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Academy of Accounting Historians Research Committee

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The Accounting Historians

NOTEBOOK

REPORT ON BASIC HISTORICAL METHOD

by

The Academy of Accounting Historians Research Committee

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In 1970 the Committee on Accounting History of the American Accounting Association defined accounting history in the following way: the study of the evolution in accounting thought, practices, and institutions in response to changes in the environment and societal needs. It also considers the effect that this evolution has caused on the environment. Although the 1970 committee defined the parameters of accounting history, just how such "study" was to be conducted was not really dealt with. Because most of the work in accounting history is done by accountants who may have little training in history, the Academy of Accounting Historians has asked the Research Committee to deal with questions of methodology.

The purpose of this report is to provide guidance to researchers in accounting history who may not be familiar with some of the research methods used by historians. This report concentrates on some basic concepts in historical methodology; a second report will focus on other techniques and specific areas of study. The material presented here is not new, but it is hoped that a concise summary of basic ideas will be helpful to accountants who may not have the time to delve into the various works available on historical methodology.

Nature of Historical Evidence

History, as a discipline or field of study, has developed a set of methods and concepts by which historians collect evidence of past events, evaluate that evidence, and present a coherent and meaningful discussion of it. Although complete knowledge of complex human events seems nearly impossible, the researcher can hope for sufficient

knowledge to permit an explanation or interpretation of the data. The value of the interpretation depends on the availability of adequate data, analysis of this evidence in context of the events, the condition of the sources, and on the methodological training of the investigator.

The nature of historical evidence therefore is crucial in dealing with historical research. There are numerous ways of categorizing historical evidence; the following grouping is not all-inclusive but should be useful to those working in accounting history.

A. Primary Works

Primary works are original source materials for historical fact—tangible materials which existed at the time the historical event was taking place and which aid in describing it. They include such items as eyewitness accounts, diaries, letters, and public documents (laws, treaties, business records, court decisions, etc.). They may include photographs and newsreels, as well as artifacts discovered by archaeologists. Stamps, coins, seals, wills, or any material if it is in its original, untampered form, can be classified as primary source material.

Written original sources do not have to be in their original manuscript form. However, a primary work cannot be edited, other than in organization, and still be classified as a primary work. For example, published collections of the correspondence of a chief accountant of the SEC are primary materials, even though the compiler has probably arranged them in some sort of order, either chronologically or by subject. However, an interpretation of that correspondence, even though

material is quoted extensively from it, is not a primary source. Similarly, FASB statements are primary material, but an interpretation of accounting policy is not.

has become important in recent years for examination of contemporary developments. The use of film, videotape, and recorders has permitted interviews with prominent individuals and these techniques are being used increasingly by accounting historians.

B. Secondary Works

Secondary source materials are the end products of the study and use of primary materials, by historians, to which they have added their own organization and interpretation. Generally, however, historians would not acquire all of their facts for secondary works from primary sources alone; many other secondary works would be consulted. The work of other historians is of great use to the researcher, who produces secondary works by synthesizing material obtained from all sources and providing an interpretive structure based on the evidence.

The preceding categories are not meant to be exhaustive but provide some idea of the nature of historical evidence. The question of the collection of evidence will not be dealt with here, for it is assumed that academy members have used a variety of bibliographic aids in other research areas. Although the specifics involved in accounting history may be different, the methods are comparable. We therefore turn to the evaluation of evidence used in historical research.

Evaluation of Evidence

A. External Criticism

All textbooks, monographs and journal articles generally are secondary works. At times, however, some of these materials could serve as primary sources. For example, if a researcher were dealing with the concerns of accountants in the 1920's, the journal articles in the *Accounting Review* of that period would be legitimate primary sources. Similarly, someone looking at changes in accounting education could use accounting texts as primary sources for that purpose.

External criticism authenticates evidence and establishes texts in the most accurate possible form. It saves the researcher from "false" evidence by dealing with such problems as forgeries, garbled documents, partial texts, plagiarism, ghost writers, and interpolations. External criticism deals with both intentional and accidental errors in texts.

C. Consciously Transmitted and Unconsciously Transmitted Evidence

A good deal of the work of external criticism is done by specialists in such auxiliary disciplines as linguistics, paleography, genealogy, numismatics, scripophily, and archaeology. Researchers in accounting history, however, may need to do some external criticism to find either the author or the date of accounting records. Content analysis may be useful for such a process, that is looking at the social content of the audience. For example, the use of certain types of accounts, spelling, and the structure of language in general all may reveal date and/or authorship. Similarly, tests of consistency would include consistency with the known predispositions of a culture or sub-culture, general, or occupational background. The researcher also may compare the evidence under question with other pieces of contemporary evidence in order to get some idea of the normal style and form of the period. In addition, the physical properties of evidence also may be used to authenticate evidence. Such techniques range from the simple comparison of the properties of various papers and inks to sophisticated chemical analysis.

This distinction can play a role in assessing the nature of evidence, for authors who are consciously recording their thoughts have an interest in furthering a particular view of events. This type of evidence can include memoirs, diaries, chronicles, court testimony, and taped interviews. Unconsciously transmitted evidence is not looking to be judged by posterity. Most accounting records in the form of journals, ledgers and reports are in this category as well as other business records, and public documents.

It must be noted, however, that there has been a growing consciousness of history, and certain types of source materials have become more purposeful in nature. Corporate annual reports, for example, are hardly neutral in intent while government papers also often have a goal in mind.

D. Written and Oral Evidence

B. Internal Criticism

Written evidence may be printed or in manuscript form (that is, inscribed by hand with pen, pencil, or crayon). Most early accounting records are in manuscript form. Although oral evidence is used to study preliterate cultures, it also

When evidence has been authenticated through the process of external criticism, the researcher then can turn to the credibility of the evidence which is the task of internal criticism. The term "higher

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criticism" is sometimes used for internal criticism, while external criticism is called "lower criticism."

Some aspects of internal criticism do not apply to certain types of accounting records. For example, in dealing with journals and ledgers we do not have to ascertain whether their real meaning is different from their literal meaning. If, however, the researcher was using the letters of a major accounting figure, the question of meaning is an important one. We also would want to know whether such a writer was in a position to deal with the subject in question. Internal criticism would look for the biases of the author, and how much time had elapsed since the events in question. The researcher also must deal with the intention of the author in writing and the audience for whom it was intended.

All of the questions posed by internal criticism basically ask the researcher to determine whether evidence can be used with sufficient confidence. Related to this is the question of corroborative evidence, for corroboration may resolve problems arising from contradictory evidence. How much corroboration is required for the researcher to feel comfortable with an interpretation depends on the nature of the problem being investigated and the availability of evidence. In general, the corroboration of relatively specific items and events is easier than that of complex problems.

Analysis and Synthesis

The evaluation of evidence is but one step on the road to a final synthesis or interpretation. The analysis of pieces of evidence and the parts of a problem ultimately lead to a comparison of the various types of evidence and their grouping into a coherent account.

The simple presentation of evidence is not enough. For example, a description of old account books without any attempt to deal with their broader significance is not really a history. The researcher must digest the evidence thoroughly, use the work of other scholars and venture into some generalization. The final interpretation or synthesis is the result of this process, and it is this interpretation which gives meaning to historical research.

Editors Note: Readers who have comments relative to the above committee report should share those thoughts with the Academy membership by sending responses either to Professor Diana Flamholtz, or to the editor of the *Notebook*, or both. Ms. Flamholtz will consider the comments for future committee reports. This editor will

consider pertinent letters for publication in future issues of the *Notebook*.

If this editor can be permitted one further comment concerning the above report, it is that the last two paragraphs are probably the most important of the entire report. Both as an instructor who has assigned accounting history students the task of writing term papers based on primary archival materials, and as an editor who sees the history manuscripts of others, I have been conscious of a lack of an analysis and synthesis of the material. Too often a paper consists almost solely of a presentation of evidence. As the committee report states, the researcher must "venture into some generalization" or conclusion. Such a statement is dangerous, but that is where the value lies in a historical study.

HORACE GIVENS WINS RARE BOOK AWARD

One of the trustees of the Academy, Horace Givens of West Virginia University, has recently won an award (second place) at a rare book exhibition. Professor Givens collects antique accounting books, a hobby that is enjoyed by several members of the Academy. Givens admits that his collection is not as large as those of some collectors, but he tries to stress quality. His award is evidence of the quality of his collection. His award is also evidence of the acceptance of accounting history as an intellectual partner in the sophisticated world of rare book collecting. So often, rare book exhibition awards go to first editions of William Faulkner or James Fenimore Cooper. To have an accounting book win such an award is indeed a coup for all accounting historians. Professor Givens did not indicate how many there were in the contest. Presumably, there were more than just two entrants. The editor of the *NOTEBOOK* would be interested in hearing about the rare book collections of other members.

AUSTRALIAN HISTORY NEWSLETTER

A new accounting history newsletter is being published by the Accounting History Committee of the Accounting Association of Australia and New Zealand. The newsletter's objective is to circulate items that may be of interest to accounting historians. For further information, contact the editors: Bob Gibson, Deakin University, Belmont, Victoria 3216, Australia, and Barrie O'Keeffe, Riverina College, Wagga Wagga, N.S.W. 2650, Australia.