter may select the stimuli to be reported as well as the manner in which the communication is to be made. It is also plausible that when the sender has control over the generation of the stimuli themselves (as managements of firms do indeed have control over the economic activities of the firms) and there is some constraint on the manipulation of information, the sender might alter this generation of stimuli. The information inductance hypothesis believes that the sender may attempt to alter the information, change his behavior, or modify his goals in certain circumstances (Prakash & Rappaport, 1977). Accounting researchers have pursued these ideas by looking at income smoothing (Smith, 1976) and at the effect of financial accounting standards on the behavior of firms (Zeff, 1978).

Looking at accounting as an information system provided an escape from many of the constraints that the earlier images impose on accounting theory and practice. Alternative accounting systems need no longer be justified in terms of their ability to generate "true income" or on the faithfulness with which they represent history. As long as the different users find the information useful, the utility of the system can be established. The image has allowed new interests to arise in accounting research and new approaches which differ from the normative theory building and descriptions of practice that have dominated earlier research.

Accounting as a commodity

Another image of accounting that has appeared recently is that of accounting as a commodity. The production of accounting information is seen through this image as a form of economic activity. Accounting information is seen as an economic commodity, produced because there is a demand and available for "consumption" because there is a supply. As long as this demand and supply exist, accounting information will be generated in one way or another. This depiction of accounting helps to place the discussion of accounting issues in a context amenable to economic analysis. The question of the role of regulation in financial reporting, for example, can be approached by examining the extent to which the nature of the demand and supply of accounting information make it a public commodity (e.g. Leftwich, 1980). If accounting information is a public commodity, its production and distribution may need to be regulated in order to obtain a better allocation of resources in the economy. This provides the rationale for the existence of a standard setting body which would decide on appropriate disclosure policies by weighing the public benefit of the availability of the information against the private cost of producing it.

One way of establishing the effect on resource allocation of any particular accounting policy is to study the behavior of security prices. The capital market research of the earlier images therefore becomes an important part of this image, too, since accounting information is perceived to have primary impact on resource allocation in the economy through its effect on market prices. (See Gonedes & Dopuch, 1974, for a detailed development of this relationship.)

The pre-eminence of "usefulness" under the information system image is thus replaced by the "cost-benefit" approach. Explicit consideration is made of the cost of providing information, and of the trade-offs made between accounting users with different needs as well as trade-offs between information qualities, such as reliability, relevance and understandability. When accounting is viewed as a public commodity, considerable onus is placed on the regulator to make judgments about information needs. Since information is costly to produce, there is a problem as to who is to bear the cost and under what circumstances such costs can be imposed on the information supplier. In determining the nature of accounting information, it thus becomes necessary to measure costs and benefits, and sometimes to search for a surrogate measure of benefits. This image would offer a conceptual framework for financial accounting which takes into account the effect of accouting choices on the welfare of various groups in society. [See AAA (1977b) and AAA (1979) for examples.]

The idea of accounting as a commodity also lends itself to treatment outside the realm of regulation and the public interest, for history shows that accounting information has a market influenced by the nature of supply and demand. Several writers have sought to approach and explain the nature of accounting in these terms. One example which has emerged in recent years has been tied to agency theory (Jensen & Meckling, 1976) which is, in essence, based on the idea that the owner or creditor of an enterprise will attempt to limit actions by a manager that diverge from his (the principal's) interests by establishing appropriate incentives and by incurring monitoring costs. At the same time, the manager will also expend resources to guarantee that his actions are in the principal's interests. These motivations to incur contracting costs explains the willingness of organizations to supply accounting information. Positive questions in accounting, as why there is an impact on market prices of the securities of some firms when a new accounting standard is mandated, or why a firm prefers a particular accounting principle in comparison to its alternatives, have been approached within this framework (Watts & Zimmerman, 1978; Zmijewski & Haterman, 1981; Leftwich, 1981).

The emergence of the image of accounting as a commodity again provides a striking example of the manner in which accounting thought reflects its social context. It has arisen in an era of mushrooming regulation and an increasing concern with the public interest in a situation of scarce resources and many competing demands. It has provided the rationale for accounting policies which seek to aid the allocation of resources in the service of the public interest.

ANALYSIS USING DIFFERENT IMAGES: THE CASE OF INFLATION

Our paper suggests that the issues which provide the focus of debate in accounting theory and research are generated by different images as to what accounting should be about. In order to understand the nature of the debate and its consequences therefore, it is important to understand the competing images which generate it, and how much discussion is of what Morgan (1980) would describe as a puzzle-solving kind, hinging on the advocacy of specific models and research tools for approaching and settling disputes. Each image of accounting spawns a set of puzzle-solving activities concerned to investigate and put into operation the detailed implications of the image; it is at this level that much debate in accounting and accounting research dwells. We can briefly illustrate the issues involved here and the way images structure analysis by looking at the way accountants view the problems posed by inflation.

When accounting is seen as a historical record, it becomes an "accounting for what has actually transpired", rather than for "what might have been" (Schrader *et al.*, to be published). If an asset has been purchased at a certain price, then that price alone is seen as belonging on the accounting record. Subsequent changes in the price of the asset may be viewed as interesting, but in incorporating these into financial statements the advocate of historical accounting would suggest that we are indulging in speculation rather than describing what has actually been transacted. The only legitimate point of contention from this perspective is whether or not the interpretation of accounting data can be enhanced by making adjustments for the changes in the size of the monetary measuring stick that have resulted from changes in general purchasing power. The historicist would normally concede that if this problem is of some significance, then the component of income that is attributable to purchasing power gains or losses should be identified.

The view that accounting is concerned with depicting economic reality, on the other hand, *requires* that the current prices of different items be reflected on the financial statements. The financial condition of the enterprise is represented by these values, rather than by the original historical prices, so discussion of the price-level issue usually focuses on the question of whether economic reality is best represented by the current replacement cost, the current realizable value or by some other value. The methods through which prices are to be adjusted take the centre of attention.

An information view of accounting requires that if any price-level adjusted infromation has demonstrable relevance to users of financial information, then it should be considered for inclusion in accounting reports, and as a corollary that any information that has no apparent relevance should be excluded. Usefulness may be indicated by deductively deriving the information requirements of users' decision models, by showing how price-level adjustments help to predict some future event of interest, by confirming the utilization by the capital market of such information or by some other appropriate means. In assessing usefulness, it is important to consider the extent to which the information on the impact of changing prices can be reliably obtained. Although potentially relevant information need not be completely certain in order to be useful, a low level of reliability renders potentially relevant information substantially useless.

If accounting is pictured as an economic commodity, then the issue of accounting policy hinges on whether or not the required disclosure of price-level adjusted information will have an effect on the resource allocation process. There are direct and indirect costs in producing price level information and appropriate adjustments, including the potential loss of competitive advantage that comes about through disclosure of accurate information on the current financial condition of the enterprise. The rationale governing decisions here hinges on whether or not the nature and amount of benefit from disclosure warrants the cost involved. Many debates may arise around this issue. For example, it may be argued that some benefits can be inferred to be present if capital market studies show a market reaction to the disclosure of price-level adjusted information. Again, it may be argued that the comparison of costs and benefits is substantially subjective in this decision process since the costs and benefits cannot be estimated with significant confidence using existing tools. Further, it may be argued that the costs and the benefits are being borne by different parties since it is unlikely that a Pareto-optimal solution is possible and that a policy decision can only be made by using criteria, either explicit or implicit, that consider the distributional effects of accounting policy. Or, taking yet another viewpoint, it may be argued that the market mechanism should be allowed to work and that if a demand in fact exists for price-level adjusted information, then such information will be supplied through normal market forces.

The point being made in the above analysis is that the debates on accounting for inflation are underwritten by basic images regarding the nature of the accounting process. These debates stimulate much argument and much fact gathering and puzzle-solving research designed to generate evidence in relation to different points of view. Though this research is often perspicuous and useful, policy decisions ultimately hinge on decisions regarding the appropriateness of the different images. As discussed below, this has implications for the way we attempt to understand all modern accounting theory and research.

SUMMARY AND CONCLUSION

Accounting theorists and practitioners, as observers of social phenomena, justify their views of reality on the basis of certain assumptions. We cannot, as human beings, fix attention on phenomena without any prior suppositions. These suppositions are powerful in shaping our understanding of reality, and consequently, have influenced considerably the direction of accounting theory and practice.

The implicit nature of this framework of assumptions has often resulted in controversies arising out of what seem to be alternative ways of handling a particular accounting issue, which are in fact the conflicts between competing images. The debate between the historical cost and current value schools is an example, as is the controversy around the FASB's attempts to develop a conceptual framework for accounting. Protagonists of each viewpoint frequently build consistent logical arguments within the framework established by their favored image for the theory and practice of accounting. From the standpoint of alternative images, however, the logic of argument appears based on shaky premises. Frequently, the debates result in stalemates because the advocates of the different perspectives get bogged down in arguments about detail, instead of addressing the basic grounds which separate them. A full understanding of these debates, particularly if we are concerned to make them productive ones, requires us to frame understanding in a way that allows us to grasp the underlying images, as well as the specific issues that are being discussed.

Our analysis here suggests that in recognizing the basis of competing theories of accounting, we have a means of appreciating and grasping the insights which they have to offer. Each image of accounting has both strengths and weaknesses, but the strengths frequently provide unique perspectives that illuminate our understanding of the accounting process. Once the shaping role of images is recognized, the potentialities of the different viewpoints can be fully explored without being hampered by premature criticism from the standpoint of competing perspectives or by a reluctance to steer into waters uncharted by the older images.

The subjective nature of images leads us to believe that no one image can capture fully the essence of accounting. New images will, and should be, generated to add new dimensions to accounting and to shape the accounting process to meet changes in its context. Accounting in essence attempts to meet the requirements of the context in which it is set. The historical record view of accounting stems from the demands for stewardship in ancient temples and monarchies and has been refined to meet the demands of capitalism. The economic reality image stems from the development of an economics dominated by the notion of scarcity. The information processing image has developed along with advances in information technology, as well as the increased attention to the structure and flow of information in organizations and the ongoing research in management information systems. The public commodity image has emerged in the context of a regulated environment.

The relationship of an image to its context is an important area for study. While the images that we have discussed seem to be very different in many respects, they also share certain characteristics. For example, they are images which are often tied to particular value systems and schools of economic thought. Tinker *et al.* (to be published), for example, demonstrate the reliance of accounting theory on the marginalist theory of value. Alternative modes of economic and social organization are likely to lead to different perspectives on accounting that better serve the needs of the new context. Similarly new images of accounting can help facilitate change of context. Not only does accounting reflect its context, but it also serves to make sense of and shape context. We believe that longitudinal studies on the reflective and constitutive nature and consequences of accounting images will prove to be a fruitful line of research. In understanding how and why images arise and what they have to offer, accountants have a means of discussing the essential nature of their practice, its history and the way in which it can be developed in the future.

In this paper we have reviewed the four images that dominate the theory and practice of financial accounting. We find the same situation in the field of management accounting where a wide variety of images vie for the attention of theorists and researchers. Managerial accounting is intimately connected with organization theory and the images shaping the latter have been readily incorporated within the former. The view of the organization as a rational machine is paralleled in management accounting theory in systems such as MBO, PPBS and in thermostatic models of accounting control systems. Newer images which suggest that organizations can be understood as political systems, learning systems, garbage cans, organized hierarchies, language games, networks and modes of domination are also having an impact on management accounting thought (e.g. Belkaoui, 1978; Argyris, 1977; Hayes, 1980; Dirsmith & Jablonsky, 1979; Morgan, 1980). There are also those images which managerial accounting draws from anthropology, such as the idea that accounting can be treated as a form of magic or mythology (Gambling, 1977).

We find in the process of theory construction in accounting, a process which is generic to theory construction of all kinds. Science and social science are constructed on the basis of images that crystallize and reflect significant aspects of the context in which they are used. A recognition that accounting theorizing is based on imagery holds important implications, for the future development of accounting. The different views of accounting that have been dominant in the past have all made appreciable contributions to the discipline. Each one has favored the development of certain possibilities rather than others, as images tend to do. The generation of new images will allow powerful new insights, both by furnishing fresh perspectives of familiar phenomena and by revealing unexplored aspects of accounting processes. An appreciation of the existence of new and alternative images provides useful contrasts that place the researcher's own favored image in sharp focus and thereby highlight its deficiencies as well as its strengths in one's favored frame of reference. An explicit awareness that one's approach to an accounting issue is grounded in a particular image will help the researcher to become more sensitive to the multi-faceted nature of the phenomenon being investigated and to broaden and refine the strategy of research that is to be adopted. This article has sought to contribute an understanding of the nature of accounting theory and research, which can advance this general task.

BIBLIOGRAPHY

American Accounting Association, Committee on Concepts and Standards for External Financial Reports, *Statement on Accounting Theory and Theory Acceptance* (AAA, 1977a).

American Accounting Association, Subcommittee on Conceptual Framework for Financial Accounting and Reporting, *Elements of Financial Statements and Their Measurement: Report to the Financial Accounting Standards Board* (AAA, June, 1977b).

American Accounting Association, Committee on Financial Reporting, in *Response to the Exposure Draft on Qualitative Characteristics: Criteria for Selecting and Evaluating Financial Accounting and Reporting Policies of the Financial Accounting Standards Board* (AAA, 1979).

American Institute of Certified Public Accountants, Committee on Accounting Terminology, *Accounting Terminology Bulletin No. 1* (AICPA, 1953).