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William G. Shenkir
FINANCIAL ACCOUNTING STANDARDS BOARD

ACCOUNTING HISTORY, THE ACCOUNTING HISTORIAN, AND THE FASB

The Financial Accounting Standards Board—a “bold new effort” in self regulation by the private sector—became the official rule-making body for financial accounting and reporting on July 1, 1973. The Wheat Report, *Establishing Financial Accounting Standards*, which led to the formation of the FASB was based, in part, upon an historical study of the rule-making efforts of the Accounting Principles Board. At this early juncture in the FASB’s tenure, it seems appropriate for those interested in accounting history to: (1) consider the possibilities for their participation in the on-going work of the FASB; and (2) take note of the sources that will be available for study of the FASB in the future.

It is well to remember that each historical era is capable of forgetting. As George Santayana stated, “those who cannot remember the past are condemned to repeat it.” The “due process” built into the FASB’s Rules of Procedure provides an opportunity for the accounting historian to participate in the work of the FASB by drawing attention to the historical dimensions of a contemporary problem. By bringing his analytics to bear upon problems currently under consideration, the accounting historian may provide a rather unique input to the Board.

As stated in the FASB’s Rules of Procedure, once a subject is added to the technical agenda, the “due process” cycle that may be followed includes: participation by a task force in the preparation of a discussion memorandum, a public hearing normally held after at least 60 days notice, and issuance of an exposure draft of the proposed Statement of Financial Accounting Standards usually for at least a 60-day comment period. This cycle may involve longer comment periods when considered necessary by the Board and also

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may be shortened to as few as 30 days when the Board believes that sufficient information is available to enable it to proceed quickly. It is also possible for the discussion memorandum and public hearings to be eliminated entirely. For those projects in which a discussion memorandum is issued and the complete "due process" cycle is followed, historical studies pertaining to the problem that are available during the period that the FASB staff is preparing a memorandum could be very useful. Since a discussion memorandum is oriented to decision issues, an historical study that focuses on the relevant issues raised in the past and which analyzes past reporting practices could be of assistance in framing current issues. It also may be appropriate to present certain historical analysis in a letter of response to a discussion memorandum or exposure draft.

At some point in the future, if it has not already been started, someone will undertake a study of the FASB's work, perhaps isolating on one or several of the technical projects that led to a Statement of Financial Accounting Standards. The researcher of such a study will find that a "documentary evidence trail" is available. For a specific technical project, this trail may include the following: news releases on the project that have appeared in the financial press as well as possible discussion in a regular issue of *Status Report*, the FASB's newsletter; a discussion memorandum and public record consisting of letters of comment on the issues raised in the memorandum; a transcript of oral testimony presented at the public hearing; an exposure draft that includes an appendix giving the bases for the Board's decision; the letters of comment on the exposure draft; and the Statement of Financial Accounting Standards, also with an appendix indicating the bases for the Board's final decision. In addition, the minutes of the Board's meetings are available for review, and although they do not contain the substance of a debate, from a study of them, the progress of a project can be traced. This trail provides the documentary materials for an historical study of a Board decision.

In discussing the documentary materials that are available as a result of the FASB's "due process," a pertinent question for accounting historians to ponder is: how should a policy decision on a financial accounting standard be studied? In other words, what methodology is appropriate for analyzing the materials related to such a decision? Although a complete discussion of the previous questions is beyond the scope of this paper, it might be noted that when studying a policy decision, the problem and the sets of ideas offered as solutions should be analyzed through the institutions in-

volved—in the case of accounting, for example, through the FASB and the SEC—and through the underlying political process consisting of different parties with diverse interests. Policymaking is more than a polarized process in which a decision of “for or against” is reached. Rather, it is a matter of choosing among many interrelated considerations. The accounting historian should seek an understanding of the “political” considerations involved in the establishment of a financial accounting standard and the particular alternatives and more subtle points that were considered during the deliberations.

In summary, these comments have been offered to encourage those interested in accounting history to participate in the FASB’s “due process” and to indicate the sources that will be useful for an inquiry into the work of the FASB.

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