Definition of Theory

Theory as:

- a systematic statement of principles
- a formulation of apparent relationships or underlying principles of certain observed phenomena which has been verified to some degree
The Objective of Theory

- Explain
- Predict

Theories may be described as:

- Normative Theory --> explain what should be
- Positive Theories --> explain what is
THE OBJECTIVE OF ACCOUNTING THEORY

- to provide a set of principles and relationships that provide and explanation for observed practices
- predict unobserved practices

Accounting theory should be verifiable through accounting research
The development of a general theory of accounting is important because of the role accounting plays in our economic society.
THE EARLY HISTORY OF ACCOUNTING

- Accounting records dating back several thousand years have been found in various parts of the world. For example:
  - The Zenon pappri (1915)
    - a written record of all transactions
    - all the accounts were audited
• Renaissance period (1300-1500)
  • evolving trend toward the double-entry bookkeeping system we now use developed (Fra Luca Pacioli)

• 1600
  • emerged statements of profit and loss and statement of balance
- the 19th century
- periodic report
- distinguish between capital and income
- development of accounting standards
- a debate over which financial statement should be viewed as most important, the balance sheet or the income statement
Homework

- Group 1: Review the early accounting in Thailand
- Group 2: Present the structure of Accounting Standards Committee of Thailand and list accounting standards
Room for debate

∗ Roper Corp. purchased 100 storage boxes for the office. The boxes cost $15 each and should last at least 10 years.

∗ Team Debate:
  ∗ Team 1: Argue for the capitalization of the boxes.
  ∗ Team 2: Argue against the capitalization of the boxes.

Your arguments should be grounded upon the Conceptual Framework, emphasizing the objective of financial reporting and the qualitative characteristics of accounting.