A MULTI-PARADIGMATIC APPROACH TO SOCIAL ACCOUNTING: THE CASE OF FINANCIAL STATEMENTS

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ABSTRACT

This paper proposes that a multi-paradigmatic approach, as an organizing framework, be used in social accounting. As an example, this paper applies that multi-paradigmatic approach to financial statements in order to understand the social roles of financial statements. This paper shows that each paradigm has its own distinct perspective, i.e., technical, cultural, political, or class perspective, where the technical perspective focuses on techniques of operations, the cultural perspective focuses on social construction, the political perspective focuses on power and domination, and the class perspective focuses on oppression and exploitation. This paper notes that, while each of the four perspectives has its own advantages and disadvantages, each perspective looks at a different aspect of the phenomenon under consideration, and therefore, together they provide a broader and more balanced understanding of the phenomenon under consideration in an organized, methodical, and systematic manner.

Keywords: Social Accounting, Paradigms, Accounting Research, Financial Statements, Ontology, Epistemology, Methodology.

INTRODUCTION

The purpose of this paper is to propose the use of a multi-paradigmatic approach in social accounting, and as an example, apply that multi-paradigmatic approach to financial statements to understand the social roles of financial statements. It interprets the social roles of financial statements from four different perspectives: technical, cultural, political, and class. In the technical perspective, the focus is placed on the techniques of operation. In the cultural perspective, the focus is placed on treating financial statements as being socially constructed. In the political perspective, the focus is placed on the role of financial statements in the construction of power and domination. In the class perspective, the focus is placed on the role of financial statements in the structure of oppression and exploitation.

According to Gray (2002), "*social accounting*" is not a homogeneous project, whether in its intention, approach, interest, focus, or methodology. It can be used towards various goals from helping shareholders to make better financial decisions to improving capitalism, and anything in between. In other words, "*social accounting*" potentially covers all varieties of accounting. For instance, "*financial accounting*" may be considered as a very constrained version of "*social accounting*." Looked at the other way, "*social accounting*" may be considered as "*financial accounting*" after such constraints are no longer in effect. Since "*social accounting*" potentially covers all accountings, "*social accounting*" cannot be homogeneous. Many scholars in the field of "*social accounting*" regarded it as founded on the principles of accountability and democracy. For them, "*social accounting*" is the outcome of critical thought that advocates evolutionary and emancipatory alternatives. However, there are other scholars in the field of "*social accounting*" who subscribe to other values. Even those who subscribe to

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evolutionary and emancipatory values do not adhere to these values to the same extent. The spectrum covers a wide variation between one pole that rejects the prevailing systems of business, economic, and social organization – such as Marxian, deep ecology, or feminist – and the other pole that supports the prevailing orthodoxy in accounting (Gray, 2002).

This paper proposes that the sociological paradigms introduced by Burrell and Morgan (1979) be used as an organizing framework in "*social accounting*." This framework is based on the idea that social theory can usefully be conceived in terms of four key paradigms: functionalist, interpretive, radical humanist, and radical structuralist. The four paradigms are founded upon different assumptions about the nature of social science and the nature of society. Each generates theories, concepts, and analytical tools which are different from those of other paradigms (Burrell and Morgan, 1979). These four paradigms correspond to the four perspectives discussed earlier: technical, cultural, political, and class perspectives.

Although this paper proposes the use of the framework introduced by Burrell and Morgan (1979), it does not mean that this framework is the best, as it has already been discussed in its own relevant literature (Kuhn, 1962, 1970a, 1970b, 1974, 1977; van de Berge, 1963; Parsons, 1967; Masterman, 1970; Shapere, 1971; Effrat, 1973; Denisoff, 1974; Lammers, 1974; Lehmann and Young, 1974; Maruyama, 1974; Bottomore, 1975; Ritzer, 1975; Snizek, 1976; Eckburg and Hill, 1979; Friedheim, 1979; Jick, 1979; Evered and Louis, 1981; Steinle, 1983; White, 1983; Clark, 1985; Guba, 1985; Lincoln, 1985; Hassard, 1988, 1991a, 1991b, 1993, 2013; Siehl and Martin, 1988; Gioia and Pitre, 1990; Holland, 1990; Martin, 1990; Morgan, 1990; Jackson and Carter, 1991, 2008; Willmott, 1990, 1993; Guba and Lincoln, 1994; Schultz and Hatch, 1996; Lewis and Grimes, 1999; Goles and Hirschheim, 2000; Mir and Mir, 2002; Knudsen, 2003; Jennings, Perren, and Carter, 2005; Kirkwood and Campbell-Hunt, 2007; McKelvey, 2008; Okhuysen and Bonardi, 2011; Romani, Primecz, and Topcu, 2011).

This paper proposes that the framework introduced by Burrell and Morgan (1979) be used in "social accounting" because it is very useful, in the sense that it can be applied, as an organizing framework, to any phenomenon in any field of study in order to gain a broader and more balanced understanding of that phenomenon in an organized, methodical, and systematic manner (Ardalan 2008, 2014, 2016, 2018, 2019a, 2019b, 2020, 2021, 2023a, 2023b, 2023c).

The rest of this paper is organized as follows. Sections I through IV present the four different perspectives on financial statements, and Section V concludes the paper.

FUNCTIONALIST (TECHNICAL) VIEW

The functionalist (technical) view of accounting (and financial statements) is the most well-known paradigm in accounting, which can be referred to as the mainstream accounting (Demski, 1972; McRae, 1974; Libby and Lewis, 1977; Haseman, 1978; Watts and Zimmerman, 1978; Dyckman and Zeff, 1984; Brown, Gardner, and Vasarhelyi, 1987; Parker, 1988; Vasarhelyi, Bao, and Berk, 1988; Bricker, 1989; Fleming, Graci, and Thompson, 1990, 1991, 2000; Previts and Brown, 1993; Gamble, Otto, and Hyman, 1995; Rodgers and Williams, 1996; Carnegie and Potter, 2000; Bonner, Groh, Moser, and Schmidt, 2006; Mattessich, 2008; Chan and Liano, 2009; Lee, 2009; Coyne, Summers, Williams, and Wood, 2010; Badua, Previts, and Vasarhelyi, 2011; Bisman, 2011; Brown and Jones, 2015; Gordon and Boland, 2015; Dumay, Bernardi, Guthrie, and Demartini, 2016; Myers, Snow, Summers, and Wood, 2016).

The rest of this section examines a basic set of financial statements, consisting of income statement, balance sheet, statement of shareholders' equity, and statement of cash flows. It notes that they are constructed based on the notion of shareholder primacy (Ardalan, 2007).

Income Statement: A basic income statement can be shown as follows (Table 1):

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Table 1
BASIC INCOME STATEMENT

Sales	Sales
Cost of Goods Sold	COGS
Other Expenses	O.E.
Depreciation	Dep.
Earnings Before Interest and Taxes	EBIT
I	I
EBT	Earnings Before Taxes
T	T
Net Income	NI
Dividend to Shareholders	Div.
Retained Earnings	RE

Upon a closer examination, it can be noted that "*Net Income*" is interchangeably used as "*Earnings*" or "*Profit*," which belongs to the common shareholders of the company under consideration. It is this "*Earnings*" term which becomes important in our closer examination. That is, if, in the income statement, we substitute "*Earnings*" for "*Net Income*," then, we see that all the items in the lower half of the income statement centre on "*Earnings*," i.e., "*Earnings*" plays the central role in the lower half of the income statement. More specifically, if, in the income statement, we start at "*Earnings"* and move up the income statement, we note that EBT (Earnings Before Taxes) is named with the reference point being "*Earnings.*" If, in the income statement, we continue moving further up, we note that EBIT (Earnings Before Interest and Taxes) is also named with the reference point being "*Earnings*." That is, the lower half of the income statement is constructed around the central point of "*Earnings*," which is the "*Profit*" that common shareholders receive.

If, in the income statement, we start at "*Earnings*" and move down the income statement, we note that RE (Retained Earnings) is named with the reference point being "*Earnings*." That is, RE (Retained Earnings) is that part of "*Earnings*" which is retained in the company, and hence the title "*Retained Earnings*."

So, we have noted that the bottom half of the income statement is constructed with reference to "*Earnings*," which is the "*Profit*" that belongs to the common shareholders of the company. That is, the income statement is constructed based on the primacy of the shareholders.

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Balance Sheet: A basic balance sheet can be shown as follows (Table 2):

Table 2
BASIC BALANCE SHEET

Assets	Liabilities and Shareholders' Equity
Cash	Accounts Payable
Accounts Receivable	Notes Payable
Inventories	Accruals
Gross Fixed Assets	Long-Term Debt
- Accumulated Depreciation	Common Stocks
Net Fixed Assets	Retained Earnings
Total Assets	Total Liabilities and Shareholders' Equity

A closer examination of the balance sheet reveals that common shareholders are one of the major players in this financial statement, as one-third of this financial statement carries their title, "*Shareholders' Equity*." Indeed, the balance-sheet identity is often used to calculate the shareholders' equity, i.e., Shareholders' Equity = Assets – Liabilities.

Statement of Shareholders' Equity: A basic statement of shareholders' equity can be shown as follows (Table 3):

Table 3
BASIC STATEMENT OF SHAREHOLDERS' EQUITY

Balance-Sheet Retained Earnings (last year)	B-S RE $_{\text{last year}}$
Net Income (this year)	NI $_{\text{this year}}$
Dividend (this year)	Div. $_{\text{this year}}$
Retained Earnings (this year)	+ RE $_{\text{this year}}$
Balance-Sheet Retained Earnings (this year)	B-S RE $_{\text{this year}}$

As is clear from the statement of shareholders' equity, it is solely constructed to show the change in the equity of common shareholders. That is, this financial statement is solely constructed with reference to the common shareholders of the company, i.e., shareholder primacy.

Statement of Cash Flows: A basic statement of cash flow has the following categories:

a) Operating Activities
b) Investing Activities
c) Financing Activities
d) Summary

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A closer examination of the statement of cash flows reveals that common shareholders are one of the major players in this financial statement, as common shareholders are directly involved in all of the categories in this financial statement. More specifically, "*operating activities*" translates shareholders' profit into its cash counterpart; "*investing activities*" reflects investments made on behalf of the shareholders; "*financing activities*" show the equity transactions of shareholders; and the "*summary*" combines the previous three categories, which were shown to have been related to common shareholders, i.e., shareholder primacy.

INTERPRETIVE (CULTURAL) VIEW

Accounting has an institutional and social character. This is because accounting has characteristics that bring to attention financial information about abstract organizational and social phenomena that otherwise might be left hidden (Hopwood, 1987b, 1992; Hines, 1988, 1991b; Miller and O'Leary, 1990; Miller and Napier, 1993; Potter, 2005). The enabling characteristic of accounting makes it possible for events, processes, and activities to be expressed in terms of financial numbers. This, in turn, makes it possible for individual's achievements and actions to be measured, standardized, and compared. This, in turn, makes it possible for such individuals to be thought of, directed, and controlled (Porter, 1995, 2005). In this way, accounting does not remain confined to the functioning of organizations, but is consequential to society. That is, accounting can be viewed as an institutional and social practice (Hopwood, 1992; Miller, 1994a; Potter, 2005), instead of a purely technical one.

The institutional and social view of accounting provides a broader perspective on accounting, as it seeks to understand the consequences of accounting in its wider organizational and social contexts. From this vantage point, accounting is a dynamic, socially constructed practice, in which there is neither any "fixed" or "natural" area to which accounting should be applied; nor any fixed set of rules that define accounting (Miller, 1991; Miller and Napier, 1993; Potter, 2005). This view goes beyond examining accounting in a specific organization, to see its consequences for individuals, organizations, and society. (Burchell et al., 1980; Hines, 1988, 1991a; Hopwood, 1992; Miller, 1994a; Potter, 2005).

This view of accounting is interested in understanding the way accounting leads to changes in organizations and societies. It notes that accounting is not merely a technique that reflects the financial reality of an organization (Hines, 1988; Miller, 1994a; Hopwood, 2000; McSweeney, 2000; Potter, 2005). It emphasizes that accounting plays a noticeable role in forming the world we live in, the social reality we experience, the understanding we gain regarding the choices available to our businesses and ourselves, the way we manage and organize our activities, and the way we oversee the life-worlds of everyone, including ourselves (Miller, 1994a; Potter, 2005).

This view has three main aspects: (1) accounting as a technique, (2) rationales of accounting, and (3) domain of accounting (Miller, 1994a; Potter, 2005).

Accounting as a Technique

Accounting as a "*technique*" or "*technology*" leads to changes in activities, individuals, and objects, such that the social world would change (Miller, 1994a; Potter, 2005). Accounting translates activities, processes, and events into financial quantities that affect people's behavior. Accounting creates reality by defining it. That is, accounting constructs seemingly objective and neutral quantified financial representation of abstract and complex phenomena – such as "*assets*," "*liabilities*," "*revenues*," "*expenses*," "*financial performance*," and "*financial position*" – that owe their existence to their accounting definitions and representations, and therefore, would not otherwise exist or be seen (Hopwood, 1987b; Hines, 1988, 1989a, 1989b, 1991b;

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Miller and O'Leary, 1990; Miller and Napier, 1993; McSweeney, 1997; Potter, 2005). Conversely, those phenomena which accounting do not define, and therefore, do not express in financial quantities remain invisible, and in this way, private areas are created which are left inaccessible. (Hopwood, 1987a, 1987b, 1990a; Miller and O'Leary, 1990; Hines, 1988; Porter, 1992, 1995, 2005; Miller, 1994a; McSweeney, 1997).

Accounting expresses a variety of phenomena in quantified financial numbers, and consequently creates a specific understanding of organizational and social affairs. In this way, accounting affects the way people perceive the world, the way people use the accounting language, and carry their dialogue, and in this way, accounting creates the ways in which organizational and social concerns as well as corresponding alternatives for action are prioritized and expressed (Hopwood, 1983, 1990a; Potter, 2005).

Rationales of Accounting

Accounting uses a complex language that carries a set of meanings which may be referred to as "*rationales*" (Miller, 1994a; Potter, 2005). This specialized vocabulary or terminology leads to a specific set of discursive representations about the organization under consideration.

Such rationales become apparent when financial statements that contain "*revenues*," "*expenses*," and "*profits*" or "*losses*," are closely connected to "*efficiency*," "*transparency*," "*responsibility*," and "*accountability*" (Potter, 1999, 2005). Accordingly, such rationales turn financial statements to tools for the measurement of accountability and performance in various organizational and social settings (Hopwood, 1990b; Miller, 1991, 1994a; Potter, 2005).

These rationales – not the mechanical techniques of accounting – conceptualize how to know and how to manage organizations (Miller, 1994a; Potter, 2005). An adequate understanding of how these rationales are developed, and how they their applications take effect in particular situations, will elevate the understanding of how accounting becomes embedded, and even unchallengeable, in organizations and governments (Miller, 1991; Potter, 2005). These understandings are useful in accounting, business management, and even other fields of study.

Domain of Accounting

The domain in which accounting is applied is socially constructed, i.e., constituted and reconstituted (Miller, 1994a; Potter, 2005). This is related to professionalization in accounting. Accounting expresses physical activities within organizations in quantified financial numbers. In this way, accounting creates calculation criteria which can be used to evaluate, to formulate strategies, implement policies, and settle disputes (Miller, 1994a; Potter, 2005).

RADICAL HUMANIST (POLITICAL) VIEW

Mainstream accounting's method for preparing corporate financial reports is based on shareholders' wealth maximization, and taking the existing social and political order as given. This sub-section, however, advocates a different method called the "*political economy of accounting (PEA)*." This method considers accounting within its surrounding economic, social, and political context (Burchell et al., 1980; Tinker, 1980; Cooper and Sherer, 1984). This method has useful normative, descriptive, and critical characteristics.

The PEA method embodies three notions: (1) a social welfare in which society is viewed as an aggregate (not an aggregate of individuals), (2) distributive and exchange (allocative) roles of wealth and power, and (3) a socially necessary production (not a market-determined production). The mainstream-accounting goal of shareholders' wealth maximization has led to

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its limited understanding of the way accounting systems operate, and has diminished its ability in developing corporate accounting reports that would lead to important improvements in social welfare.

Social welfare can be improved if it is recognized that current accounting practices are not only partial, but also act in favor of specific groups (i.e., shareholders) and against others (i.e., other stakeholders). Accounting practices can be improved (i.e., making them more socially responsive in a democratic way), by looking beyond the ideological mask of mainstream accounting to see how mainstream accounting justifies: (1) the current political system, (2) the prevailing bias in favor of one group and against others, and (3) the qualities of the system as immutable, efficient, and effective.

The "*political economy of accounting*" incorporates an understanding of the underlying social infrastructure. It recognizes the important role of the institutions from which the prevailing system of corporate reporting emanates. It critically interrogates the assumptions and ideas (such as the primacy of shareholders and securities markets) that are taken-for-granted in mainstream accounting (Cooper & Sherer, 1984; Miller & O'Leary, 1987, 1994; Rose, 1988, 1991; Miller, 1990, 1994b, 1998; Miller & Rose, 1990; Power, 1991, 1994, 1997a, 1997b; Rose & Miller, 1992; Young, 1995, 2003; Callon, 1998).

The PEA approach would be useful to the study of accounting because in its investigations it considers characteristics and roles played by institutions, follows a trans-disciplinary approach, emphasizes processes in moving towards dynamic equilibria, and incorporates the inter-relationship between economics and politics (Frey, 1978; Cooper and Sherer, 1984). The PEA's response to the question about the assessment of the value of corporate accounting reports, it says that any such value is debatable, because it is both shaped by and shapes the political and economic institutions in society (Cooper & Sherer, 1984).

PEA has three important features. The first feature of PEA is the recognition of the existence of power and conflict in society. Consequently, it becomes concerned about the relationship between accounting reports and the distribution of income, wealth, and power in society (Lowe & Tinker, 1977; Cooper & Sherer, 1984). In the discussion of the value of accounting reports, "*political economy of accounting*" states that value is contestable, because accounting reports reflect and are reflected by specific interests, e.g., elites or classes (Stanworth & Giddens, 1974; Cooper & Sherer, 1984), and they propagate mystification and legitimation (Burchell et al., 1980; Cooper & Sherer, 1984).

The second feature of PEA is the examination of the historical and institutional background of the specific society under consideration. That is, the examination of the changes in accounting practices over time, as well as their relationship with corresponding social values over time. In other words, PEA is historically specific (e.g., Zeff, 1972; Merino & Neimark, 1982; Cooper & Sherer, 1984).

The third feature of PEA is the promotion of the status of the emancipation of human beings in the priorities of accounting in society. PEA recognizes that any change in social conditions leads to a change in the potential of people (and accounting), which in turn leads to a change in their interests and concerns. For instance, in an historical period when most people's top priority is their own economic self-interest, their self-interest should be interpreted as having come about as a result of the current organization of society, rather than as a permanent trait of people (Marcuse, 1964; Cooper and Sherer, 1984). PEA recognizes that current accounting practices favor private interest and generate alienation at work (Cherns, 1978; Cooper & Sherer, 1984). PEA notes that if accounting ignores externalities (i.e., social costs) in the process of corporate production, it would be favoring self-interest and ignoring social interests.

PEA has three desirable major characteristics: (1) be explicitly normative, (2) be descriptive, and (3) be critical.

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Be Explicitly Normative

The normative elements of any adopted framework should be explicitly declared. All frameworks are normative because they carry value judgments about, for instance, how society should be organized (Robinson, 1964; Mattesich, 1978; Cooper & Sherer, 1984). Mainstream accounting's concern for corporate shareholders, for capital market agents, or for corporate management, has a normative orientation, i.e., that the interest of such particular parties should play the dominant role when choosing an accounting system. However, mainstream accounting rarely discusses the role of the interests of such particular parties in choosing an accounting system (Cooper & Sherer, 1984). For instance, in mainstream accounting, the normative role of the primacy of the shareholders is not discussed.

Be Descriptive

Accounting is a practical endeavor, is done by individuals, and it affects the way individuals and classes behave in an organization and society. In describing the institutions, social and political structures, and cultural values of the society, one should avoid a simple replication of the prevailing "*common-sense*" views in the society as well as actors' own descriptions of their realities. That is, one should avoid justifying the ideology of the status quo (e.g., Tomkins & Groves, 1983; Cooper & Sherer, 1984). This is because, in all likelihood the common-sense view justifies the dominant view in society. PEA should emanate from alternative theories of society and form its relevant accounting practices.

Be Critical

People with critical awareness are better positioned to develop and evaluate alternative paradigms and methodologies. Critical awareness requires one to understand the history of the current context and potential future paths from the current context, as well as consider alternative types of accounting that may be useful in contexts which are different from the current one (Habermas, 1978; Cooper & Sherer, 1984). For instance, various concepts of value are socially determined, and therefore, alternative conceptions of value are needed that critically question whether market exchanges adequately reflect social values (Epstein et al., 1976; Lessem, 1977; Ridgers, 1979; Bryer et al., 1981; Cooper & Sherer, 1984). Consequently, various conceptions of value would be developed, including those that reflect the socially necessary production. That is, valuing products based on how closely they meet the needs of society via democratic, rather than market, processes.

RADICAL STRUCTURALIST (CLASS) VIEW

In economics, there have been two dominant theoretical thinking: classical political economy and the neo-classical economics of marginalism. These two paradigms have had their own theories of value: the labor theory of value and the marginalists theory of value (Littleton, 1928, 1929; Kaulla, 1940; Sweezy and Baran, 1966; Dobb, 1973; Braverman, 1974; Meek, 1975; Amin, 1978; Arthur, 1979; Elson, 1979; Kay, 1979; Steedman and Sweezy, 1981; Tinker, Merino, and Neimark, 1982; Bryer, 2000a, 2000b; Williams, 2000). This sub-section briefly explains the political economy approach to accounting, and discusses the case study of a multinational company.

What is the meaning of the number that appears on the last line of an income statement? What is its interpretation? Firms buy and sell in factor and product markets in the economy of a society, and since profit is the outcome of such buy and sell market activities, can we say (as per

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neo-classical economics) that profit indicates that the firm not only is viable, but also, is efficient in utilizing the resources of society? Alternatively, can we say (as per classical political economy) that profit shows the relative power that capitalists have in society, as the relative size of expenses (including profit) that appear in the income statement indicates the social, institutional, and monopolistic power of capitalists, rather than the firm's social efficiency and productivity.

Differences between the above-mentioned viewpoints appear not only with respect to what the meaning of profit is, but also with respect to how the determination of the rate of profit is accomplished. More specifically, marginal productivity theory adopts an engineering approach, since it considers economic resources as inputs are turned into outputs, and profit acts as the arbiter of efficiency in the production process. In contrast, the political economy relates the income distribution (e.g., the profit that goes to capital) to society's power distribution, and its associated social-political and institutional structure.

Political economy, in contrast to the neo-classical (marginalist) thought, considers two (not one) aspects of capital: (1) as a factor of production, and (2) as a relationship among human beings in their social life (Bhadui, 1969; Tinker, 1980). The former represents the economic forces of production, and the latter represents the social relations of production.

Social relations encompass a variety of social institutions (e.g., legal, state, educational, religious, law and order, political, government administration). The role of such institutions is to make sure that rights and obligations (e.g., property rights) are protected and adjudicated, as they are the underlying rules for proper economic activities. Various types of societies (slave, feudal, capitalist, etc.) have various types of social relations, and hence, various social institutions.

Now, we will turn to a discussion of the case study of a mining company, Delco. The analysis of Delco shows: (1) how its financial fruits were distributed, and (2) how such distribution reflected extant institutional and social forces. The analysis also illustrates that the market was conducted by a series of institutions (e.g., the military, the colonial government, and bureaucrat managers), i.e., social forces and institutions set market prices, and hence, accounting data.

The case study involves the socio-economic history of a multinational mining company, Delco, that had its headquarters in the U.K. and had a subsidiary in Africa. Delco extracted iron-ore in Sierra Leone for a period of 46 years. The firm stopped its operation in 1976. This case study relates the history of the firm's accounting practices with its socio-political history, through a periodization analysis of the historical data. The 46 years during which the company operated contains three distinct sub-periods: (1) early-colonial, (2) late-colonial, and (3) post-colonial. For each of these three sub-periods an income statement that summarizes the distribution of the company's income can be prepared. The variations among income statements (i.e., the variations among the income distributions) can then be related to the variations in the social and political conditions that underlie them.

From the early-colonial to the late-colonial sub-period, British constituents collected a smaller percentage of proceeds (from 84 to 79 per cent), and the colonial state received higher allocations (mainly through taxation) which reached its peak in the beginning of the post-colonial period (from 1.7 to 14.9 per cent). These and other pieces of evidence show that, moving from early- to late-colonial systems, the extraction of minerals which was made possible through military, ideological, and other support apparatuses, was slowly delegated to a growing bureaucratic management group in Freetown (Hoogvelt & Tinker, 1977, 1978; Tinker, 1980). It is notable that the capitalist relations of production – i.e., the relationships among the factors of production – remained the same. For example, the share of the tribal authorities who

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owned the land, and the share of black wage labor remained the same in this long period. The growing government revenues never reached the hands of native workers, regular people, and local authorities. However, they guaranteed the co-operation of the local government with the foreign entity.

This situation lasted throughout the post-colonial period except for one important factor that increasingly deteriorated the financial health of the company. This emanated from the emergence and the rise of black salaried staff. After independence, there was pressure for indigenization, in response to which Delco began to recruit black managerial, clerical, and technical supervisory staff, which were not as productive as others. This indigenization process was required by two agreements signed in 1967 and 1972. At the time it closed its operation, Delco had 218 supervisory salaried staff, which included 164 Sierra Leoneans who earned an average annual salary of £3,041. In 1974, they were paid a total salary of £422,320, which was very close to the total wage bill of £513,215 paid to 2,317 black manual labor. This Sierra Leoneanization program was not justifiable by the "*usual*" commercial logic (Hoogvelt & Tinker, 1977, 1978; Tinker, 1980). One should interpret the increase in black salaried staff as the company's attempt to maintain the approval and support of political groups in Sierra Leone. By the mid-1970s, the growing pressure from the indigenous people, together with the forecast of diminishing returns from the mine, left no choice for the company but to leave. That is, the company gave in to market forces.

This case study shows that the half a century history of operation of Delco in Sierra Leone can be periodized and reflected in three consecutive institutional regimes, with their corresponding income statements. Each regime is defined by its configuration of socio-political forces, which in turn, determines the distribution of the revenue, which is shown in its income statement. Each regime develops from the previous one, in the sense that it is an outgrowth from, and in response to, the contradictions and instabilities of the previous regime. Although neo-classical economics believes that financial statements are meant to provide information about a company's "efficiency," it neglects the state of the socio-political foundations underlying the market forces. In other words, market efficiency and social stability are interdependent, and indeed, there are complex inter-relationships between the two that shape the fate of companies such as Delco.

CONCLUSION

This paper briefly discussed four views expressed with respect to financial statements. The functionalist paradigm believes financial statements are technically constructed, and shareholder primacy emanates from the goal of shareholders' wealth maximization. The interpretive paradigm believes that financial statements are socially constructed, and shareholder primacy is the outcome of agreements among the members of a society. The radical humanist paradigm believes that financial statements are politically constructed, and shareholder primacy is imposed by shareholders on the other stakeholders of the firm. The radical structuralist paradigm believes that financial statements are class-determined, and shareholder primacy is the reflection of the rule of capital over labor in a capitalist system.

In a multi-paradigmatic approach, each paradigm is logically coherent – in terms of its underlying assumptions – and conceptualizes and studies the phenomenon in a certain way, and generates distinctive kinds of insight and understanding. Therefore, different paradigms in combination provide a broader and a more balanced understanding of the phenomenon under consideration in an organized, methodical, and systematic manner.

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