Accounting Historians Journal

Volume 1
Issue 1 *No. 1/4 January-October 1974*

Article 12

1974

Book Reviews [1974, Vol. 1, nos. 1-4]

Kenneth S. Most

Marc J. Epstein

Turgut Var

Hugh Hughes

BOOK REVIEWS

Ellis Mast Sowell, *The Evolution of the Theories and Techniques of Standard Costs* (The University of Alabama Press, 1973).

Reviewed by Kenneth S. Most
Texas A & M University

This university press publication of a history of standard costing, a previously unpublished 1944 doctoral dissertation, fills a curious gap in the English language literature. Charles Weber's history, in German, dates from 1960, but covers only the American contribution. Sowell reviews evidence of cost calculation and bookkeeping before the late 19th century and identifies Garcke and Fells, an engineer and an accountant, as the first to recommend integrated financial and cost accounting. He traces the transformation of English cost estimating procedures into systems of standard costs and emphasizes the influence of engineers throughout.

Shortly before 1900, American and English accountants took up the engineering ideas of standards, comparison with actuals and analysis of variances; starting with Emerson and Nicholson (1908-9), American theory and practice prevailed. The two national influences, however, met in the person of Charter Harrison, an English born and educated accountant who practiced in the USA, and who started laying the foundations of the theory of standard costing around 1911.

Besides tracing the progress of cost estimating in English manufacture, including the medieval guilds, and the influence of the scientific management movement on cost accounting, Sowell devotes chapters to the history of accounting for materials, labor and "burden"; his remark on the paucity of principles in works on standard costing rings as true today as it did in 1944. It is interesting to note that neither direct standard costing nor the behavioral problems which arise out of the influence of wage premium systems on the development of standard costing, was important enough to merit attention thirty years ago.

The only major defect in Sowell's argument is his distinction between an estimate and a standard, which remains unclear throughout the book. In one place it lies in the fact that "an estimate is a cost which will be as nearly representative as possible of the actual costs to be incurred," but some of the standard cost procedures illustrated are inconsistent with this objective. In another place, the criterion for standard costs appears to be that the elements of the estimate are recorded, filed and indexed; in yet another, that work is first organized using scientific method before the cost figures are determined. Nevertheless, this book is a masterly survey of a complex subject and its sponsors are to be thanked for making it available to accounting scholars at this time.

(Vol. 1, No. 2, p. 6, 1974)

James Ole Winjum, *The Role of Accounting in the Economic Development of England: 1500-1750* (Center for International Education and Research in Accounting, 1972, 252 pp.).

Reviewed by Marc J. Epstein
California State University, Los Angeles

Though Yamey, Edey, and Thomson provided an introduction and overview to the development of accountancy in England *(Accounting in England and Scotland: 1543-1800,* London: Sweet and Maxwell, 1963), no comprehensive study had been made of the development of accounting in this period in England. Further, though the Sombart thesis is a well accepted notion, a rigorous test of that thesis had not been conducted. James Winjum successfully completes both of these tasks. He provides the reader with an analysis of historical material gathered during his research in England along with a comprehensive examination of the development of accounting in postmedieval England. Central to the entire study is the test of the Sombart thesis that double-entry bookkeeping was "both a manifestation of the spirit of capitalism in its formative decades as well as a propulsive agency furthering a significant economic and cultural development." Through an examination of extant accounting treatises and textbooks and merchant accounts of England (1500-1750), Winjum finds the proof necessary to support the thesis.

England was chosen for the study because of the extended period of economic growth it saw beginning in 1500. The accounting treatises analyzed provided insight into the developing sophistication of the double-entry system and the uses of double-entry bookkeeping in commerce. Sombart found order and organization necessary for an enterprise to prosper. The order is derived from the double-entry system and the double-entry system provided an impetus for economic growth and acquisition. Through the quantification of business transactions, the double-entry system provided a rational order for the entrepreneur. Winjum demonstrates the significant role accounting played in the economic development of Europe in the Middle Ages.

Over the last few years, discussion has continued on the validity of the Sombart thesis. The contribution of this test of the thesis is obvious. It is also important to note the research methodology employed. Winjum's study provides the results of extensive investigation into both treatises and original records and provides a thorough discussion of the previous support of the thesis by influential scholars. "Scissors and paste history" is clearly not being used here in this carefully researched study.

In previous years, numerous articles have been published summarizing various extant merchant journals of the Middle Ages. Winjum's book binds all of this information about English accountancy (1500-1750) into a strong statement on the role of accounting in the economic development of capitalism.

The inclusion of account records of thirteen merchants and the East India Company proves to be of substantial value. The records of the East India Company provide a unique opportunity to discern the differences in business methods used by the joint stock companies and the individual merchant. Perhaps the primary difference was that the East India Company was interested in internal control in addition to the profit orientation of the individual merchant.

The book is a major contribution to the literature of accounting history generally and English economic and accounting history specifically. The reader would have been aided substantially by an index, but that is only a minor detraction. The book is highly recommended as evidence of quality accounting history research.

(Vol. 1, No. 3, p. 4, 1974)

Michael Chatfield, *A History of Accounting Thought* (The Dryden Press, 1974, 314 pp.).

Reviewed by Turgut Var
Simon Fraser University

Since accounting history is the study of the evolution of accounting thought, practices, and institutions in response to changes in the environment and societal needs, a book aimed to assist in teaching this discipline should consider the objectives very carefully—otherwise the book may become irrelevant and voluminous. The main success of Professor Chatfield lies in his efforts to be concise and relevant to current accounting issues. As indicated in the preface of the book, the objective is to elevate basic accounting history from a state of scattered articles and books into a formal teaching aide. Less stress on earlier developments and more emphasis on more recent issues make this book readily adaptable to a variety of instructional purposes. Inclusion of an extensive bibliography to each chapter provides a valuable guide to readers who may wish to further study a particular item. Therefore, the book can be used by undergraduates in accounting as well as by graduate students who lack previous exposure to accounting and accounting history.

The objective of being relevant and concise, of course, required the author to employ limitations. First, as its title suggests, it is a book of history of ideas rather than a chronicle of events or collections of facts as compared to earlier books on accounting history in Europe. The second limitation affects the scope of the book considerably and to a certain extent constitutes a weakness. This limitation results from the assumption that accounting history is mainly the story of the economically dominant nation of the time. Therefore, the earlier chapters are devoted to developments in Italy; from the seventeenth through the nineteenth centuries, England occupies the main emphasis; the last chapters that deal with current issues are centered on the American experience.

It is natural for a reader to question this assumption because it introduces a bias. This is especially felt in discussion of accountancy and capitalist development in Chapter 8. Exclusion of some of the recent findings which give the Sombart thesis a fair trial tends to increase this bias. Moreover, Chapter 2, Medieval Account Keeping, (which is based on Professor Chatfield's earlier article, "English Medieval Bookkeeping: Exchequer and Manor") contradicts this dominant nation assumption. Probably a shorter chapter with reference to the original article would be more appropriate.

Part 2, Accounting Analysis in the Industrial Era, is very well written. Consideration of various movements for various purposes, i.e., auditing, professional development, cost accounting, government and business budgeting is given in short but very informative and consistent chapters. Reading these chapters one "feels" the different pace of progress and problems during the industrial era. This section should prove very useful not just to accountants but to lawyers, administrators and others interested in the evolution of financial planning, reporting and control.

The last five chapters constitute Part 3, A History of Accounting Theory, which mainly deals with the development in the United States. However, various references to developments in continental

Europe give the reader a very sound background in understanding the U.S. developments in accounting theory. Chapter 16 contains a description of the "discovery and exposition of the theoretical framework which governs accounting practice and within which the specifics of modern theory have evolved." After reading this chapter, one can begin to make headway in analyzing many current issues.

Unfortunately, the book contains several typographical and other printing errors. Of course such errors do not reduce the value of this great and pioneering work in the field of instruction of accounting history.

(Vol. 1, No. 3, p. 5, 1974)

Michael E. Parrish, *Securities Regulation and the New Deal* (Yale University Press, 1970, 270 pp.).

Reviewed by Hugh Hughes
Georgia State University

The New Deal, broadly perceived as a reform movement, has been the subject of previous comprehensive studies. As Parrish notes in his introduction, he is concerned with illuminating "a portion of the larger debate: the relationship between American businessmen and reform." He attempts to identify the reformers, their motivations, and the consequences of reform.

To accomplish his goals, he concentrates on the issue of securities regulation—primarily through an analysis of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. The analysis begins with a discussion of "blue-sky" laws and the efforts of the then recently formed Investment Bankers Association to promote uniformity of state and federal securities regulation laws before and during the twenties. The major portion of the book is then devoted to an in-depth study of the evolution of pertinent provisions of each of the three acts mentioned above, including an analysis of other competitive and ultimately unsuccessful bills.

A large number of individuals and groups played a part in developing, inhibiting, and modifying this legislation both before its passage and upon its subsequent administration by the Securities and Exchange Commission. From historical studies, government documents, etc., and more importantly from personal diaries, correspondence, and papers of individuals important to the outcome of securities legislation, Parrish assembles a virtual panoramic cast of characters including senators, representatives, Wall Street lawyers, bankers, the Roosevelt administration and attendant New Dealers, the New York Stock Exchange, stockbrokers, the Federal Reserve Board, scholars, the Federal Trade Commission, several Congressional committees, pressure groups and accountants.

This is no Cinderella tale which Parrish relates—it is a study of legislation incessantly attacked by detractors who in some instances do manage to dilute or eliminate what appear to have been worthwhile reforms. The personal papers are particularly helpful here in shedding light on the feelings and frustrations of both advocates and foes of these measures and of the philosophies motivating them.

An important feature of the book is that it is not primarily concerned with the accounting profession or accounting practices. Accountants, as the list above notes, are but one of a number of parties whom Parrish attempts to place in perspective, and it is this perspective that today's accounting practitioner or professor should find of most benefit. The development of the SEC's philosophy toward accountants, for example, is seen against a larger background of its relationship to the business community generally.

To the accounting historian, the book is significant for this same perspective, for the evolutionary study of a government institution of primary importance to accountants, and for its methodology. In conclusion, I feel the author readily accomplished his objective. Parrish's *Securities Regulation and the New Deal* is a pat hand.

(Vol. 1, No. 4, p. 4, 1974)