(A)

Accounting theory is increasingly used to explain research findings and outcomes in all areas of accounting research. 'It is used to bridge the gap between accounting research and accounting practice' (Lee, T.A., 2020). Using a minimum of 3 accounting-based journal articles explain how using accounting theory to inform accounting research findings and outcomes helps bridge the gap between accounting theory and practice.

Introduction

Accounting theory plays a comprehensive role in filling the gap between the academic research and practical application and informing research outcomes and findings. Theoretical background knowledge has an important role in the account of policies, standards as well as principles, and financial reporting. The research-practice gap occurs because the priorities given by scholars during publishing activities in academic works give more importance to practical contributions aimed at having a difference in theoretical explanations and practical implementation (Tucker & Lowe, 2011).

Mitigating (Bridging) Gap by Accounting Theory

1. **Pragmatic Enhancement of Research:** The collected information helps thinking when researchers make the assumed theoretical model of help to policymakers, accountants and the financial analysts in making better decisions. In terms of Real Impact Factor approach, Kaplan discussed about how approach to Real Impact Factor framework indicates that there are some good academic researches to not only boost its citations but also have supporting world of accounting practice (Kaplan, 2011).
2. **Assisting in Standard-Setting and Policy Making Process:** The accounting standards and policies normally resulted from theoretical research. Many of FASB and IASB's policies from academic research findings are based source that standard-setting countries are expected to provide the transparency and fairness, other comparability and reliability in of financial reporting. Empirical statutes of account measures on the base of accounting theory may disclose vital information concerning the initiative and the foreshortening of the regulations which permit the new common to work in the true economic power and the interests of stakeholder (Schipper, 1994).

3. **Reducing Accounting Obstacles Faced by Accountants:** The gap between theory and practice is bridged by maintaining current obstacles in financial reporting, financial accounting theory and managerial accounting theory. Positive Accounting Theory and the other forms of research that influence corporate governance issues of earnings management and financial fraud detection, are also lightened. These theoretical studies prove to be useful analytical tools to professionals in order to minimize the risks and enhance the financial integrity (Green, 2010).

Conclusion

Accounting theory is a major link between academic research and accounting practice as it provides a structured platform on how to examine financial terms, make policies, formulate the standards and come up with solutions to the real-world problems. The articles reveal the detection of the gap between the research and practice and could be alleviated through standing the theoretical insights for the policy making, the justification of the academic research and the matter resolution.

(B)

Choose 2 specific theories and using these describe and analyze why accounting researchers use these 2 theories? Support your answer with 4 or more journal readings from your independent research. (Use at least 2 or more research papers for each theory).

Introduction

Many theories are used by accounting researchers to aid accounting practices by analyzing financial terms. The two theories in accounting research are Positive Accounting Theory (PAT) and Stakeholders Theory.

First Chosen Accounting Theory: Positive Accounting Theory (PAT)

Positive Accounting Theory (PAT) aid in clarifying and forecasting firms' accounting choices. It presumes people are rational self-interested and accounting policies are meant to counteract this agency problem and to maximize the wealth of the shareholders (Watts & Zimmerman, Positive Accounting Theory: A Ten Year Perspective, 1990).

Why Researchers Use PAT

1. Managerial Behavior: The researches use PAT to explain why manager selects accounting policies by the incentives such as bonus compensation, debt covenants, and political costs (Deegan & Unerman, Financial Accounting Theory: European Edition, 2006).

2. A Theory of Predicting Accounting Choices: PAT has insight into whether firms will adopt conservative or aggressive reporting practices when new accounting standards are presented (Holthausen & Leftwich, The economic consequences of accounting choice, 1983).

3. PAT Empirical Testing and Hypothesis Development: There have been studies that have revealed how firms adapt their accounting options to the financial conditions and managerial incentives plan (Watts & Zimmerman, Positive accounting theory: a ten year perspective, 1990).

4. Regulatory and Policy Implications: Policymakers and regulatory bodies use PAT to evaluate the accounting standards' impact on the financial statements of the firms. A realization of how firms' feedback to regulations aids in developing policies that aid in the encouragement of transparency, fairness and consistency in financial reporting (Neu & Simmons, 1996).

Second Chosen Accounting Theory: Stakeholder Theory

Stakeholder Theory as a theory that corporations should be concerned with interests of all stakeholders as opposed to shareholders only (Freeman, 1984). Stakeholder Theory changes the focus from profit maximization to ethical responsibilities and accountability towards all the stakeholders, i.e., the employees, investors, customers and community.

Why Researchers Use Stakeholder Theory (Accounting Theory)

1. Stakeholder Theory as applied in Corporate Social Responsibility (CSR) Research: Firms are examined as how they present their disclosure to CSR activity and the financial performance outcome. Through an inspection of the CSR reporting practices, we can assess to use sustainability practice to amplify the goodwill or to fulfill the regulation compliance (Donaldson & Preston, 1995).

2. Sustainability Practice: This assists the description of why companies engage voluntarily in sustainability practice beyond regulatory compliance and why companies start awareness on social and environmental responsibilities. This theory appears relevant to accounting research since firms are excessively under pressure from stakeholders to report on the transparency of environmental and social impact reports (Gray, Kouhy, & Lavers, 1996).

3. Conclusion of Accounting Standards: Firms present their financial statements with diverse reporting frameworks influenced by stakeholder groups which in turn influences how firms want to report their financial statements (Mitchell, Agle, & Wood, 1997).

4. Value Creation for All Related Parties: This cares for all parties of the organization to create value focusing on ethical and sustainable business practices. This framework is used by researchers to determine the relation between financial performance and social responsibility (Freeman, 1984).

Conclusion

Stakeholder Theory provides a framework of analysis for internal reporting practice, CSR and sustainability reporting practice; PAT is important for predicting accounting choices. The theories presented in this paper are able to augment our conceptual understanding of the high complexity of the relationship between accounting, financial reporting, and accounting regulation as well as ethics.

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