

Effects of Financial Accounting Theories on Accounting Practice in Sierra Leone

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ABSTRACT

The article acknowledges the current practice of accounting, standard-setting process, contributes significantly in developing accounting principles than academic research, and principles of accounting are not entirely the product of academic study. A crucial academic concern is therefore how theory of accounting and research contribute to developed accounting principles. The paper discusses normative and descriptive (contemporary positivistic). Data were mainly collected mainly from primary source through questionnaire were issue to participants of 70 Accountant staff of Ministry of Finance and other financial institutions in Sierra Leone and only 55 of the questionnaires were received and processed. The modifications are advantageous for accounting enable a range of research philosophies that will elevate the standing accounting theory and perhaps accounting research. As a method of tracking and remotely monitoring the progress of economic activity, accounting appears to be a historical relic, generating economic impacts. Since accounting ideas have roots, they are no longer neutral. In this regard, it would be more like a slowly emerging structure infused with cultural influences, social unrest, and political issues and decisions. Responses were analysed using descriptive statistics, utilizing the Statistical Package for Social Science (SPSS statistic 26) and values of the responses have to be analysed in all cases to facilitate further discussions.

INTRODUCTION

Both Financial Accounting Standards Board (FASB) and the International Accounting Standards Board (IASB) are dedicated in developing accounting standards based on principles fundamental accounting concepts have advanced enough to produce suitable accounting standards. Accounting theory sufficiently developed to address accounting principles. Method of conducting research is typically used to develop and improve theory, according to (Coetsee, 2010). Hence, a pertinent inquiry would be whether accounting concepts have been appropriately explored and improved through study. It should be noted, nonetheless, that accounting research is not Currently, practice is the driving force behind the evolution of accounting procedures and standards. So, crucial academic question in accounting research influences the development of accounting principles and standard-setting process he exclusive source of accounting principal development. Currently no complete accounting theory of which accounting research is based is a significant problem for accounting research. The American Accounting Association recognized this fact in 1973. The Association examined state of accounting practice and conclusion that various accounting valuation systems. This was stated in accounting Statement theory and acceptance. There was no widely accepted accounting theory to support accounting standards, (Zhang et al., 2009) and agree that this will never be the case. There hasn't been a whole theory of accounting produced, and several theories are the result of various methods used to develop accounting theory.

The question of what theoretical foundations the accounting principles were based upon arises because There isn't an adequately developed accounting theory. These is a complex question. The purpose of the article is to contribute to the discussion by taking into account potential contribution on accounting practice and research to the creation of uniform accounting standards. The question is whether the accounting principles developed by the standard setters are actually influenced by accounting theory and research. The essay uses a structured procedure to evaluate this potential function.

The critical project questions way that accounting has traditionally given preference to technical knowledge and issues above those that show that accounting was not formed in vacuum, as a result is highly contestable. In addition to providing a basis for the advancement of accounting practices, development, matching, collection of dangerous perceptions is widely acknowledged as indication of academic discipline. The practical and political aspects of how accounting practice is developed by those who set standards are dependent on human interaction. Hence, interpretative and critical research contribute in advancement accounting theory and practice. These research techniques can also be used to assess accounting practice rather than just the more general social elements of accounting. In evaluating direct accounting practice, accounting scholars may want to consider engaging in critical research, but first it is important to make clear the context in which such research is conducted.

LITERATURE REVIEW

According to Kimbonguila et al (2019a), a theory is frequently improved upon and expanded during the research process. Consider whether accounting practice has been properly developed and improved through the research process as a starting point for your next question. Yet it should be acknowledged that theories are created in accounting rather than just studying accounting procedures. The main force behind the development of accounting practice today is standard-setting through practice. Accounting role in forming accounting practice, alerting standard-setters' thus crucial issue. Because currently exclusive accounting theory studies are significant impasse in accounting research.

The positive accounting theory

A positivist framework is described as follows by specialists in research methodology in the social sciences, (Jooste, 2007). Positivism is a rejection of metaphysics in the fullest sense. It is about identifying the truth and delivering it via scientific methods. According to this school of thought, the purpose of information is to define, explain and sometimes even anticipate the occurrences that we encounter (whether quantitatively or qualitatively). In a working paper, Lehenchuk & Surpeninova (2023) argues that the growth of doctoral study in accounting, and students are expected to demand acquire training in research methods. A positivist framework seeks to discover truth by explaining reality. The research method is made valid by the empirical instrument. Although a descriptive approach is used as a starting point, positivism is developed by using instruments of experiential testing. According to the positivist method, accounting theory is created by creating models or hypotheses, then testing them. Science is thought to be an iterative process. Although a theory or model can never be proven wrong through study, it is taken as gospel as long as it doesn't integrate the tasks of describing, explaining, and forecasting. The majority of positive theory now focuses on justifying present practice and forecasting accounting information played in economic decisions. Availability financial economics principles and testing techniques was a significant factor in the movement away from normative theories cause of the explosion of empirical research in accounting, including positive approach (especially the use of computers).

Evaluating ideas employed in PhD dissertations, (Coetsee, 2010) put this reality to the test in 2001. He discovered that models used are derived from economy, finance, and sociology. According to his analysis, 27% of the theories were derived from psychology, and 53% were taken from economics and finance. Also, he discovered that not every dissertation explicitly specified its theoretical underpinnings. The majority of accounting papers in North America are positivistic economics-based, according to Edwards, (2019), who looked at the work of numerous authors.

Finance theory

Positive accounting theory places a premium on capital market research, which links accounting information to stated share prices. Capital market

research involves capital asset pricing models and is based on the efficient market theory. Efficient market theory is a dominant model in financial economics," according to Nagdee, (2016) premise that capital markets respond in efficient and unbiased manner to public. Theory states that to determine share prices, accounting information competes with other market information. The efficient market hypothesis is used in finance to examine the effects of accounting information and policy changes on share prices. Efficient market hypothesis assess the effects of accounting information on share prices and its effects of changes in accounting policies in the financial world(Ross L. Watts & Jerold L. Zimmerman, 1990). Recent credit crises, effective market hypothesis proven as false, the important question is whether the market is still as efficient as previously believed. Many accounting measurements, such as fair value accounting, rely on efficient markets to determine the accounting value. Applicable of fair value metrics in inactive markets was one of the accounting difficulties identified in credit crisis. Using fair value accounting efforts of the standard-setters to developed thorough uniform accounting guidelines for capital markets depends on resolving problems related to the efficient market hypothesis (Blum & Thérond, 2019).

Capital asset pricing developed models to value entity's equity by identifying the variables that influence valuations of share price. To calculate the equity value or returns, capital asset pricing models often use linear modelling. Efficient market hypothesis employed linear modelling to ascertain the relation between accounting data and share prices. Equity investments are main importance of financial statements, according to (Barth, 2011).Emphasis of capital asset pricing relationship models, opposed accounting rules, application of accounting data to ascertain the relationship worth of share prices. The following is a comment made by (Coetsee, 2010) regarding financial modelling: The appraisal models used in research on value application on capital markets do not involve accounting. There is no accounting theory provided valuation models. Relevance studies evaluate how well accounting quantities represent the data used by stock investors. Equity value or returns typically calculated using linear modelling capital asset pricing models (Amahalu, 2020). Our analysis focused on the valuation standard-setting accounting theories underlie judgments. Understanding the relationship between accounting data and common equity valuations in relevance literature has limited interferences standard setting; it is merely an association. Except those fundamental descriptive approach of accounting practice and valuation, we contend because the underlying ideas are not normative, it is challenging to draw conclusions that define standards.

Value relevance study, according to them (Trehaeven, 2016), is not intended to evaluate the business value but rather to determine whether investors apply specific accounting quantities when valuing stock .A study of value importance, however, just provides information and does not establish accounting rules in and of themselves. Applicable of metrics inactive markets as one of the accounting concerned found in credit crisis (Emerson et al., 2010).

Decision-usefulness theory

In order to ascertain whether a similar theory had been developed and evaluated the standard-setters' decision-usefulness approach. They came to the following conclusions (. ". Retrieved From:," 2012) scholarly proposed that decision usefulness theory of accounting, which GAAP is built, is a grounded theory. Normative and rests to untested presumptions. Accounting as a field is not a science, and the research findings in this case are restricted to correlation analysis. This fundamental issue remains unchanged even when advanced scientific research approaches are used. Straus and Corbin's definition of grounded theory, which Inanga and Schneider use on page 231 of their book, it is "formed from study of phenomenon it represents an area of research which is pertinent to emerge area.

Conceptually, using information obtained from the research process, grounded theory strategy developing theories based on phenomena. Fundamentally, grounded theory research strategy created to derive theory from direct evidence. In order to develop a theory, Suddaby(Roache, 2014) claims that "grounded theory defines an overall process for systematically obtaining and interpreting facts." Grounded theory has received a lot of attention from accounting scholars as a tool for developing theories. They all concur that grounded theory is a methodology or approach to theory discovery. Nobody has, however, developed an accounting theory using these methods. Throughout time, a thorough record of its existence was built, and it is still being evaluated as part of the standard-setters' collaborative framework process. As a result, it has been indirectly developed from data and is based on the information that has been gathered. Whether the standard-setters' decision-usefulness strategy is producing any theory can be determined by additional pertinent study. Fundamentally, grounded theory is a technique for study that was established to derive theory directly from evidence (Holton A., 2009). While accounting academics now agree that there isn't a complete theory of accounting, grounded theory as generated approach appealing to start developing accounting theory. Researchers in accounting could investigate this alternate research direction in further detail. Fundamental ideas, theories, and hypotheses that could serve as the foundation for additional positivistic research can be generated using the grounded theory process.

Growth theory and nature of accounting theory

On what constitutes accounting theory, there are various schools of thought. The following is how accounting theory is defined by the first school, which focus on evolution of accounting principles: According to van Wyk & Coetsee, (2020)Accounting theory characterized as logical argument in form of a collection of principles that serve as (1) framework for evaluating accounting practice and (2) a roadmap to create new practices and processes. Fundamental presumptions, definitions, guidelines, and ideas that guide the development of accounting rules are known as accounting theory (Ogah, 2022).Basic goal of accounting theory is to offer foundation to predict and explain accounting behaviour and events. These is how the opposing school of thought characterizes accounting theory. Accounting theory aims to explain accounting

practice (Ross L. Watts & Jerold L. Zimmerman, 1990). Theory aims to forecast phenomena and explain correlations. The second school attempts to examine practice itself, whereas the first school concentrates on accounting concepts explains why he favours the first school thought.

Primary procedures in the formation of normative and descriptive methodologies, serve as the foundation for these two schools of accounting theory. Although descriptive methodology looks at the fundamental to describe what they are, In order to specify what the theory should be, normative methodology challenges the present theory (Kimbonguila et al., 2019b). The normative methodology is more prescriptive and focused on what the intended result should be. The descriptive technique, on the other hand, explains, describes, and forecasts the underlying events. The approach used to generate theory also makes a difference between normative and descriptive methodologies. Deductive reasoning is used in normative methodology to create objectives from which principles can be derived. An inductive method called descriptive methodology is one that emphasizes observations of the outside world. The inductive method seeks to capture the underlying phenomenon. The predictive process, a third process, is occasionally recognized.

This method goes beyond the inductive method in that it not only documents the findings but also explains and anticipates them, which is why it frequently referred to good research methodology. Predict school of accounting theory, more positivistic since it places more emphasis on explaining and predicting the phenomena than it does on describing the underlying phenomena. As a result, many accounting theorists only differentiate between normative and positive research instead of between normative and descriptive research (Kimbonguila et al., 2019b). Goal-oriented theory known as normative portrays circumstances rather as they ought to be. Prescriptive theory discusses and lays forth the fundamentals of what should be, rather than descriptive theory.

Positive theories strive to capture reality as it is. Positive theory-based research entails empirical observations of the pertinent phenomena that constitute a topic. Thereafter, information pertinent to the issue is gathered, and an independent procedure is used to create and test hypotheses. If the resulting theory accurately captures (describes) the observed empirical phenomena, it can be applied to make predictions order to comprehend the impact that these techniques of theory creation have had on the growth of accounting theory.

Important advancements in accounting theory

Accounting theory evaluation has significantly influenced through accounting developments that took place in the 1960s and early 1970s. Normative and positive accounting techniques transition led to positive accounting research. Second transition from accounting to a decision-usefulness perspective. Development of the standards for best practice was thought to have occurred between 1956 and 1970 (ADEBAYO et al., 2022). Since normative approach, little concerned was indicated in practical rationality theory which normative prescriptions relied" (Wagenhofer, 2015). According to Kavrar (2020), this "postulated principle approach" was obsolete by 1970. There is confusion regarding which normative theories would be recognized by accounting

scholars, as main reasons why normative approach is not adopted (Kavrar, 2020). Accounting research evolved away of formulation of rules that ought to be in favour of scientific approach to deriving explanations for and forecasting the practice as a transition from normative to positive research. Section 4 discusses how this effective research methodology has had an impact.

While positive accounting theory remains the primary objective of academic research, according to Kavrar (2020), researcher pursued normative approach by searching for models of accounting practice. However, a strictly normative approach, questioned of producing theory might be addressed. According to Kavrar, (2020), deductive logic occasionally fails to indicate developed accounting standards through pragmatic process are acceptable. They claim that the process is more practical because absolute standards are effectively impossible (2008:98). Accounting theories support political lobbying and provide motivations for individuals to take part in it. The consequence of the procedure cannot be depended upon by accounting researchers to serve as an academically established theory on which research can be based on standards. The second evolution originated in research in the 1960s and is known as the decision-usefulness orientation in accounting.

The purpose of accounting is to generate data regarding the economic behaviour that results from firm's operations. What FASB refers to as "the information spectrum" best illustrates the outcome. The decision-usefulness orientation caused to shift accounting principles and several researchers have been urging accounting to be included in the social sciences' more expansive research field. They contend that because accounting is studied using all social science methods, including interpretive, critical, and behaviour research.

Relationship between Accounting Theories and Practice

Notwithstanding analyses techniques have evolved into the standard study process for accounting. According to Chabark (2014), the primary focus of mainstream accounting research is how accounting functions. They (2019) provide the following justification: Positive methodology is a tried true research methodology used in accounting research, (Chabrak, 2014). Kimbonguila et al., (2019b) provide detailed explanations for failure of accounting research in progress accounting practices in accordance with the validity of positive research methodology. The absence of known theory as guide in developing hypotheses or models for empirical studies is the main issue with accounting theory. In education, training, and the research literature, theory is conspicuously absent. Accounting researchers helped to create very forward-thinking research environment but is actually one where theory is more willingly subjected to sophisticated methodology. The research largely matches of sciences, which qualifies its pursuit academically satisfying, lacking in substances. It evident that flaw is not positive research process per se rather the hypotheses that are based on it. The thesis of this study is that positive methodology is a legitimate technique. Because accounting is interconnected with other disciplines, use of economic and financial theory in accounting research is important. The identification of hypotheses based on fundamental practice of accounting must be a component of any positivistic research

approach, nevertheless, if accounting researchers play a significant role in evolution of accounting practice. According to Ismail & Zainuddin (2013) go on to say that the research that is frequently published mainstream accounting journals, characterized by a positive methodological stance concentration on quantitative methodologies, unable to handle accounting's complex social implications. Standard-setters may find the knowledge gained from such a study useful in comprehending the possible effects of changes to accounting practice. A positive accounting study is just informative, as was previously established. Nowadays, the goal of effective accounting research is not advanced accounting profession. Therefore, crucial for scholars studying basic accounting to follow alternative avenues that might add to their understanding of accounting's fundamentals.

Accounting Theories and Practice

Many academics concentrate on accounting's greater impact. According to Kimbonguila et al.,(2019b), accounting has an impact on social problems like, distribution of wealth, fairness, political philosophy, and environmental damage. A methodology perspective is reflected in the term "interpretive research." Interpretative research goes beyond just describing and explaining the underlying phenomena under study (using descriptive and positivistic approaches, respectively) by taking into account people's views and feelings as well as the motivations behind their actions. An interpretive study sheds light on how a certain individual, in a specific situation, interprets a specific experience. Setting and testing hypotheses is not the driving force behind theory. It gives an account of the proposed hypothesis. For instance, until a fundamental theory is revealed, grounded theory consistently conceptualizes the evidence. Many accounting researchers debated impending arrival of interpretative accounting research in a multi-voiced debate conducted in 2019. These are their explanations of the motivation behind this discussion: Explanatory accounting studies are frequently labelled in publications as "non-normal" or anything else because they are not what is expected. This seems appropriate given that there is currently a significant endeavour that may loosely be referred to as "interpretative accounting research." But a unifying philosophical objective that would make it possible to more clearly articulate the successes of interpretative research appears to be missing thus far. We would consider the reconnection of interpretative research with accounting methodology and the exploration of areas of contact with functionalist accounting philosophy to be two issues that are crucial for this endeavour. It's a good thing that accounting is being reconnected as a discipline in and of itself as this could help accounting advance as a study field. The following illustrates the distinction between explanatory and critical research: As interpretive research doesn't support a societal critique and necessary change; several professional accounting researchers are against it. The creation intelligence of the social nature of daily existence, however, is concerned with interpretative labour. Critical research can also provide explanations, but it does so by assuming a certain point of view about the study subject, as opposed to interpretative research's significance of taking a "neutral" position (Kimbonguila et al., 2019b).

Information Asymmetry

The release prospectus by financial experts might lessen the extent of information asymmetry. This prospectus often includes both financial and non-financial details. It helps investors make informed choices about the risks associated with an issuer's real-value offering of shares. Financial analysts may influence management's decision to use a particular accounting technique. The public release of research papers or the analysts' questioning of management during interactions with them can also have a direct impact. In order to effectively monitor a company's financial reporting, mechanisms, board of directors and external auditor have an indirect impact on the monitoring responsibility of management. Accounting theories, according to (Isniawati et al., 2018), may lessen managers' incentives and capacity for manipulation, which would also lessen information asymmetry. Many earlier studies contend that theories influence information asymmetry. Because expanding investments and growth alternatives cannot be validated, growing investments and growth options may affect the information asymmetry. Their research demonstrates that a high degree of accounting theories correlates with a significant information asymmetry. To reduce information asymmetry and preserve the legitimacy of their organization, managers must eventually grow more cautious. Investors are prompted to reconsider reinvesting as a result. According to Isniawati et al. (2018) greater analysis coverage results in theories, as a result, less information asymmetry. It would be interesting to investigate how analyst coverage, controlled by knowledge asymmetry, affects accounting theories. The concept of hypotheses, according to Giner & Rees, (2001), is directly reported earnings reflected "bad news" quicker than "positive news."

Efficient Market Hypothesis

The Efficient Market Hypothesis (EMH) is where positive accounting theory first emerged. According to Giner & Rees (2001), the EMH is predicated the notion that capital markets respond to public available information in effective impartial manner. According to the viewpoint adopted, security prices reflect informational value of public accessible information, which is not limited to accounting disclosures. Newly revealed public information is anticipated to promptly incorporated in share prices because capital market is thought to be very competitive. The expectation is that the prices of securities won't change in response to the publication of accounting results if an organization releases accounting results that the market has already expected (such as in an interim statement).

Managers Choice under efficient capital market

Assuming that the market is efficient, if managers make untruthful disclosures that are unsupported by or contradict other accessible information, market doubt the integrity of managers because numerous sources of capital market data. Inventory cost flow assumptions resulted in increased reported income since it considered that the market could change and no obvious cash flow implications. As a result, it was difficult to justify the choice of one

accounting system over another if specific accounting method with no direct tax implications.

METHODOLOGY

The data are obtained from preparing and issuing of Google form questionnaire to respondents and responses are analysed using descriptive statistics, utilizing the Statistical Package for Social Science (SPSS statistic 26) and values of the responses have to be analysed in all cases to facilitate further discussions. Descriptive statistics have to be generated to provide an understanding of the characteristics of the variable and to explore the relationship between the different variables of interest and effects of financial accounting theories on accounting practice. The participants include 55 Accountant staff of Ministry of Finance and other financial institutions in Sierra Leone.

RESEARCH RESULT

The focus of the descriptive methodology is on observations made of the physical world, which is an inductive process. Recording the underlying phenomena is the goal of the inductive process. The predictive process, a third process, is occasionally recognized. The reason this method is frequently referred to as a good research methodology is because it goes beyond the inductive method in that it not only documents the findings but also explains and anticipates them. Although descriptive in its observation of the underlying events, the explain-and-predict school of accounting theory places more emphasis on explaining and predicting the phenomena, making it positive. Therefore, the results showed the following: current role in the accounting field, familiar with financial accounting theories, relationship between financial accounting theories and accounting practice, key ways in which financial accounting theories influence accounting practice and how do financial accounting theories help improve the quality of financial reporting and decision-making.

Table 1 Descriptive statistics

Statements	N	Minimum	Maximum	Mean	Std. Deviation	Skewness	Std.
							Error
	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic	Statistic
Accountant current role in the accounting field	55	1	2	1.42	.498	.341	.322
Familiarity with financial accounting theories	55	1	2	1.40	.494	.420	.322
Relationship between financial accounting theories and accounting practice	55	1	2	1.49	.505	.037	.322
Key ways in which financial accounting theories influence accounting practice	55	1	2	1.45	.503	.188	.322
How do financial accounting theories help improve the quality of financial reporting and decision-making	55	1	2	1.60	.494	-.420	.322
Valid N (listwise)	55						

SOURCE: Data processed by SPSS Statistics 26.

Table 1 Above presents the descriptive statistics for various variables, including accountant current role in the accounting field, accountant familiarity with financial accounting theories, the key ways in which financial accounting theories influence accounting practice, and how do financial accounting theories help improve the quality of financial reporting and decision-making in Sierra Leone. The respective means for these variables are as follows 1.42,1.40,1.49,1.45 and 1.60.

In general, the table indicates that survey participants perceive moderate level of deficiency in accountant role in the accounting field. This is also moderate familiarity with financial accounting theory and moderate correlation between financial accounting theories and accounting practice. Additionally, participants viewed key ways in which financial accounting theories influence accounting practice and how do financial accounting theories help improve the quality of financial reporting and decision-making in Sierra Leone. The descriptive statistics in the table offer readers insights into the central tendencies and variations of the studied variables, aiding in comprehending this measurement better.

Table 2: Results showed accountant current role in the accounting field.

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Accountants and auditors prepare and examine financial records.	32	58.2	58.2	58.2
	Identify potential areas of opportunity and risk, and provide solutions for businesses and individuals.	23	41.8	41.8	100.0
	Total	55	100.0	100.0	

The Result showed the accountant current role in the field of accounting:

Table 2 Above showed the notion that there exists in accountants and auditors prepare and examine financial records and identify potential areas of opportunity and risk, and provide solutions for businesses and individuals as 32 participants constituting 58.2% of the complete sample. This implied that most of the respondents are of the opinion that accountants and auditors prepare and examine financial records comparing to identify potential areas of opportunity and risk, and provide solutions for businesses and individuals as accountant current role in accounting field.

Table 3: Result showed familiarity with financial accounting theories

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	33	60.0	60.0	60.0
	No	22	40.0	40.0	100.0
	Total	55	100.0	100.0	

SOURCE: Data processed by SPSS Statistics 26.

The Results showed familiarity with financial accounting theories

Derived from the data presented in **Table 3**, we can interpret the findings in the subsequent manner: A total of 33 participants, accounting for 60% of the complete sample, opted for the idea that accountant is familiar with financial accounting theories. Conversely, 40% of the surveyed individuals expressed disagreement with the concept that accountant is familiar with financial accounting theories.

Table 4: showed relationship between financial accounting theories and accounting practice.

	Statements	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Correlated	28	50.9	50.9	50.9
	No Correlated	27	49.1	49.1	100.0
	Total	55	100.0	100.0	

SOURCE: Data processed by SPSS Statistics 26.

The Results showed Relationship between financial accounting theories and accounting practice.

There is a direct relationship between financial accounting theories and accounting practice:

Table 4 Above showed the notion that there exists a clear connection between financial accounting theories and accounting practice was chosen by 28 participants, constituting 50.9% of the complete sample. This indicate that most of the respondents are of the motion that there is a perfect correlation that exist between financial accounting theories and accounting practice. Conversely,49.1%of the surveyed showed there is financial link between financial accounting theories and accounting practice.

Table 5: Showed key ways in which financial accounting theories influence accounting practice.

Statements	Frequency	Percent	Valid	Cumulative
			Percent	Percent
Valid It helps in bringing logic in decision-making of accountants.	30	54.5	54.5	54.5
It helps in developing better accounting approach among accountants	25	45.5	45.5	100.0
Total	55	100.0	100.0	

SOURCE: Data processed by SPSS Statistics 26.

The results showed key ways in which financial accounting theories influence accounting practice.

The data presented in the above **Table 5** illustrates those 30 participants, making up 54.5% of the overall sample, concurred those key ways in which financial accounting theories influence accounting practice. The substantial occurrence of this response signifies that a notable majority of respondents are of the view that financial accounting helps in bringing logic in decision-making of accountants. While the remaining 45.5% agreed that key ways in which financial accounting theories influence accounting practice is by helps in developing better accounting approach among accountants.

Table 6: Showed how do financial accounting theories help improve the quality of financial reporting and decision-making.

Statements	Frequency	Percent	Valid	Cumulative
			Percent	Percent
Valid Financial accounting helps managers create budgets, understand public perception,	33	600.0	600.0	40.0
Track efficiency, analyse	33	400.0	40.0	100.0

	product performance.		
Total	55	100.0	100.0

SOURCE: Data processed by SPSS Statistics 26.

Results showed how do financial accounting theories help improve the quality of financial reporting and decision-making

Table 6 Above showed how do financial accounting theories help improve the quality of financial reporting and decision-making as 33 participants representing 60% of the complete sample agree that financial accounting helps managers create budgets, understand public perception and financial accounting theories help improve the quality of financial reporting and decision-making. This indicate that most of the respondents are of the opinion that financial accounting theories help improve the quality of financial reporting and decision-making. Likewise, the remaining 40% showed that financial accounting theories help improve the quality of financial reporting and decision-making by track efficiency, analyse product performance.

DISCUSSION

Based on the findings of the research and discussions conducted by researchers, several schools of thought on accounting theories and what they currently stand for. The initial school of thought focused on financial accounting practices: Thus, accounting theory is described as general practices that:

- a. Provide a broad framework for direction so that accounting practice may be evaluated and
- b. Assist in the creation of fresh techniques and methods(Vorster, 2007)

Accounting theory is the foundational presumptions, definitions, practices, and ideas that guide the development of accounting rules (Ogah, 2022).Second school of thought defines accounting theory as a process for foretelling and explaining. Clarifying and predicting accounting practice is the goal of accounting theory (Kabir, 2011). The second school also attempts to evaluate practice itself, while the first concentrates on the practice of accounting explains why he favours the first school in the following way:

A greater knowledge of current practices can be gained by using accounting theory. The main objective of accounting theory is offering a comprehensive body guideline serve as a framework assessing and creating sound accounting procedures that accountants and auditors prepare and examine financial records. Normative and descriptive methodologies are the two basic approaches for the formation of theory in general, and they serve as the foundation for these two schools of accounting theory. Although descriptive methodology looks at the phenomena to describe normative methodology challenges, currently describe what the theory should be (Olukayode et al., 2018). The normative technique is more prescriptive and focused on what the intended result should be (Kimbonguila et al., 2019a). In contrast, the descriptive technique explains, describes, and forecasts the underlying events (Kimbonguila et al., 2019a). The method used in the creation of a theory clarifies descriptive and normative practices as well as accountant current role in accounting field.

An objective-setting process called normative methodology is a logical one that leads to the development of practice and accountant is familiarity with financial accounting theories. The normative and positive theories are comparable in the following ways, according to (Coetsee, 2019). A normative theory is goal-oriented that represents circumstances. It outlines what should have been done and lays out a plan for how to do it. Goal assumptions and inference are the hallmarks of normative theories (Kimbonguila et al., 2019b). Positive theories aim to describe actual situations in the world. Positive theory research entails making empirical explanations of the pertinent phenomena that constitute topic. Thereafter, information pertinent to the issue is gathered, and independent processes are used to create and test hypotheses. If the theory of outcomes accurately depicts (describes) the empirical occurrences, it can be applied to forecasting and induction comes after empirical observation results. The linked initiative will be more solidly supported the more empirical observations there are (Kimbonguila et al., 2019b). It necessary to take advancements in accounting research for the past decades in order to comprehend the significance that these approaches to theory creation and development in accounting theory.

CONCLUSIONS AND RECOMMENDATIONS

This paper examined the possible contribution of various accounting theories and research to the formulation of unified accounting standards. According to more contemporary perspective, accounting theory generated through normative or positivistic approach. When normative technique appeared to be subjective and non-neutral in accounting research, it was superseded by the positivistic approach. As a result, mainstream accounting research began to use a positivistic perspective as its primary orientation. There is currently no complete theory of accounting due to either positive or normative research (in its absence). Because of this, there are no widely accepted theories in accounting that can be used to guide accounting research and produce reliable accounting rules. The theories in which accounting research is based should never be those directing study in other fields, such as finance and economics, although they are crucial. If accounting scholars can provide more theories that are applied or accounting-focused, will this help advance the application of accounting principles further? The general consensus is that mainstream accounting research does not inherently create accounting principles; rather, it merely contributes important knowledge to the standard-setting process.

This article rejects assertion that the standard-setters' decision-usefulness strategy results in grounded theory. The notion remains speculative since it hasn't been put to the test using the grounded theory methodology. Accounting scholars may also employ the grounded theory methodology to develop fundamental ideas, theories, and concepts that will serve as the foundation for mainstream accounting research's positivistic orientation. Accounting researchers need to continue to investigate this area. Because accounting is a social activity, many academics are urging researchers in the field to engage in social science research. These academics contend, there are other methodologies for accounting study that are just as legitimate as the positivistic approach

taken by conventional accounting research. It takes human interaction for the standard-setters to define accounting rules, which is a pragmatic and political process. In order to create accounting principles and related theory, both interpretative and critical research might be useful. These research methodologies can also be used to assess the fundamental accounting concepts rather than only the more general social elements of accounting. The best way to incorporate interpretive and critical research into the foundations of accounting needs to be continuously discussed.

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