DO ACCOUNTING PRACTITIONERS USE ACCOUNTING RESEARCH RESULTS?

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Abstract
This paper reports the results of a survey designed to explore if accounting practitioners are using as a reference point in their daily activities the opinions of academia. Since accounting research comprises various trends of research the earnings management research field is used as illustrative case. Among our respondents were accounting professional, members of professional bodies as the Chamber of Financial Auditors or Romania and also Body of Expert and Licensed Accountants of Romania. In order to achieve this goal our methodology employed neutral and direct interview based on closed questionnaire. The results documented were twofold. First, a gap between Romanian accounting research and practice exists. Second, accounting research has a marginal role in the practice of accounting. The size of the sample used is considered to be an important limitation. Further potential research is also approached.

Keywords: accounting research, accounting practice, earnings management

JEL codes: M41, M42

1. Introduction

Accounting research and accounting practice should be no different. In reality, a gap exists both at national (Albu and Toader, 2012) and international level (Duff and Marriott, 2012). In this respect, this empirical study seeks to explore not only inferences regarding accounting practice and research per se, but whether such gap can be found in a post-communist country, a code-law country as it is in common-law countries, where most of the studies documenting it were conducted.

Based on the fact that both quality of financial statements and legal protection of property rights are significantly lower in emerging countries compared to developed countries (Ball et al., 2003), countries such as Romania are exposed to a higher information risk.

Our topic is timely and relevant and least for two reasons. First, current literature documents an increasing gap between accounting and practice and solutions are willing to be found. Second, accounting research as any other research in economics should be focused on finding solutions and answers for the practice of accounting. In order to offer practical solutions, accounting research should focus more on the claims of accounting practice. This paper comprises an up to date research topic, its relevance and importance can also be found in the light of the recent global financial crisis and financial collapses of large companies documented so far in the literature. Since scholars worldwide documented that in recent years there is an increasing trend of managerial opportunism (Easley and O’Hara, 2004), such topic of research is timely. Moreover, despite considerable research conducted so far on accounting and practice gap, studies at national level are scarce.

In order to assess a potential gap between accounting research and practice at national level, a survey was conducted. In this respect, the opinions of accounting practitioners were assessed. The results documented that a divergent interest exist between academia and accounting practitioners in Romania.

The remainder of this work is organized as follows: the second segment comprises the research methodology followed by the state of the art segment. The findings and discussions segment follows next, while the paper end with the conclusions, limits of the paper and scope for future research.

2. Research Methodology

This second segment comprises explanations regarding the methodology employed. In this respect, as stated above, a survey was conducted, using Romanian accounting professionals as respondents. Since the main goal was to focus on the perceptions of accounting professionals, the interview was preferred. The perception regarding the earnings management practices assessed in accounting research and how the results of such trend of research are used in the practice field were of interest.
In order to explain if accounting professionals are interested in such results and use it on daily basis in their work, we interviewed 14 respondents in involved in accounting practice. The interview comprised closed questions being a neutral and direct one. Our sample was not randomly chosen since we were interested in interviewing some top respondents of Romanian accounting environment in Cluj County. All the respondents are Romanian expert accountants, from Cluj County, having the age between 38 and 49 years with an average of 11 years working experience. The period of conducting the interviews was 8 January – 13 March 2015. The duration and date of each interview is disclosed in Appendix 1. The participation of our respondents was voluntary, so no name of the expert accountants cannot be disclosed since such demarche was not authorized by the respondents. All of the 14 respondents are working in accounting firms, being involved in accounting practice on daily basis.

Is also important to mention that all our respondents held graduate degrees of qualifications in accounting. Since the goal of the paper was to assess if research and practice of accounting have divergent objectives in terms of earnings management practices, the questions assessed were designed to explore this potential gap. In this regard, our research question was developed as following:

Q1: Are accounting research results used by accounting practitioners?

3. State of the art

This segment of state of the art comprises a short summary of the main studies conducted in the literature on the topic of accounting practice and research gap both at national and international level (Albu and Toader, 2012; Parker et al., 2011; Tucker and Lowe, 2011). Not being a comprehensive review, this summary is very selective, being not author-centric but concept-centric.

At national level, Albu and Toader (2012) were able to identify three causes of the research-practice gap as following: first, research characteristics and the behavior of researchers; second, expectations of the accounting practitioners; third, characteristics of the communication between researchers and practitioners. Being the fact that researchers and practitioners have different interests, agendas and incentives (Albu and Toader, 2012), a closer relationship between them is difficult to be maintained.

Also, the studies conducted by Albu and Lungu (2012) and Albu and Albu (2012) documented that research accounting is strongly dominated by promotion criteria requiring publications in high ranking journals. Despite the fact that such journals, are not necessarily relevant for the field of accounting, researchers often are willing to publish in such journals for promotion reasons. Moreover, most of the time the research topics approached are not useful for the practice of accounting.

In order to increase the publishing chances, researchers use often mathematical and statistical research methods which act like a barrier for practitioners to understand the research results (Albu and Toader, 2012). Moreover, Baldvinsdottir et al. (2010) documented that highly mathematical profile of research and complex theory used together with the complex language used, are acting like influential factors for limiting the access of practitioners to research.

The complex language used in accounting research was observed also by Donovan (2005) and Guthrie et al., (2011) also who asserted that often researchers are using in their articles such language that can be difficult to be understood by the ordinary readers.

At international level, Tucker and Lowe (2011) documented that accounting practitioners do not seem to be interested to read, understand or get involved in research. On the other hand, Parker et al., (2011) documented that practitioners are reluctant to prove information for research and do not use the results from accounting research on daily basis as informational sources. In this respect, research and practice are like “worlds apart” (Laughlin, 2011). Both at national and international level, the documented gap between accounting practice and research was assessed in terms of factors influencing such gap. Among the factors identified by researchers, two were extensively documented. First, practitioners are known as being in need to find immediate solutions to their practical issues, while researchers tend to focus less on the practical relevance of the research topics approached. Moreover, as stated above, researchers tend to focus more on publishing their work in certain journals in accordance with the requirements of such journals, which further do not comprises practical implications. Second, since researchers use extensive mathematical and statistical research methods, the gap between research and practice of accounting is maintained. One potential reason for such implications can be found in the studies conducted by Hopwood (2008) and Khalifa and Quattrone, (2008) who documented that institutional objectives tend to influence the publication choices of accounting researchers.

Comprised in the segment arguing in favor of the existing gap between research and practice of accounting, Inanga and Schneider (2005) documented that accounting research is inadequately for accounting practitioners needs. On the other hand, Chalmers and Wright (2011) asserted that research results can be used in practice of accounting, if such results are properly disclosed. Also, Chalmers and Wright (2011) considers that a gap between accounting research and practice is more likely a perceived one, not a gap per se. Other authors like Moehrle et al., (2009) argued that a gap between research and practice is overvalued in the literature, given the fact that research in accounting generates significant useful effects that can be used in the practice of accounting.
4. Findings and Discussion

Our questionnaire comprised 9 closed questions and 1 open question. The first 5 questions assessed if accounting professionals use the results disclosed by accounting research conducted both at national and international level. In this respect, our respondents were asked to answer questions regarding: assess the access to professional journals and academic journals; assess the interest of reading academic journals; assess the time and resources magnitude invested in reading and understanding the research results published both at national and international level; assess the impact of such results in their daily practice of accounting; assess their involvement in supporting research activities at national level in the accounting field.

The last 4 questions were more specific and comprised questions developed with the scope of testing if our respondents are aware of the latest research results in the area of earnings management. In this respect, the latter questions comprised items as: the latest detection research designs employed in international spring of research for earnings management activities; the taxonomy of earnings management practices; the magnitude of such practices all over the world; the most known accounting scandals comprising earnings management practices; the demarches of professional bodies and regulators in fighting and limiting earnings management phenomenon. An extra commentary space was given with the scope of specifying the main sources of information mainly used (i.e. professional journals, academic journals, newsletters, specialized websites, forums, Big 4 publications, etc.).

In our attempt to assess the published accounting research for accounting professional that work in the practice of accounting, the respondents were required to assess above items explained on a scale from 1 to 5. In the last column of Table 1 below, the response average.

<table>
<thead>
<tr>
<th>Question/Likert scale</th>
<th>Strongly agree</th>
<th>Agree</th>
<th>Undecided</th>
<th>Disagree</th>
<th>Strongly disagree</th>
<th>Response average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Access to professional journals</td>
<td>6 (42%)</td>
<td>4 (29%)</td>
<td>0 (0%)</td>
<td>4 (29%)</td>
<td>0 (0%)</td>
<td>2.14</td>
</tr>
<tr>
<td>2. Access to academic journals</td>
<td>2 (14%)</td>
<td>1 (7%)</td>
<td>0 (0%)</td>
<td>10 (72%)</td>
<td>1 (7%)</td>
<td>3.50</td>
</tr>
<tr>
<td>3. Assess time and resources magnitude invested in reading research results disclosed by academia</td>
<td>2 (14%)</td>
<td>1 (7%)</td>
<td>3 (22%)</td>
<td>7 (50%)</td>
<td>1 (7%)</td>
<td>3.28</td>
</tr>
<tr>
<td>4. Assess the impact of academic results in your daily basis activity</td>
<td>1 (7%)</td>
<td>1 (7%)</td>
<td>0 (0%)</td>
<td>5 (36%)</td>
<td>7 (50%)</td>
<td>4.21</td>
</tr>
<tr>
<td>5. Assess your involvement of supporting accounting research at national level</td>
<td>2 (14%)</td>
<td>2 (14%)</td>
<td>1 (7%)</td>
<td>5 (36%)</td>
<td>4 (29%)</td>
<td>3.50</td>
</tr>
<tr>
<td>6. Awareness of the latest research designs used in the detection of earnings management practices</td>
<td>1 (7%)</td>
<td>0 (0%)</td>
<td>2 (14%)</td>
<td>7 (50%)</td>
<td>4 (29%)</td>
<td>3.92</td>
</tr>
<tr>
<td>7. Awareness of the taxonomy of earnings management practices</td>
<td>3 (22%)</td>
<td>3 (22%)</td>
<td>2 (14%)</td>
<td>4 (29%)</td>
<td>2 (14%)</td>
<td>2.92</td>
</tr>
<tr>
<td>8. Awareness of the magnitude of earnings management practices documented in the research field</td>
<td>3 (22%)</td>
<td>2 (14%)</td>
<td>5 (36%)</td>
<td>3 (22%)</td>
<td>1 (7%)</td>
<td>2.78</td>
</tr>
<tr>
<td>9. Awareness of the demarches of professional bodies and regulators to limit earnings management practices</td>
<td>2 (14%)</td>
<td>2 (14%)</td>
<td>1 (7%)</td>
<td>5 (36%)</td>
<td>4 (29%)</td>
<td>3.50</td>
</tr>
</tbody>
</table>

Total respondents 14

Source: Author’s projection

Based on the results disclosed, accounting professionals have access to professional journals, but low access to academic journals. Among the reasons mentioned by the accounting professionals were the lack of interest for assessing the results of academic research but also the lack of financial resources and time for conducting such demarches. Given the fact that academic journals usually offer access to their publications based on subscription, there is a low visibility for practitioners fact that can explain the average answer of 3.50 (on a scale from 1 to 5).

Also, based on the results documented only 2 respondents from 14 argued for the importance of using on daily basis the latest results documented by the accounting research. On the other hand, 86% of the respondents declared that academic are not used in their activity. Similarly to previous results documented in the literature, the respondents argued that such research results are not used in their daily activity based on the fact that either the topics approached...
are not relevant in the practice of accounting (i.e. like tax accounting and financial reporting changes), in most of the cases both the terminology and research methods are complex conducting to a low understanding of the items assessed. The areas of interest mentioned by the respondents correspond to previous results documented in the literature abroad in terms of accounting research influencing the accounting practice (Moehrle et al., 2009).

Typical for our country, with low rate of responses in terms of supporting research demarches, the answers given by the respondents are no surprise. In this regard, 65% of the responses disagree involving in supporting research in their field. The reasons mentioned were: lack of time and lack of interest in the researched topics approached by academics.

When it comes to assessing the awareness of the latest research designs used for detecting earnings management practices only one respondent declared that he was interested in examining such issues. The large majority of the respondents are not aware of the latest research designs used for assessing earnings management practices in accounting research. On the other hand, the taxonomy of earnings management practices is known by the large majority of the respondents. In this regard the respondents could identify schemes of earnings management as: profit underestimation, profit overestimation, income tax or leasing manipulations. For the next question, regarding the awareness of the magnitude of earnings management practice, the central tendency bias existed. In this respect, the interpretation of the results should be treated with caution. Similarly, the large majority of the respondents are not aware of the demarches conducted by both professional bodies and regulators in order to limit earnings management practices.

Also, the last open question answers were assessed. In this respect, almost all respondents argued that given the lack of time, they prefer to be informed from informational sources as accounting forums and professional journals accessed by subscription or short newsletters. Almost all respondents asserted that they look for answers when their daily activities requires.

5. Conclusions, limits and scope for future research

The study contributes to the literature by extending current empirical evidence at national level on the gap between research and practice of accounting. The results of this empirical study document that inferences prior documented in the literature like: language, lack of financial resources, complex research designs comprising mathematical and statistical research methods, different incentives and interests, lack of communication have the potential to impact the relationship between accounting research and practice, preserving the gap between them at national level too. Summarizing the above factors maintaining the gap between accounting research and practice, all reduces to human mentality and attitude, combined with a lack of financial resources extensively documented in studies from CEE.

One of the inferences identified consisted in the practitioners’ perception regarding the relevance of the accounting research. In this regard, practitioners assess the language used by researchers as being too complex, similarly assessing the research methods used. Also, the divergent interest of the practitioners and researchers prior documented in the literature can be documented by this empirical study also. While accounting research is driven by fundamental research and assessing long-term solutions for a complex issues in accounting, practitioners are known as seeking immediate solutions to their problems.

Romanian practitioners do not rely on academic journals used for informational purposes, instead professional journals, accounting forums and newsletters seem to be the preferred sources. Also, Romanian practitioners seems not be willing to participate in research demarches, among the reasons mentioned were the lack of time and the lack of interest in the topics approached by researchers. When it comes to assess the latest results documented in earnings management area of research (chosen as an illustrative case), the large majority of respondents asserted that are not aware of such issues. On the other hand, the taxonomy of earnings management practices are known unlike the demarches documented in the literature as being undertaken by the professional bodies and regulators in order to limit such manipulative behaviors.

Among the most important limits of this study is the small sample used. The inherent limits comprised usually in survey studies can also be remembered. Is up to future research to try to connect research to practice of accounting. Among various solutions proposed in the literature, the solution proposed by Richardson (2011) has the potential to make a change, and is related to the importance of education in supporting such relationship.

Acknowledgement

"This work was supported by the project “Excellence academic routes in the doctoral and postdoctoral research – READ” co-funded from the European Social Fund through the Development of Human Resources Operational Programme 2007-2013, contract no. POSDRU/159/1.5/S/137926.”
6. References


Appendix 1 – List of interviewees

<table>
<thead>
<tr>
<th>Respondents</th>
<th>Duration</th>
<th>Month</th>
<th>Day</th>
<th>Year</th>
<th>Researcher</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>35 min.</td>
<td>January</td>
<td>8</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R2</td>
<td>30 min.</td>
<td>January</td>
<td>16</td>
<td>2015</td>
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</tr>
<tr>
<td>R3</td>
<td>25 min.</td>
<td>January</td>
<td>16</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R4</td>
<td>45 min.</td>
<td>January</td>
<td>23</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R5</td>
<td>30 min.</td>
<td>January</td>
<td>29</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R6</td>
<td>40 min.</td>
<td>February</td>
<td>5</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R7</td>
<td>35 min.</td>
<td>February</td>
<td>5</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R8</td>
<td>45 min.</td>
<td>February</td>
<td>6</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R9</td>
<td>30 min.</td>
<td>February</td>
<td>12</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R10</td>
<td>25 min.</td>
<td>February</td>
<td>13</td>
<td>2015</td>
<td>Alina B. Vladu</td>
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<tr>
<td>R11</td>
<td>55 min.</td>
<td>February</td>
<td>19</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
<tr>
<td>R12</td>
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<tr>
<td>R13</td>
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<td>March</td>
<td>13</td>
<td>2015</td>
<td>Alina B. Vladu</td>
</tr>
</tbody>
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