

A CRITICAL PERSPECTIVE ANALYSIS OF INDONESIAN ACCOUNTING THOUGHT: SOME PRELIMINARY THOUGHTS ON THE SEARCH FOR BETTER UNDERSTANDING OF ACCOUNTING IN PRACTICE

Eko Ganis Sukoharsono
Department of Accounting – Brawijaya University

Abstract

This paper provides some preliminary thoughts on a long-term qualitative research project investigating the development of Indonesian accounting thought. The first thought is to explicate accounting and its relation to the existing sociological perspective. Western and Indonesian sociological perspective are included in analyses.

The second thought is that the understanding of historical development of accounting in Indonesian is significantly needed for deeper analyses on the current development and problems of Indonesian accounting. It is also argued that accounting colonialism's legacy has much shaped the models of Indonesian accounting today.

The third thought is that given the adoption of critical perspective, accounting in practice provides a richer picture. For example, accounting can be viewed as a central to the process of reality construction within an organization, shaping decision making in accordance with the value and perspective of the organizational and social reality.

Introduction : A general Overview

The professional basis of accountancy knowledge and practice in Indonesia has recently been subject to serious analyses. There has been traditional concern about the independence of accountancy and auditing practice. This concern has been brought to public attention by the debates about whether accountancy is not a science, accounting regulations and standard-setting, and corporate financial scandals. For example, Sudibyo [1986], at SEATU conference 1986, questions that in the basic term of accounting and accounting in practice, accounting is neither an art, nor a science but as a technology. Similarly, Mulyadi [1986] also criticizes that most of accounting control systems created by himself have some difficulties to be applied in the "real" client situation. Recently, in 1990 there were several Indonesian private banks and financial companies collapsed (see Kusumah [1990, p.74-75]). Public opinions accuse that accounting profession should be responsible in this case.

Based on the questions and criticism above, the author is aware of how little we know about the actual functioning of accounting. This view is surprising, because a number of research and publications addressed to accounting practices dominates our academic readings. Yet, it should be noted that "do we know enough about accounting in practice?". The answer is argued that little is understood about accounting in practice either accounting's social roots or the interconnection and interrelationship between the social and technical aspects.

There is a growing number of accounting researcher questioning conventional accounting. Not only Indonesian accounting researchers, but American, Australian, Canadian, New Zealandian, and UK accounting researcher also criticize conventional accounting. Questions have been raised and criticisms have been written through many published journals (e.g., Cooper [1983], Tomkins and Groves [1983], and Dillard [1991]). These criticisms were primarily addressed to serious deficiencies in the theoretical and methodological bases of accounting and to associated misconceptions in practice. As pointed out by Hopper *et al* [1987, p.438], there are currently two sorts of attack to conventional management accounting knowledge, as represented in mainstream textbooks and articles in leading journals. The first attack severely questions its theoretical and methodological bases of accounting. The second one is that conventional management accounting is often not used in practice.

Based on these preceding statements, this paper aims to provide some preliminary thoughts into the introductory analysis of accounting in Indonesian. The analysis includes three purposes. The first purpose that the author would like to explicate accounting and its relation to the sociological perspectives. This consists of the understanding of the existing “western” sociological perspectives and Indonesian perspective. The second purpose is to understand the historical development of accounting in Indonesian accounting. The third purpose is that the author would like to provide some preliminary thoughts on the future understanding of Indonesian accounting in practices under the root of the critical perspective.

Philosophical Assumptions Accounting and Its Relation to Sociological Perspective

Central to this paper is the idea that every conducting accounting research study firstly has to consider four interconnecting attributes of assumptions. These are ontology, epistemology, human nature, and methodology. Understanding of all these attributes are based on the assumptions that all social scientists (including accounting) should approach their research subject and object into the nature of the social world and the way in which they (subject and object) maybe investigated (*see*, Burrell and Morgan [1979]). The first assumption is *ontology*. This refers to the assumption which concern the essence of the phenomena under investigation. These are two extreme approaches : (1) the one extreme reality is “subjective” approach that is regarded as having an empirical, concrete existence of a world external to, and independent from the cognition of any individual, (2) the other extreme reality is “subjective” approach that posits the concrete existence of a social world as a product of individual consciousness. Secondly, epistemology refers to the nature of knowledge – about how one might begin to understand the research questions under investigation. The theory of knowledge [epistemology], on the one hand, can be acquired through observation and is constructed by a positivist (or, physical) science – “objective in nature, the other extreme approach is believed that knowledge comes from experience and insight of an active participant in the refers to the assumption is believed that human behavior are dictated and determined by their external environment. Fourthly, *methodology* refers to the way in which a

research process can be carried out to investigate an obtain “knowledge” about accounting and its relation to social reality. As stated by Burrell and Morgan [1979], two related extreme assumptions can be argued : (1) if the social world is regarded as the same as science by traditional “natural scientist” that view as being “hard”, “real”, and external to the individual, then methods from the natural sciences dominate the research processes in locating, explaining, and predicting the social phenomena. In this regard, statistical techniques are basically and very often used to test research questions and hypotheses , and to analyze data collected by standard research instrument of natural sciences, such as the use of questionnaire and quantitative techniques for data analysis. Conversely, (2) if the social world is regarded as the creation of subjective experience of individuals, then research methods are focused on exploration of pure subjectivity of active participants in the phenomena under investigation.

As briefly discussed above, it provides various views that different assumptions about ontology and human nature in the social world have different ways for thinking about the kind of epistemology and methodological assumptions that maybe appropriate for underlying and continuing research process. Before deciding which assumptions are appropriate for underlying the discussion of this paper (and further research process). Table 1 provides a trans typology from objective to subjective approach that can be used for understanding such philosophical assumptions.

Table 1
 NETWORK OF BASIC ASSUMPTIONS CHARACTERIZING
 THE SUBJECTIVE-OBJECTIVE DEBATE WITHIN SOCIAL SCIENCE

ASSUMPTIONS	Subjectivist Approaches to Social Science	←----->				Objective Approaches to Social Science
		Reality as projection of human imagination	Reality as a social construction	Reality as a realm of symbolic discourse	Reality as a contextual field of information	
HUMAN NATURE	Man as pure spirit consciousness, being	Man as a social constructor, the symbol creator	Man as an actor the symbol user	Man as an information processor	Man as adaptor	Man as a responder
EPISTEMOLOGY	To obtain phenomenological insight, revelation	To understand how to social reality is created	To understand patterns of symbolic discourses	To map contexts	To study systems process, change	To construct a positivist science
SOME FAVOURED METAPHORS	Transcendental	Language game, accomplishment, text	Theater, culture	Cybernetic	Organism	Machine
RESEARCH METHODS	Exploration of pure subjectivity	Hermeneutic	Symbolic analysis	Contextual analysis of Gestalten	Historical analysis	Lab experiment surveys

Source : Adapted from Morgan and Smircich [1980, p.492]

1. Western Sociological Perspectives¹⁾

related to the previous discussions in this paper, there are several western sociological perspective, in terms of “Burrell and Morgan” paradigms –

functionalist, interpretive, radical humanist, and radical structuralist, are social system theory, pluralism, interactionist, labour process perspective, critical theory, foucauldian perspective, Giddens's structuration theory modern, Postmodern perspective, and many other western perspective. However, in order to simplify presentation and make this paper of manageable length, I shall restrict my attention to focus four western sociological perspectives. They are the interactionist perspective, Foucauldian perspective, critical theory, and Postmodern perspective.

a. **The Interactionist Perspective** ²⁾

The philosophical foundations of interactionism was the product of the German idealist tradition of social thought based on the work of Kant (1724 – 1804). His central idea is concerned with the understanding of social world as an emergent social process which is created by the interaction of individuals.

In accounting research, the interactionist perspective has been adapted since the 1970s by employing behavioral perspective into accounting (cf., Tomkins and Groves [1983]). However, the clearest advocacy of this perspective as an alternative of accounting research methodology to functionalist/ mainstream accounting research ³⁾ was found by Colville [1981]. Colville argued that conducting research in "behavioral" accounting might be useful if interactionist perspective is used as a basis of methodological research. Similarly, even there are weakness and limitations (see Morgan [1983], and Wilmott [1983], Tomkins and Groves [1983] stated that it is important for accounting researchers to move away from functionalist to interactionist perspective in order to get better understanding of accounting roles in the social activities.

Subsequent to the studies of Colville [1981] and Tomkins and Groves [1983], there are several accounting researchers who concern with the interactionist's methodological views in understanding the nature of accounting in society. They are Rosenberg, et al [1982], Covalski and Dirsmith [1983, 1986, 1990], Tomkins and Colville [1984], Preston [1986], Kaplan [1983, 1984, 1986], Chua [1986b], Macintosh and Scapens [1989].

(this sub-section needs further deeper analyses)

b. **Foucauldian Perspective**

Michel Foucault, a French "genealogical – historical" philosopher, is acknowledged as one of the great intellectuals of the Post-World War II (cf., Hopper and Macintosh [1990]). Central of his idea is concerned with the task of producing social analyses which are permeated by philosophical insight. In particular, his major concern is related to two epistemological techniques: *Archaeology and Genealogy*. In analyzing social phenomena. These techniques have been used as a basis of his series publication of critiques of social phenomena including mental illness, sexuality, the human science, asylums and prisons (Foucault [1972, 1977]). In short, Archaeological analysis is focused on the complex of rational discourses in analyzing a social phenomena under investigation. Hopwood [1987], "*The Archaeology of Accounting Systems*", has given us some useful insight of Foucault's work to examine accounting phenomena (see also Loft [1986], Arrington and Francis [1989], and Hopper and Macintosh [1990]). Genealogical analysis concerns with "knowledge" and "power" to demonstrate that

history is two processes of “descent” (Herkunft) and “emergent” (Entstehung) that is not linear (cf., Last[1990]). “knowledge” are interconnected. According to him, “knowledge” is not only considered as the exercise of “power”, but also “power” itself can operate systems which produce “knowledge”.

In the accounting context, early accounting researchers who brought Foucault's idea in elaborating the development and change of accounting knowledge were Burchell, et al [1980]. They particularly prefer Foucault's idea to observe the relationship between the institutional setting of accounting and the development of accounting knowledge. Five years later, Burchell and his colleagues [1985] used a genealogical approach in conducting the case study of the value-added concept in the UK. The purpose of their study was to explore some existing theories of the social nature of accounting practice using the case of the rise of interest in value added accounting in the UK in the 1970s. They adapted a historical genealogical approach as a device to avoid the assumption that accounting has some essential role or function. In general, the result indicated that using a historical genealogical approach, they can indicate how the value added event arose out of a complex interplay of institutions, issues and process. For example, they found that in the context of agency theorists, financial statements are viewed as economic goods for which there exist a certain demand and the production of which there exists a certain demand and the production of which entails certain costs (see also Burchell, et al [1985]).

Other accounting researchers who also adopted Foucault's power-knowledge relationships in the context of accounting history are Hoskin and Macve [1986, 1988, 1991], Loft [1986, 1988], Miller and O'Leary [1987], Hopwood [1987], and Hopper and Macintosh [1990]. Even several accounting studies published by adapting the Foucauldian concept, there are, however, several criticisms addressed to the concept. For example Neimark [1990] criticized Foucault's concept in terms of two sorts of attack. Her first attack was that Foucault's concept of “power” and “knowledge” is in somewhat doubt as a basis of regenerative theorizing of analyzing social phenomena. For her, Foucault's concept should be categorized less as an emancipatory thinker than as a “neo-conservative” (e.g., Lyotard and Baudrillard's thought). The second attack was that Foucauldian work has a major difficulty to be applied in accounting research arena in terms of “value-free” analysis (see also the detail analysis from Hoskin and Macve [1991]).

c. Critical Theory ⁴⁾

Critical theory was developed by a group of philosophers, known as the “Frankfurt School”. The group includes Horkheimer, Gadamer, Aronson, Benjamin, Marcuse, and Habermas. A particular concern of this school of thought was that they attached scientism for its inability to handle social theory and for its narrow appeal to “instrumental reason” (Held, 1982). Critical theory primarily has a fundamental belief that any dynamic social theory must view society and its parts as highly dynamic. As stated by Gaffikin [1989, p.174] who cited Geuss' [1981] argument, there are three essential features of a critical theory :

1. Critical theories have special standing as guides for human action in that;
 - a. They are aimed at producing enlightenment in the agents who told them, i.e., at enabling those agents to determine what their true interest are;

- b. They are inherently emancipatory, i.e., they free agents from a kind of coercion which is at least partly self-imposed, from self-frustration of conscious human actions.
2. Critical theories have cognitive content, i.e., they are forms of knowledge .
3. Critical theories differ epistemologically in essential ways from theories in the natural science. Theories in natural science are 'objectifying;' critical theories are 'reflective.'

Amongst the critical theorist (Horkeimer, Gadamer, Ardono, Benjamin, Marcuse, and Habermas), the most prominent of the new generation is Jurgen Habermas (cf., Held [1980], Pusey [1987], White [1989], Lyyntinen and Klein [1985] and Laughlin [1987]. For example, Laughlin [1987] and Lyyntinen and Klein [1985] pointed out that Habermas' thought has the great potential methodology approach for investigating social phenomena more widely.⁵⁾ Similarly, Puxty [1987] argued that Habermas wor offered a comprehensive new social theory that engages with the control theoretical paradigm of modern science.

Habermas critical theory primarily focuses on achieving success of actions in social interactions, he called the action as communicative action. This takes place through language in achieving mutual understanding of reality within everyday life. In accounting field, understanding, what Habermas says about "language", has been well elaborated by Laughlin [1987] and Lord [1991]. According to Laughlin [1987], Habermas language and communicative action are "element which is vital in allowing understanding to occur and non-violent change to happen". This element is built upon very basic rational skill which marks out our uniqueness as human being. For Habermas, language provides a key as a medium for coordinating action that, according to White [1988, p.36], can produce subsequent patterns of interaction in everyday life.

Employing a critical perspective in accounting research has been used since the early 1980s (e.g., Laughlin, et al 1982, Laughlin and Puxty [1983, 1984]. By the time, Laughlin and Puxty [1984] argued that under a critical perspective, they believed that the process of exposing worldview, structures of social relations and other underlying factors of accounting regulation can be achieved. They also added that the problems of accounting regulation can be clarified and resolved using rational discourse of Habermas critical perspective. Subsequently, Laughlin, Puxty, and Macintosh extended Habermas view as a methodological approach, for Puxty [1987], to examine the modes of accounting regulation, for Laughlin [1987, 1988], to investigate and understand accounting systems in their organizational context – the case of church of England, and for Macintosh [1988], to examine and analyze IBM's annual reports in terms of their construction and reconstruction of an ideology of an inferior role for women in the computer workplace.

Although, these accounting researchers has stated the usefulness of Habermas methodological approach into accounting research arena, there are a number of difficulties evident which might counter this critical perspective (cf., Pusey [1987] and Roslender [1990]). Roslender [1990] criticized Habermas critical theory in terms of the political legacy, the language of texts, and the micro-level validity of critical theory was based on a Marxist mode of analysis that focuses the socialist revolution commitment of working class in understanding the totality of modern capitalism. Secondly, the

language of original texts of Habermas critical theory has been written originally in Germany contextual culture. Thus, it takes time and patience in understanding what Habermas exactly argued and thought about critical theory. Thirdly, what are the micro level validity and justification employing critical theory in our methodological research approach? Laughlin himself recognized this question (see also Laughlin [1987]).

Another criticism to Habermas critical theory comes from a new "neo-conservative" school of French theoreticians. They include Baudrillard, Lyotard, Kroker, and Cook, Jameson (cf., Asley [1990]). Their central criticisms are in terms of Habermas social action : "communicative action and communicative rationality". They argued that Habermas rational potential of the public sphere, of ideal speech, of rational discourse that he articulated "free of force" is probably only illusive, or may be never achieved.

d. Postmodernist Perspective ⁶⁾

If we believe the French theoreticians such as Baudrillard, Lyotard, Kroker, Cook, and Jameson, we are now in a typical post-era (postmodern). These theorists of postmodernism essentially are concerned with the destabilization of classically modern signifier and the overall destruction of symbolic orders (cf., Jensen [1986], Smart [1990]). In this context, amongst these French theorists labeled a new "neo-conservative" school of thought, perhaps the most important contemporary theorist is Baudrillard and Lyotard who challenge both to traditional and critical theory (cf., Ashley [1990] and Turner [1990]). According to Kellner [1988], Baudrillard describes a simulations and simulacra that create in turn new forms of society, culture, experience, and subjectivity, while Lyotard describes a "postmodern condition" that marks the end of the grand hopes of modernity and the impossibility of continuing with the totalizing social theories and revolutionary politics of the past.

In somewhat similar to critical theory, postmodern perspective also uses "language games" to analyze the various activities within everyday life under investigation. Differently, language game of postmodern comes from Wittgenstein,⁷⁾ whereas languages game of critical theory was derived from neo-kantian value philosophy. A language game approach in the spirit of Wittgenstein would assert the existence of a variety of linguistic practices and the absence of any overarching metalanguage. For postmodernist perspective of Baudrillard and Lyotard, adopting a language approach to knowledge is a key focus in implementing our own rules, structure and changes within reality. Indeed, language games for Lyotard are the "social bond" which holds society together. He characterized social interaction primarily in terms of making a move in game, playing a role and taking a part in various discrete language game.

In so far, there is a little concern of accounting researchers adapting the postmodernist perspective into accounting research arena. Even there is a number of debate and questions concerning the existence of this perspective, this challenges to accounting researchers to explicate whether this perspective can provides an alternative to the functionalist. It might be argued that it is important to understand the growing thought of the Postmodernist perspective in order to give us an additional choice to the functionalist perspective.

2. Indonesian Sociological Perspective [PANCASILA] :A briefly preliminary insight

It is impossible to understand the development of Indonesian and Indonesian today without an appreciation of the role of Pancasila in molding the nation's spirit and outlook on life and its profound significance as a philosophical guide to social and government actions and policies. Unlike interactionist, critical theory, and postmodernist perspective, Pancasila is Sanskrit language that means five principles (Panca = Five, Sila = Principles). This represents the five inseparable and mutually qualifying principles of Indonesian society and the nation's official ideology. These were proclaimed by Soekarno (the first Indonesian President) in a speech on June 1, 1945. respectively, the Pancasila has been used as a philosophical basis of Indonesian's everyday life.

The five principles are a mixture of morality, emancipation, nationalism, democracy, and social justice for all Indonesians. They are (1) *Belief In The One Supreme God*. This foremost principle, embodied in the Indonesian social reality and the constitution, is the basic foundation of all philosophical life of Indonesians. (2) *Belief in emancipation amongst human beings around the world*. This affirms respect for all peoples having rational knowledge in participating, for example world-peace, social justice, in our everyday life. The "emancipatory" interest is the vehicle in increasing social rationality, justice and morality within our reality. (3) *Belief In nationalism*. This proclaims the national is a liberating movement as opposed to imperialism and colonialism. (4) *Belief in democracy*. This is based on democracy is the natural condition of individual, although it is modified to fit particular social conditions. Pancasila democracy is based on two ancient Indonesian concepts : Gotong-royong (or mutual assistance) and Musyawarah (or communicative action). (5) *Belief in social justice*. With social justice, individuals link social propensity. Belief in social justice, is also belief in the social, economic, and political as power through individuals work together, by mutual assistance and communicative action, in order to get optimal results in any effort.

Based on the brief discussion above, it can be argued that the five philosophical principles of Pancasila provide a wealth of insight on ideology, consciousness, human emancipation, communicative actions and social justice within our everyday life. However, there is a major central question concerning this perspective into accounting research methodology. This question is "can we bring a Pancasila philosophical perspective as an alternative of accounting's methodological research approach?" The answer of this question is that it is a big task of accounting researchers (especially Indonesian accounting researchers) to grab out the Pancasila root into conceptual and theoretical understanding of accounting.

To date perhaps the best example of the use of Pancasila perspective in the context of economics is Prof. Mulyarto [1987]. In particular, he developed a conceptual system of Indonesian economy based on Pancasila perspective. However, he did not specify the Pancasila perspective into a methodological basis of research in economics. This returns us (especially Indonesian social scientists including accounting researchers) to explicate in detail and justify what, how are the requirements of the Pancasila perspective to be an alternative of accounting's methodological research approach and why?

3. Some Preliminary Insight Of A Critical Perspective : An Alternative Of Accounting Research Methodology

From the preceding discussion, there are the principal sociological perspective (Western and Indonesian sociological perspectives) on offer, their attractions and their drawbacks, strengths and weakness. Firstly, in general the interactionist perspective stresses the constant uncertainty confronting individuals with the understanding of social world as an emergent social process which is created by the interaction of individuals. Through language, they negotiate an understanding shared by others. Thus, as reflected in accounting context, it can be said that accounting maybe regarded as a "common language" for the discussion and resolution of contentious issues (Cooper, et al [1981]). Secondly, Foucauldian perspective stresses on a "historical building" in managing modern civilization, through a methodology which he was heavily reliant on two epistemological techniques : *archaeology and genealogy*. Thirdly, Habermas critical theory primarily focuses on "historically grounded social theory of the way societies and the institutions which make them up, have emerged and can be understood" (Laughlin [1987, p.482]). For Habermas, through language and communicative actions, human beings can be enlightened, empowered and emancipated. Fourthly, Pancasila perspective, In this paper, only provides preliminary insight of Indonesian philosophical life. The primary concern of this perspective is articulated in terms of the five-principles approach that exist within Indonesian society. However, this paper has not yet defined and elaborated in detail a concrete approach to be applicable as a methodological research. Its reasons are (1) limited material provided in English version, (2) limited to grub out the basic philosophy of this perspective. However, it is not impossible that this perspective will be elaborated In future work by the same author in the context of accounting.

As has been discussed previously regarding the principal sociological perspective that exist surrounding us, Habermas critical theory is chosen as the analytic methodology for this study. This theory is aimed primarily to investigate societal and institutional ideologies and is used to analyze and change the patterns of accounting in Indonesia. Justification for this concern is expressed in terms of three basic views. Firstly, Habermas critical perspective provides dynamically linking theory to practice. As stated by Laughlin [1987], for Habermas, "Theory must always have some sort of effect on practical "real world" phenomena". Secondly, Habermas critical theory sees human beings as having inner potentialities in developing and changing social reality. And objects can be identified and understood through interconnection between critiques, historical development and changes. Thirdly, Habermas critical theory is concerned with language and communicative action which are vital element in understanding social reality.

A second justification in favour of this perspective is largely a reflection of the interest of the author. Nevertheless, there are factors involved. Firstly, accounting is a part of social theory is quite useful rather than "natural sciences" which philosophically separates between object being researched and researchers. Secondly, since accounting is frequently given a large rein in providing and making decisions to work situations, it is likely that the socially contextual analysis of accounting is needed rather than purely technical one. Thus, adapting Habermas critical theory, because this can be expected to explain more of the variance of accounting in social context than purely technical demands, can be used properly as a basis for alternative of accounting researchers as an alternative of accounting research methodology, such as Laughlin [1983, 1984, 1987, 1988], Macintosh [1988], Broadbent, et al [1991a, b], for analyzing the political process

of accounting regulation (Laughlin and Puxty 1983, 1984), for understanding the effects of the imposition of LMS on to schools, by Department of Education, UK (Broadbent, et al, 1991), for investigating IBM's annual reports of an interior role for women in society (Macintosh, 1988).

For these reasons, it is argued that Habermas critical theory can be used as an analytical methodology of accounting for understanding the changes of accounting in Indonesia.

Historical Background of Indonesian Accountancy: Colonialism's Legacy

1. Towards a History of Accounting Before Indonesia Independence

Over the years, Indonesia has been colonized by the Spanish, the Portuguese, the British, the Dutch, and the Japanese. Amongst them, the longest colonist was that by the dominance of the Dutch colonization, they used political and economic power to starve Indonesian in any effort (e.g., education, politic, economy, and culture). They exploited Indonesians for their cheap labour. Teaching education was never supplied for Indonesians, the only education were elementary school and secondary schools. The higher educations were primarily for the Dutch. All important politic and executive positions were held by the Dutch, whereas the Indonesian were employed in lower or insignificant positions. Indonesians economics activities were confined to small business, usually family-owned or family-partnership. As a consequence, these bought a big problem and ha grave political and economic activities of Indonesians. As evidence, after Indonesian independence 1945, there was an inadequate economic infrastructure and insufficient trained personnel's to manage the economy and the country.

Related to the Dutch colonization, the development of accounting in Indonesia may be traced. According to Sapi'ie [1980], Abdoelkadir [1982], and Yunus [1990], accounting has been adopted in Indonesia since 1642, when the Dutch Government General of the Netherlands East Indies issued accounting regulation concerning the administration and cash receipts, receivables and the budget for garrisons and ship dockages in Batavia (now Jakarta) and Surabaya. This regulation primarily dealt with the use of journal and technical accounts.

Even accounting has been emerged since 1642, until 1945 (before Indonesian independence) the condition economy (as well as accounting) was nothing more than a "bubble". Although at the time public accountants have existed, they only did the Dutch companies was very weak. It is because the Dutch economic policies restricted Indonesians who would build a large business. More ever, they enforced and exploited Indonesians for doing their business with cheap compensation. The power of labour has no inner potentialities in making decisions. They viewed capital as having a central of their business activities.

2. After the Indonesian Independence

Indonesia declared her independence on August 17, 1945. At the time, Indonesia gradually began by nationalizing the Dutch enterprises which were under the Indonesian governmental control. New political and economic policies were issued by the Indonesian government to change those of the Dutch's legacy. For example, a large number of vacancies were opened to Indonesian. Foreign investors were invited to invest in many areas of industries.

a.) The Economic Condition until 1968

The Indonesian economy after the independence was marked by political turmoil and uncertainty. Between 1945 and 1968, the Indonesian government was torn by secessionist rebellions and the economy deteriorated. Between 1949 and 1955, there were several cabinet refusals, and six different cabinets were created with a short life. There was widespread corruption and instability. Production and investment have fallen in few sectors of corporations. Annual real growth in GDP during the period 1945 – 1968 had only about 2 percent per annum, inflation peaked in 1966, when it rose drastically 635 percent.

In the context of accounting, during at the time record systems of financial were not widely practiced and applicable to very few companies, mainly those listed as foreign corporations. The systems of accounting, such as governmental accounting and accounting regulations still adopted the legacy of the Dutch policies. For example, the Indonesian Commercial Code was based on the 1838 Commercial code was based on the 1838 Commercial code of the Netherlands with some minor amendments (Briston, 1991). This shows that the commercial systems, at the time, are out of date regulation. Similarly, the accounting regulation is without exception. The only changes in the accounting context are in the systems of accounting education (see Briston, et al, 1990).

b.) The Economic Condition under Soeharto

There was political and economic instability under Soekarno era (the first Indonesian president 1945 – 1966). This situation was used for the communists to launch Coup d'état, in Sept 30, 1965. The military led by General Soeharto succeeded to defeat the communists effort. This led General Soeharto elected as the second Indonesian president by Indonesians and constitutional powers.

It was after Soeharto came to power that a conscious endeavor was made to encourage foreign investors. By starting at the beginning of Sept 1966, conferences were held between Indonesia and the main western creditors (including the United States, West Germany, France, Italy, Great Britain, the Netherlands, and Japan). They worked together in making a plan to consolidate and reschedule the payments of Indonesia's foreign debts and the development of Indonesia. These conference, also attended by representative from Canada, Australia, Switzerland, and New Zealand, were supported by the IMF and the World Bank.

With the political and economic situation becoming more stabilized under Soeharto, the welcome mat was laid out for new foreign investors, when the congress passed the 1967 Foreign Capital Investment Law (Knowless, 1973). This law permitted directly private foreign investment in all sectors except defence industries and public utilities. This leads to the growth of the Indonesian economy. During the 1970s, the Indonesian economy grew at almost 8 percent per annum.

3. The Dutch Colonialism's Legacy and Accounting Movement

After the Indonesian Independence, accounting practices and educational systems in Indonesia still followed the accounting patterns of the Dutch legacy. It was the fact that in 1948 Indonesian education adopted the MBA (*Moderne Bedrijft Administratie*) certificate. This MBA was introduced by the Dutch accountants and educator as the knowledge of included cost accounting and advanced accounting (Abdoelkadi, 1982, p.32).

As professional accountants becoming a central concern of governmental administration and private institutions, in 1952 the University of Indonesia offered an accounting program leading to a Master degree for the first time. At the time, most accounting curricula were mainly adopted from the Dutch educational systems. As a consequence, most of the accounting practices also used the Dutch systems. The systems, according to Enthoven's [1978] study cited by Yunus [1990], were different to those of American accounting systems. He stated that the Dutch accounting systems were not effective to be used as internal and external reporting and management decision-making in most Indonesian accounting practices. It was the fact that most of Indonesian companies had and often maintained two or three types of financial accounts, for example one for tax purposes, and the other one for internal purposes. These practically led some confusion.

The other confusion using the Dutch accounting systems is that accounting was never defined clearly. For the Dutch systems, accounting is no longer technical matters. They primarily view accounting as dealing only with financial purposes. Transformation of labour process, technological change, and the changes of managerial perspective were never related into accounting knowledge.

Based on the limitations and shortcomings of the Dutch accounting models in the Indonesian practices, there were some thoughts to shift from the Dutch domination to the American accounting models. The influence of the Americans began at the time of political turmoil just after five years (1950) of the Indonesian independence, when the government and the Indonesian people were a climax unhappy with the Dutch influence (Yunus, 1990, p.38). Following the year, the United States used the situation by giving grants and loans to Indonesia. These grants and loans included for upgrading and developing educational systems in Indonesia. This led to the further consequences of the Indonesian governmental policies. For example, the Indonesian financial reports should be understood in terms of the American contexts. The educational systems were also changed to follow those of the American systems. As evidence, the University of California (Berkeley) developed a program with the university of Indonesia at Jakarta between 1955-1963 in increasing and developing accounting education. Similarly, between 1956-1964, the University of Wisconsin affiliated with the University of Gadjah Mada at Yogyakarta (Yunus, 1990, p.38).

Although the American influence has began since the 1950s, the Dutch accounting models did not completely disappear. As stated by Briston, et al [1990], until today [1990] the Dutch textbooks and curricula are still being used in some universities and institution. In the business practices, the current Indonesian commercial law is still based on the 1838 Commercial Code of the Netherlands with some minor amendments (Briston, 1991). This indicates that the Dutch accounting systems have dominated widely either in business activities and accounting educational systems.

However, there is a growing number of opinion that attacks the out of date commercial law adopted in 1838 primarily by the government ownership of major Indonesian corporations. For example, Briston [1991] argued that is commercial law has restricted the growth of corporations in investing their money. As evidence, there were only 1970 large companies and 8203 medium-sized establishment in Indonesia in 1976, whereas the number of Indonesian population was about 150 millions. More sorrowfully, in the context of labour transformation, by the time the average of the number of employees in large corporations was around 200 employees, while the medium-sized companies was around 30 employees. He also added that corporate financial reporting has not been used widely even by government accounting.

The further evidence reflecting the condition of Indonesian accounting today is that management accounting virtually non-existent in Indonesian companies. If there us any, it is usually practiced by those of joint ventures companies with foreign companies. It is the fact that accounting in Indoonesia has not been understood well. They primarily view that accounting is totally and purely technical matters that are intended to present the financial condition of a company/ an organization in the past. They have little understood the concepts of accounting today that have extended into the models of social accounting, accounting and technological change, social reports, socioeconomic statements, accounting of the human resource, etc.

Based on the briefly discussions above concerning the historical to the present condition of accounting in Indonesia, it can be concluded that Indonesian accounting today is being faced by many problems that need some solutions. However, the major problem is that little has been understood about accounting in Indonesia. Accounting is viewed as only technical matters in the past. The relationship between accounting and technological change, transformation of labour process, corporate culture, and social responsibility have never been understood very well. From the major problem, this lead to a further series of problems appeared. For example, management accounting has not practically been existed widely in most of the Indonesian companies. Accounting knowledge is often not used in practice. Mulyadi [1986] told his experience that most of accounting control systems, developed by himself as consultant, are often faced several difficulties to be applied in the "real" client situation.

Some Preliminary Thoughts on Indonesian Accounting : A Proposal under a Critical Perspective

Referring to the preceding discussion, there needs for some extended applications and changes of Indonesian accounting in practices. As stated by Briston [1991], the state of accounting in Indonesia today is being faced by many problems. For example, most of companies as well as accounting practitioners in Indonesia have little understood about the role of accounting. As evidence, audit is not generally required for companies in Indonesia. Similar to the Briston's argument, White [1991] argued that the major need for accounting in Indonesia today is in understanding the relationship between accounting and society that is primarily on Indonesian labour forces. In addition, White suggest that it is more useful, if the development of Indonesian accounting is primarily focused on the understanding of social relationship and culture which exists in Indonesian society.

Different to the Briston [1991] and White's [1991] argument, Budibyo [1986] concerns with the analysis of whether accounting is science or not. He primarily questions the adequacy of the basic term of accounting and accounting in practice. He

argued that accounting today provides a lot of confusion in meaning. For him, the definitions of accounting produce more confusion and they only regard as purely technical matters. In his conclusion, he stated that to be useful, accounting is neither an art, nor science but as technology.

Based on these statement and evidence above, it is argued that there are two sorts of attack addressed to the existence of accounting in Indonesia. Firstly, as summarized from the Briston [1991] and White's [1991] argument, it can be said that little has been understood about accounting in Indonesia. This second attack is derived from Sudibyo's [1986] analysis who states that accounting can be meaningful, if they are articulated as a technology. Both attacks are not quite surprising, because if we refers to the understanding of accounting in developed countries, there is a growing number of opinion criticizing the "knowledge" of accounting. For example, Chua [1986a, b], Laughlin [1987, 1988], Tomkins and Groves [1983], Morgean [1988], Hopper and Powell [1985], Gaffikin [1989, 1991] are amongst accounting researcher in developed countries criticizing and questioning the conventional accounting. As has been stated by Burrell, et al [1985, p.387], they claimed :

Little is known of how the technical practices of accounting are tethered to the social, of how wider social forces can impinge upon and change accounting, and how accounting itself functions in the realm of the social, influencing as well as merely reacting to it.

Similarly, Dillard [1991, p.12] stated that conventional accounting perspective creates difficulties in reframing accounting within a critical social-science posture. Based on these problems, this paper now turn to a critical perspective to develop an understanding of accounting practices in Indonesia.

1. Towards a Critical Perspective for Practicing Accounting in Indonesia

This sub-session primarily provides a preliminary thought to search for better understanding about accounting in Indonesia. In general, it focuses on the understanding of accounting based on Habermas critical perspective (*see also Laughlin [1987]*).

To argue accounting as a technical, functional, organizationally independent, phenomenon is increasingly being questioned. The conventional view maintains that accounting is nothing more than a technical activity (cf., Burchell *et al* [1980], Wardell and Weinsensfeld [1988]). But, there is a growing number of research and support that states this view as oversimplification (cf., Burchell *et al* [1985], Macintosh and Scpens [1990], and Covaleski and Diermuth [1990]). Although management accounting, according to these proponents, undoubtedly posits them as technical aspects, these need to be understood by reference to the context in which they are placed.

One particular way in which accounting in Indonesia can be understood by relating with their organizational context is to view them as types of organizational language systems (cf., Cooper [1983], Hayes [1983], and Chua [1988]). These systems are human artifacts within an organization which shape certain aspects of organizational life. For example, budget, as one of the systems that exist within an organization, is an open and visible arena to talk (*see Olson and Rombach [1988]*). Using this meaning,

this system (budget) views people within the organization as having potentialities to achieve a better decision. In other words, people are not restricted to contribute and communicate in achieving a better system or decision.

Another particular way in understanding the technical aspects of accounting, in the terms of critical perspective, is by viewing them as social processes (cf., Chua [1988], Laughlin [1987]). This means that the critical perspective opens the construction of accounting numbers to multiple interpretations, and capable of several layers of meaning. It does not mean that the interpretations and meanings are just as symbols, but they are derived from, arises out of, the social interaction and modified through a critical process.

Based on this understanding of accounting in terms of critical perspective, it can be argued that this perspective particularly views accounting as focusing on the subjective, voluntary empowering action of individual members of society in bringing about individual emancipation/ participation. Laughlin [1987, 1988] and Macintosh [1988] also emphasized that given the adoption of critical accounting perspective, people within an organization are viewed as having inner potentialities to perform and communicate in understanding an organizational reality, as they live in everyday world. They added that management accounting is also been as beyond a technically rational, service activity which constitutes and is constituted by macro and micro-societal level (cf., Chua [1986a]). At the macro-societal level, accounting numbers influence taxation policy-making, wage bargaining, and economic restructuring. At the micro-organizational level, these numbers can be illustrated as a picture of the "cake" that is available for distribution and reports on how such distributions have been made.

2. Application to Extend Indonesian Accounting in Practices

To extend the discussion of Indonesian accounting in practice, in terms of critical perspective, this paper introduces four short examples how management accountants play an active role in the reality construction, shaping and sustaining organizational realities through partial way of seeing.

Accounting and Technological Change

Management accountants today are faced with productivity and environmental challenges. In particular, technological development has rapidly change (Yurko, 1982). Consequently, management accountants are required to meet the increasingly competitive and turbulent environment, as a reality. How should management accountants react to such changes? Under the philosophy of critical perspective, first of all management accounting believes that human resources within the organization have inner potentialities to critically analyze such changes in making better lives. The existence of accounting techniques and data for evaluating projects in uni-dimensional way tends to encourage uni-dimensional decision making. Again, technological change is

Accounting and Transformation of the Labour Process

Ideological rationalization of the transformation of the labour process refers to the mechanics of socializing labour (See Wardell and Weisenfeld [1988, p.4]). Wardell and Weisenfeld maintained that traditionally management accounting is as a product of engineers, emerging in responses to the expanding scale of operation. And capital is viewed as having a central of standardizing tasks and decision making. They also value the power of labour equated to time spend working, then subsequently equated to cash. Thus, Labour, as human beings, are only as an outflow of value – an expenses; rather

than as an asset – future store of revenue potential. In contrast, under the philosophy of critical perspective, management accounting puts a value on labour which has inner potentialities in looking at the future. Capital does not, and will not, harness the power of Labour merely by standardizing tasks and centralizing decision making. Instead, they see labour as having as intellectual autonomous with the potential to critically analyze the process of better understanding of decisions.

Accounting and Corporate Culture

Hooper and Powell [1985] argued that management accounting do more than just monitor or mirror reality. They also shape and create reality (cf., Morgan [1988]). In other words, accounting is seen not as a technical aid to decision making, but they are as a cultural activity that is performed in order to reproduce prevailing social beliefs and norms (see Chua [1988, p.8]). For example, management accounting systems, through budgeting, provide a basis for communicating organizational behavior. Budgets allow the “what if” question to be asked (cf., Hayes [1983, p.246]) and enable the possible consequences of various actions and events to be explored without suffering to individuals and the organization as a whole. They particularly permit individuals within the organization to explore and critically analyze the impact of differing interpretations and assumptions about the process of making budgets.

Summary and Conclusion

A number of Endeavour have been undertaken in these preliminary thoughts on Indonesian accounting. Firstly, the interaction between accounting and its relation to sociological perspectives has been briefly analyzed. This analysis provides various views that different assumptions about *ontology* and *human nature* in the context of accounting have different ways for thinking about *epistemological* and *methodological* assumptions that may be appropriately used for underlying and continuing research process. In this paper, Habermas critical perspective is chosen an analytic methodology for further research of this paper.

Secondly, this paper then analyzed the historical development - to – the present condition of accounting in Indonesia. It is interesting to note that the development of accounting in Indonesia can not be separated to the colonials epoch. It was fact that during the Dutch colonists, accounting in Indonesia emerged (1642). However, even accounting in Indonesia has existed for about 350 years ago, the existence of its practical knowledge is being questioned (cf., Sudibyo [1986], Briston [1991]).

Thirdly, this paper also provides some preliminary thoughts for better understanding for better understanding of accounting in Indonesia. Given the adoption of critical perspective, accounting in practice provides a richer picture. For example, these four sort examples of accounting in practice above all illustrate (a) the perspective – based on the nature of accounting, and (b) how accounting is central to the process of reality construction within an organization, making decisions in accordance with the values and perspectives of organizational and social reality.

Notes :

1. Western sociological perspective is used by the author to differentiate with Indonesian sociological perspective. This term is primarily based on the nation of philosophers who developed the perspective. For example, the interactionist based on the idea of Immanuel Kant [1724 – 1804] born at Konigsberg, Germany; Foucauldian perspective based on the great idea of Foucault, the great philosophers from France; Critical theory developed by the Frankfurt school of thought, Germany; Postmodernist perspective developed by the new “neo-conservative” school of thought, France.
2. The term interactionist perspective is similar to interpretive accounting perspective (Chua [1986], Hooper et al [1990]).
3. The term mainstream accounting research is similar to conventional or functionalist accounting perspective/knowledge (Chua [1986], Laughlin [1987], Hooper et al [1988], Laughlin and Lowe [1990]).
4. The term critical theory is similar to critical social science (Dillard [1991], critical perspective (Laughlin [1987], Chua [1986], Macintosh [1988]), critical studies (Cooper and Hooper [1987]).
5. Habermas methodological approach has been explicated in detail by Laughlin [1987]. The essence of this approach is discursive and is centrally concerned with language and communicative action (see also Laughlin [1987]).
6. The idea of the present as “postmodernist perspective” is derived from the work of French theorists labeled a new “neo-conservative” school of thought. Even there is concerned as an alternative thought to move away from the functionalist one.
7. Wittgenstein comes to feel that language has many functions. It always functions in a “context” and therefore it has as many purposes as there are contexts. He realized that the assumption that all language states facts and contains a logical skeleton was derived not by observation but by “thought”. (see Douglas [1988]).

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