

# Accounting Historians Journal

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Volume 2  
Issue 1 No. 1/4 Winter-Fall 1975

Article 17

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1975

## Book reviews [1975, Vol. 2, nos.1-4]

Hans Johnson

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### Recommended Citation

Johnson, Hans (1975) "Book reviews [1975, Vol. 2, nos.1-4]," *Accounting Historians Journal*: Vol. 2 : Iss. 1 , Article 17.

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## BOOK REVIEWS

*Hans Johnson, Editor*<sup>1</sup>  
UNIVERSITY OF TEXAS AT SAN ANTONIO

Axel Grandell, *Redovisningens utvecklingshistoria fran bildskrit till dator (The Development of Accounting from the Hieroglyphs to the Computer)* (Abo, Finland, 1972, 121 pp.).

Reviewed by Sandor Aszely  
Gothenburg University, Sweden

Though we have comprehensive and scholarly studies in English and German of the history and development of accounting (Yamey, Penndorf and others), readers of *The Accounting Historian* might be interested in a study of the development in the Scandinavian countries, especially Sweden and Finland. This development was, to be sure, strongly influenced from Northern Germany and the Netherlands but had also characteristics deserving more than local interest. As to the influences from abroad, we have to bear in mind that Lübeck and the Hansa had a solid grip on the commerce of the Baltic region from the 12th to the 16th centuries and that the influence of the Low Countries became manifest after their independence from Spain and after they had established themselves as a worldwide naval and commercial power with considerable business interests in the Arctic regions and the Baltic Sea.

Grandell discusses in detail two of the simplest means of control and instruments of accounting of the old days, the *scoring board* and the *tally*. The scoring board was used as an aid to memory in the counting of physical units (loads, sacks, etc.) or as a control on work-performance. The oldest type was a board with  $10 \times 10 = 100$  holes and a peg to put into the holes corresponding to the counted units. A later type had 10 holes in 3 columns for marking one, two and three digits respectively. The simple tally served the same purpose as the scoring board: as a memory-storage of the counts of stores or as a means of control of operations. It was just a stick upon which notches were cut for each operation carried out. An-

<sup>1</sup>Appointment appeared in Vol. 2, No. 3. p. 4, 1975.

other type, the divided tally, meant a considerable progress in the technique of accounting. It was split into two parts, one for either party—employer/employee or buyer/seller and so forth. Each time a notch was cut the two parts had to be fitted together. Then each party kept his own half in order to be able to control the correctness of the notches. It was fundamentally the same idea as the “indent”-form for certeparties of the East India Company. These simple means of control remained in use to a certain extent until the beginning of the present century.

Of considerable interest is the development of accountancy in Sweden and Finland after the separation from Denmark, during the reign of Gustavus Vasa (1523-60). He made his Exchequer work out an accounting system for the stewards of the royal castles and estates. His administration was depending on well planned and several methods of control and a budgeting system, which was centuries ahead of its time. It is also quite remarkable that double-entry bookkeeping was introduced into the accounts of the Crown as early as 1623 by a Dutchman, Abraham Cabiljau. Thus Sweden seems to have been the first country to introduce double-entry for keeping Governmental accounts.

A further development of more than local interest is that of industrial accounting in Swedish iron works, saw mills and other manufactories in the 17th century. Iron works in Sweden and Finland engaged skilled Walloon miners and blacksmiths as well as Dutch accountants. These bookkeepers established an accounting system, well adapted to mining and milling operations. At the middle of the 18th century this industrial accountancy in Sweden reached a rather high level, far above contemporary accounting in commercial business enterprises. Column technique—a sort of multi-dimensional accounting—personal accounts separated from the general ledger, and an accounting system enabling detailed cost estimates, were features that raised the bookkeeping of the iron works to a much higher level than that of the merchants.

Axel Grandell shares the view of Werner Sombart, B. S. Yamey and Y. Ijiri, that an efficient control-system based on double-entry bookkeeping was a prerequisite and cornerstone of capitalistic society. One might add that an efficient accounting system is probably still more important in modern society with the emergence of a mixed economy, a heavily expanding public sector and an enormous bureaucracy for planning and control.

(Vol. 2, No. 1, p. 9, 1975)

John B. Inglis, *My Life and Times* (George Dixon Press, Inc., 1974, 153 pp.).

Reviewed by Richard A. Scott  
Virginia Commonwealth University

What prompts one to write of his life? It may strike you as puzzling just as it did this reviewer. Perhaps more germane is the query: Does the way in which a man describes his life—and that he undertakes to do it in the first place—reveal facets of character and personality which explain what motivated him to accomplish that which he did?

John Inglis accomplished much during his career. He was the senior partner of Price Waterhouse & Co. (1954-61), a member of both the Committee on Accounting Procedure and the Accounting Principles Board, as well as President of the National Association of Accountants (1958-59), to cite but a few of his achievements. It is also apparent from his autobiography that he was prosperous, had many friends, and was widely traveled; it borders on the redundant to even mention these facts given the stations in life that he reached.

If he can be regarded as having contributed to the accounting profession's development, one may ponder whether there is something in his make-up that is universal to those who have led, and importantly, those who will lead. I am suggesting to anyone having an interest in pouring over Inglis' work that a study of its psychological implications may prove more fruitful than rooting through its pages in quest of accounting history. An enigma of this autobiography is that the reader, upon concluding his sojourn with it, falls far short of knowing the man. Inglis is so reserved and self-effacing in this recital of his years that he only cursorily alludes to his achievements.

The volume is partitioned into thirteen chapters in such a way that his personal life and professional career are separately examined. From 1901 to 1924 when he left New Zealand to join Price Waterhouse in New York City, he was part of a large family with a religious tradition. You will be charmed by nostalgic reminiscences of life at an earlier and simpler time, as well as by his reactions to the New World. For those with a penchant for accounting history, Chapters 6, 9, 11 and 12 will prove of greatest interest. It is fascinating to read his description of public accounting work during the mid-1920's, when he was abruptly and immediately placed in charge of audit assignments. With virtually no supervision and using tempo-

rary help as assistants, he was pressed to service. "I knew nothing about American accounting procedures, the firm's audit requirements or what an American set of audit working papers looked like or were supposed to contain." (p. 38)

There are other occasional passages of interest: How ". . . May monopolized much of his [Campbell's] time discussing theoretical problems . . ." (p. 73); mention of the hand-written bound ledgers of J. P. Morgan & Co. and the private ledger which was kept under lock and key (p. 74); his experiences with the Securities Acts in the days of their infancy (pp. 76, 78); and an insider's view of the McKesson & Robbins debacle. It was Inglis who was instructed by the partners of Price Waterhouse to examine the accounts receivable and inventories of McKesson & Robbins in the fall of 1938 to ascertain the substance of rumors which were then burgeoning regarding the firm's accounts. Out of this landmark fraud came salutary reforms for both Price Waterhouse and the accounting profession which are cited by the author in reflection (pp. 82-83). You may be intrigued by the events of 1947 when depreciation based on current cost valuations was in debate (p. 111), and of 1941 when the problem of "inventory profits" was resolved by resort to LIFO cost flow assumptions (p. 113). Chapter 12 contains an expression of Inglis' management philosophy *vis-a-vis* that of earlier senior partners of the firm, and throughout the text one is reminded of the international dimensions of the Price Waterhouse practice and of the early years to which it traces. In summary, however, you will find that this book is more a vehicle for Inglis to acknowledge and give thanks to his many friends around the world, than an epitome of his professional career or the historical events which brought change to the accounting profession.

(Vol. 2, No. 2, p. 3, 1975)

Hanns-Martin W. Schoenfeld, *Cost Terminology and Cost Theory: A Study of its Development and Present State in Central Europe*, Monograph 8 (Center for International Education and Research in Accounting, University of Illinois at Urbana-Champaign, 1974, 177 pp.).

Reviewed by M. C. Wells  
University of Sydney

This monograph contains a comprehensive and readable account of the development of various theories of production costs by promi-

nent German writers. For those of us who are incompetent in any but our own language it is a long overdue introduction to a highly developed and rather specialized field. Yet, after reading it, instead of any feeling of satisfaction at having comprehended some new and complex notions, I was left with a feeling of frustration. Not because of Professor Schoenfeld's work. On the contrary, one can only be envious of his ability to digest and translate abstract theoretical notions in more than one language. No, the frustration arises because we are introduced to various theories which seem, somehow, never to reach a conclusion. Perhaps this reaction is because I too am guilty of the pragmatism which Schoenfeld finds so common in the United States. And the practical effects of the various theories discussed in the monograph are not easy to discern. There appears to be strong support, for example, for the inclusion of imputed costs in cost calculations for decision making (pp. 18-24) but just as strong support for their exclusion from published profit and loss accounts (pp. 28-29). But why are profit and loss accounts published if no one is going to use them to make decisions?

Similarly, but more importantly, Schoenfeld describes various approaches to the definition and determination of product costs. The relationship of costs to market determined prices is stressed throughout as is the purpose of cost determination:

German scholars generally recognize the fact that, at least in theory, a market connection should be maintained. Monetary cost value should at the same time allow an adequate and up-to-date efficiency evaluation (*Wirtschaftlichkeitsrechnung*) (p. 15).

Curiously, the allocation of overhead and service department costs appears to be an essential part of the cost accumulation process. What is missing is an explanation of how cost allocations satisfy the condition of a *market connection*, and how they may be used in making an up-to-date *efficiency evaluation*.

The adoption of conventional allocation procedures is all the more curious when one considers the extent to which the theories Schoenfeld describes are firmly rooted in economic doctrines. The earlier cost theory of Schmalenbach, and more recent work by Mellerowicz, Gutenberg and Heinen would sit more easily in a textbook of economics than cost accounting if they were published in the U.S., Great Britain or Australia, which is indicative of a defect in the thinking extant in those countries and not a criticism of the German scholars. The emphasis given by them to an analysis of the

production functions and operational constraints commonly found in industry provides a sound basis for the development, by argument and counter-argument, of a fruitful theory of cost accumulation. But the theories so derived are not extended to the pragmatic level of delienating costs which might or might not be included in regular cost accounting procedures nor do they provide any justification for the allocation of common costs.

The cost theories which emerged from a detailed analysis of real and imagined production functions do, however, illustrate the advantage which that line of development has over the "practical-dogma" approach common in English speaking countries. For whereas the latter leads, almost inevitably, to a hotch-potch of unrelated and frequently conflicting ideas and methods (how else can we explain the coexistence of the criterion of objectivity and subjectively allocated costs, or the common emphasis on unit product costs despite their irrelevance for decision making and control) the former at least provides a clearly defined starting point for debate. Wherever a theory is seen to be deficient, its proponents or adversaries can identify the assumptions on which it is based and test their validity as well as that of the logical inferences drawn from them. That this is potentially a far more productive mode of reasoning than the pragmatists' criterion of "does it work?" is clearly evident from Section III of this monograph.

Of particular interest to accounting historians will be Schoenfeld's description of the origins of various cost theories, the background of the German Uniform Chart of Accounts and his evaluation of European theory development. Throughout that development, the close connection between cost accounting and economics is clearly drawn.

Schoenfeld has adopted the role of reporter, not advocate. His monograph is a work to be taken seriously and studied closely by all who profess an interest in cost accounting practices and theories. Although the emphasis on German literature is somewhat narrower than the title implies, the English language literature has been considerably enhanced by this addition.

(Vol. 2, No. 2, p. 5, 1975)

Thomas J. Burns, Editor, *Accounting in Transition: Oral Histories of Recent U.S. Experience* (College of Administrative Science, Ohio State University, 1974, 305 pp. \$3.00 for single copies; quantity discounts available).

Reviewed by Paul Frishkoff  
University of Oregon

It might be argued that *all* history is essentially oral, but the advent of the tape recorder and literal transcription has certainly affected the nature and quality of the process: the Nixon tapes suggest more authenticity, though considerably less elegance and literacy, than, for instance, *The Iliad*.

This book is an ambitious—and, on the whole, successful—effort to capture the thoughts of some leading academics and practitioners on contemporary financial reporting issues. The word “recent” in the title should be noticed as a constraint; the emphasis is on the experience of the past 15 years. The word “standards” probably also belongs in the title, for the dominant theme is the decline and fall of the APB, with the advent and struggle for survival of the FASB as a secondary motif.

These “interviews” are not of the open-ended, stream-of-consciousness variety, but rather consist of responses of panelists to carefully phrased questions by moderators (*apparently* before a live audience, though this isn’t made clear).

There are five major sections or panels:

- I. Philip DeFliese and Stephen Zeff on the Search for Standards.
- II. Charles Horngren and Herbert Miller on the APB, as viewed by two former members thereof.
- III. Ernest Hicks, John Myers, and Arthur Wyatt on APB Research, as viewed by the authors of three major Accounting Research Studies.
- IV. Sidney Davidson and David Solomons on the Trueblood and Wheat Commissions.
- V. Richard Baker, Michael Chetkovich, Ralph Kent, Donald Kirk, Robert Mautz, and A. Clarence Sampson on Accounting during the Next Decade.

The respondents’ comments are refreshingly candid, though tactful. The details of the APB’s battles with various organizations and agencies are well articulated, but the emotional turmoil which must surely have characterized these struggles is curiously lacking. A few heroes explicitly emerge (Reed Storey, for one, garners his



share of plaudits), but individual “villains” lurk only in the shadows. There is, to be sure, reference to the FEI, various governmental agencies, and financial analysts as frequent critics of the accounting profession, but individual protagonists are usually alluded to, rather than identified. In this respect, it is rather unfortunate that the panels consisted almost entirely of practitioners and professors; there are no representatives of industry or the securities analysts, and only Mr. Sampson of the SEC is there to speak for government (which he does most ably).

All fifteen panelists (as well as the moderators, who are both faculty and Beta Alpha Psi students) acquit themselves ably, but one might single out especially the contributions of Zeff (on the development of accounting standards comparatively in the U.S., Canada, and Great Britain), Wyatt (on the trials and tribulations of authoring ARS No. 5), and Solomons (on Wheat Commission).

Actually less than half the book is devoted to transcriptions of the moderators’ questions and the panelists’ comments. The rest is fleshed out with a series of exhibits and appendices. Some, like Zeff’s Chronology of Significant Developments, 1926-72, are well worth reprinting. Some others, such as Horngren’s Letter to the Study Group, are worthwhile in that they might not otherwise be widely available to the public. Many, particularly the group following the last set of panelists, are good articles which might belong in a readings book but appear to serve primarily as filler in this particular volume. An appendix which lists all members of the APB, and the Opinions on which each voted, is particularly valuable to the student of recent American accounting history.

To this reviewer’s surprise and delight, some anonymous scholar took considerable time and effort to compile an admirably detailed subject index and a briefer one of citations to particular authors; other readings books and reprinted symposia would do well to emulate this.

The physical layout of the book (apparently photo-offset) is most legible, though there’s the usual number of inadvertent typographical errors. (Former APB member Milton Broeker is incorrectly if consistently referred to as “Broeher.” Davidson’s 1973 Stanford lecture is either inadvertently or otherwise identified as *The Study Group or Objections on Financial Statements!*)

This book belongs in the library of any accounting scholar, “historian” or not, and would be a stimulating input into many graduate accounting seminars. At the quoted price, it’s an incredible bargain, to boot.

(Vol. 2, No. 2, pp. 5, 6, 1975)

William Woodruff, *America's Impact on the World: A Study of the Role of the United States in the World Economy, 1750-1970* (The MacMillan Press Ltd., London, 1975, 296 pp. £ 10 net).

Reviewed by Robert MacKenzie  
The University of Alabama

William Woodruff is Graduate Research Professor in Economic History at the University of Florida in Gainesville. Author of a widely acclaimed treatise published in 1966 entitled *Impact of Western Man: A Study of Europe's Role in the World Economy, 1750-1960*, as well as numerous other books and scholarly articles, Professor Woodruff has now followed with another impressive volume, *America's Impact on the World: A Study of the Role of the United States in the World Economy, 1750-1970*.

The subject is broad, the viewpoint unique, and the task challenging. Woodruff has responded with insight and great synthesizing skill. Furthermore, he writes clearly and smoothly, and the reader finds his path through a complex subject considerably eased.

The book is brief (only 184 pages of text) but tightly constructed to cover its subject. It consists of eight chapters. Chapter one skillfully reviews the colonial period. Chapter two describes the course of American expansion across a continent and into the world. Chapter three places the American experience in its world context. Chapter four analyzes America's influence on world finance. Chapter five comments on the impact of American technology; Chapter six upon America's contribution to the conquest of distance. Chapter seven analyzes the role of America in world commerce, and Chapter eight is the epilogue, consisting of the author's seasoned reflections upon his subject.

The most important chapters to the reader interested in economic history are chapters four and seven. Each is based upon abundant statistical material concerning world finance and commerce, attractively and effectively displayed in a series of tables at the end of the volume. Both chapters are balanced analyses of the economic role of the United States, sharpened by provocative insights into current world dilemmas. This is history at its best, brought to bear upon current and future problems.

The handling of a subject as broad as that chosen by Professor Woodruff is, of course, open to a number of criticisms. Although he skillfully handles historiographical controversies swirling about the many points of interpretation traversed in his general narrative and although his extensive bibliography and germane use of footnotes

attest to his familiarity with those controversies, he generally comes down on the side of older interpretations. Thus, his conceptual framework for discussion of the nineteenth century rests more on Charles Beard than upon that path-breaking scholar's later critics. Woodruff's brief treatment of Reconstruction likewise is little influenced by the historiography of the last decade. In another vein, his narrative has little to say about the Third World and the developing importance of Africa and the Middle East. Chronologically, Woodruff's historical focus is preponderantly upon the pre-World War I period, with later developments more briefly treated. These criticisms, however, are the quibblings of a specialist or may be understood in the light of the natural course of the development of historical knowledge and Woodruff's perspective as a former resident of Britain who views the United States as essentially the inheritor of the English tradition.

On the whole, the book is filled with incisive analyses. The reader may note in particular excellent summations on pages 66-67, concerning Americans in a world context; on pages 86-87, regarding American business impact abroad; and on pages 128-129, concerning the role of industrialization in economic development.

Just as Woodruff is an economic historian of the old school, giving little attention to econometrics and that technique's impersonalization, his epilogue emphasizes the intangible values of the American spirit. Recognizing the current crisis in American self-confidence, Woodruff wisely calls for a look within: "It is not science and technology, not magic formulas for nations to grow rich, not computerized predictions of doomsday, not new laws, however well conceived and wisely framed, that will eventually determine America's destiny in the world. It is man (p. 184)." In view of today's energy crisis and other problems and the entrance of the United States upon the celebration of its 200th birthday, a celebration hopefully dedicated to a search for future meaning and purpose, Woodruff's book is an excellent volume to read and reflect upon. Woodruff stands with William Faulkner in pointing to man's capacity to prevail, and he vividly points to that quality in the American past. It is a worthwhile reminder.

(Vol. 2, No. 2, p. 7, 1975)

Janet Pryce-Jones, B.Sc., Grad. I.M.A. (compiler) and R. H. Parker, B.Sc. (Econ.), F.C.A. (annotator), *Accounting in Scotland: A Historical Bibliography* (The Institute of Chartered Accounting in Scotland, Scottish Committee on Accounting History, Edinburgh, 1974, 96 pp., £ 2.50).

Reviewed by Peter H. Knutson  
The Wharton School, University of Pennsylvania

How can a reviewer fail to praise a book which presents debits and credits thus:

The Ower, or the Owing thing  
Or what-so-ever comes to thee:  
Upon the Left-hand see thou bring;  
For there the same must placed bee.  
But they unto whom thou doest owe;  
Upon the Right let them bee set;  
Or what-so-ere doth from thee goe,  
To place them there doe not forget.

The foregoing verse appears on page 67 of this completely fascinating bibliography, which according to the foreword, is the first publication of the Scottish Committee on Accounting History, As such it is an appropriate choice inasmuch as it provides a complete and authoritative guide to the existence and location of the source material upon which further work on Scottish accounting history depends.

As all of us must know, the accounting history of Scotland is a rich one and the prowess of Scottish accountants is near legendary in the English-speaking world. The written record of that heritage begins with the publication in 1683 of Robert Colinson's *Idea Rationaria, or, The Perfect Accomptant*, the first listing in this bibliography. From then until 1920, there are listed 192 books (many published in several editions), 83 transcriptions of accounts, plus an entire separate section citing some 48 works on the History of Scottish Accounting. In addition, there is a short (6 pages) essay by R. H. Parker on Robert Colinson's *Idea Rationaria* and a variety of addenda and cross reference lists.

The organization of *Accounting in Scotland* can be only an accountant's creation. A vast number of abbreviations are used and some study of the Table of Contents, Introduction, and List of Ab-

breviations is absolutely necessary before any efficient use can be made of the volume. In general, the organization is as follows:

### *Part I—Books Published in Scotland 1683-1920*

This is the heart of the work and contains a numbered list of books in the chronological order in which they were published. Each entry states the author, title, place of publication, publisher, date, number of pages, cover size in centimeters, a list of reference works in which it is cited, and a list of English and Scottish libraries in which a copy is known to be located. There are also annotations for almost every item; these range from being brief and matter-of-fact (Item 8: "The author was Secretary to the Bank of Scotland") to several longer entries which are somewhat more chatty in content and style. There are several pages of reproductions from some of the works cited as well as a series of photographs of some rather forbidding-looking authors.

### *Part II—Transcriptions of Accounts*

The 83 works cited in this section are also presented in numbered chronological order, starting with "The Exchequer Rolls of Scotland (1264-1600)" and ending with "An Old Day Book" of 1814. The basic data provided are the same as in Part I, but the annotations are briefer and less frequent.

### *Part III—History of Scottish Accounting*

The first two of three subsections in this part present (a) a chronological list of 15 books on Scottish Accounting History, the publication dates of which range from 1920 to 1969, and (b) a chronological list of 18 periodical articles on the same subject, these items dating from 1894 to 1973. The third subsection, (c) Biographies, contains 13 works arranged chronologically by date of death of the subject.

### *Appendixes*

The first appendix is the short but informative essay on Colinson by R. H. Parker that was mentioned earlier. The remaining two appendixes are (a) an alphabetical author list, and (b) an alphabetical title list. These are keyed back to the main body of the work *first* by Part number (I, II, or III), then for Part III for subsection letter (a, b, or c), *second* by publication date, and *third* by the number assigned to that work in the main listing. It seems terribly compli-

cated to explain, but in practice it works quite well after a little trial and error on the part of the user.

The major shortcoming of *Accounting in Scotland* to accounting historians in the United States is that its library references include only the United Kingdom. This is not a complaint, but rather is an observation of a fact which was only to have been expected. Perhaps when some of the bibliographies currently in progress in this country are completed, that situation can be to some extent improved. In the meantime we must content ourselves with a loud hosanna to Ms. Pryce-Jones and Professor Parker for a fine job well done.

(Vol. 2, No. 3, p. 3, 1975)

Robert Chatov, *Corporate Financial Reporting—Public or Private Control* (The Free Press, 1975, 364 pp. \$15.00).

Reviewed by Robert H. Raymond  
University of Nebraska

In *Corporate Financial Reporting—Public or Private Control* Robert Chatov brings what must be a new interpretation to events that have long been familiar to accounting historians.

This book is based on Dr. Chatov's doctoral dissertation, but additional material has been added, particularly in the policy recommendations area. Prof. Chatov writes from a unique background including undergraduate studies in economic history, a law degree, and eighteen years of experience with Ford Motor Company as well as his doctoral studies. He freely admits that he is not an accountant. He terms his approach socio-historical, imbued with a legal and economic perspective.

Chatov carefully clarifies the nature of this book in both the preface and the first chapter. It is a study of the effectiveness of independent regulatory agencies, using the Securities and Exchange Commission as the case in point. Primary points for which he looks to history for supporting evidence include:

1. The Securities and Exchange Commission abdicated its Congressional mandate to develop a comprehensive set of accounting rules. The SEC did not want to develop such a set, the practicing accountants had no intention of doing so, and the academic accountants were not asked to.
2. Failure to control the pooling of interest accounting for financial combinations permitted the most incredible stock market specu-

lation in the United States since 1928-29, and brought down the Accounting Principles Board.

3. Starting about 1887 when accounting control was in the financial-industrial system, accounting has gone a complete cycle with control being shifted first to the FTC-SEC; then to the practicing accountants; and now back to the financial-industrial system, shared with accounting practitioners and the corporate sector.

4. Accounting is significant in the process of economic development. It should, Chatov contends, be a function of public policy, not corporate policy. This calls for, he believes, a comprehensive accounting code, the objectives of which should focus on the needs of macroeconomic and social public policy. This code should be supported by a special administrative court system to resolve interpretations under the code and to adjudicate disputes between the SEC and defendants.

In Chapter 16, Chatov runs back through some of the events, this time examining them from the point of view of the sociology of government regulation. Three themes are developed: (1) the "threat" of SEC intervention whenever practicing accountants do not perform is little more than a ritual; (2) public statements about constantly friendly relations between the SEC and the accountants is largely a myth—the corporate sector has always been the dominant influence behind the liaison between the accountants and the SEC in their interaction over the determination of accounting principles; and (3) accountants have achieved professional status in the sense of ability to exercise influence on the public sector, but in continually trying to limit their liability to third parties the public accounting profession might be found wanting when it comes to the public interest.

The tone of the book is reflected by the following paragraph from Chapter 11, "The Difficulty of Regulating Powerful Constituencies":

The failure of the Securities and Exchange Commission to assert and maintain its authority to prescribe standards of financial reporting at the earliest opportunity was fatal. The Commission was never again able to assert that power. The lesson suggested by the experience of the SEC is that an independent regulatory agency should utilize the full range of its power at the outset of its existence, or forego the opportunity subsequently to use them as effective instruments of public policy. (p. 171)

Accounting historians should read this book whenever they begin to feel secure in their grasp of the interpretation of accounting history. It will remind them that other interpretations might be possible. As they read they will want to ask themselves whether Chatov's book is primarily a well rounded scholarly interpretation or the skillful brief of an advocate.

As I read and pondered this book, I developed a list of over twenty potential research projects.

While I recognize that many publications are adopting the notation form used in this book, I find it time consuming, irritating and a discourtesy to the reader.

(Vol. 2, No. 3, p. 7, 1975)

Edward Peragallo, *Origin and Evolution of Double Entry Bookkeeping: A Study of Italian Practice from the Fourteenth Century* (Reprinted by Nihon Shoseki, Ltd., Osaka, Japan, 1974, 156 pp., \$32.50).

Reviewed by Richard H. Homburger  
Wichita State University

This reprint of a text published originally in New York in 1938 by American Institute Publishing Company is very welcome, indeed; it should please educators and accounting practitioners alike. From a purely aesthetic point of view, it is remarkable how well the appearance and make-up of the original text has been preserved in the reprint. This refers to the Italian Old Style print, elaborate capital letters at the beginning and artistic designs at the end of each chapter, color schemes, and last, not least, the high quality of the paper itself. Aside from the text's distinctive outward appearance, Peragallo's work has continued to retain its unique place in the ever-increasing literature on accounting history. This is due to its concise style, clearly defined and limited scope of coverage, and its excellent selection of significant samples among the early Italian accounting records.

Peragallo's work is divided into three parts. The first, comprising 50 pages, is largely an exposition of the early development of double entry bookkeeping, giving a rich selection of forms used in the three distinct centers of early mercantile practice, Genoa, Florence and Venice. The second part, 74 pages in length, describes the evolution of Italian literature on double entry bookkeeping from its beginning to the time of Luca Paciolo to the early part of the twentieth



century. A rather short third part summarizes the functional development of double entry as it relates to the changing forms of the ledger, the journal and financial statements, each being treated individually.

The first part of the text is the most interesting and challenging of the three. Samples of early records are carefully selected. They are presented in their original Latin version as well as in English translation. Interrelated debit and credit entries in different accounts are presented in full. Due to the absence of a journal in the earliest records, this is particularly important to give the modern reader a fuller understanding of the entire recording procedure.

Genoa is represented by excerpts from the accounts of the Massari, the city treasurers, dating from 1340 A.D. The famous pepper account, presented in full, gives a beautiful illustration of a "mixed" merchandise account in which debits are included for cost of goods and all incidental costs and credits for the sales proceeds. The closing of the resulting loss is shown in full in the account itself and, by contra entry, in the profit and loss account.

Early Florentine accounting is illustrated by excerpts from the Peruzzi ledger (1331-1335) and by selected entries from the Datini records. The Peruzzi accounts demonstrate early partnership accounting in the case of a family partnership, the procedure followed in transferring partnership interests and the closing of the capital accounts. The Datini excerpts presented are sparse but allow the modern reader to compare the advantages of the later bookkeeping forms used by the Datini over the more primitive forms they had used in earlier years. If his interest has been aroused by the samples presented in Peragallo's text, he may wish to consult additional sources on the subject. Extant Datini records, housed for the most part in a special collection at Prado near Florence, run from 1366 to 1410 and show the most significant developments in double entry bookkeeping.

Samples of early 15th century Venetian accounting comprise some early government records, portions of the Soranzo Brothers' ledger and of Andrea Barbarigo's records. The Soranzo ledger illustrates the transfer of accounts from an old to a new ledger by means of a balancing account. Barbarigo's records represent an example of the first use of an integrated journal and ledger system. A chapter on early Florentine industrial accounting, presenting very simple manufacturing records from the 14th century, rounds out the first part of the book. These records tend to indicate that much information can be lost if modern costing methods are not used.

Teachers of accounting may wish to make use of the selection of samples presented in the text to challenge their students' imagination and criticism; the practitioner will find the illustrations helpful in gaining a critical perspective of modern methods.

The exposition of the development of Italian accounting literature, given in Part II, is concise, complete and easily understood. It is the only presentation of its kind currently available in the English language. Of most interest to the modern reader should be the description of 19th century theory of accounts. The approach and purpose differs greatly from our modern thinking in that the earlier theory appears to place form before substance and, in doing so, to defeat its own purpose. To the reader of foreign languages, similar and, perhaps, more extensive material is available in the works of Federigo Melis, Joseph-H. Vlaemminck and other European writers.

Edward Peragallo's book is and will remain one of the classic works on early double entry bookkeeping. Its reprint edition should receive a most cordial reception by accounting historians.

(Vol. 2, No. 4, p. 3, 1975)

Ichiro Katano, *Evolution of Corporate Financial Statements in Japan (Nihon Zaimushohyo Seido no Tenkai)* (Tokyo, Japan, Dobun-Kan, 1968, 269 pp.).

Reviewed by Kenji Hayashi  
Ryukoku University, Kyoto, Japan

The purpose of the book is to place in proper perspective the emerging problems of corporate accounting and accounting education in contemporary Japan, by tracing the history of Japanese accounting practices with major emphasis on the evolution of various financial statements. Supported by a mass of historical data, Professor Katano presents detailed analyses and discussions of the evolution of Japanese corporate accounting which has traditionally been under the strong influence of Western practices. Of particular interest is the account of how these Western influences have been introduced and assimilated into Japanese accounting practices.

For the purpose of descriptive convenience, Professor Katano divides the Japanese history of corporate financial statements into four major historical periods. These periods and their noted characteristics form the framework of his subsequent discussions.

The first period covers the years from 1873 (the 6th year of the Meiji Era) to 1890 (the 23rd year). The year 1873 saw the establishment of "National Bank," the first corporate business enterprise in Japan. This pioneer period ended in 1890 when the Anglo-American corporate accounting system which had been introduced to Japan at the time of the establishment of National Bank was merged with the German-Franco accounting system which followed the enactment of the Commercial Code in 1890. The bookkeeping and accounting practices of "National Bank" closely followed the examples of National Bank Acts of the United States and of the bank accounting practices in England. These factual events leave no doubt that the dawn of modern Japanese accounting was ushered in at this period. It also becomes clear from these descriptions that the beginning of modern Japanese accounting was made on a national scale with the government taking an active role in the introduction, the dissemination, and the regulation, of Western practices.

The second period runs from 1893 (the 26th year of the Meiji Era) to 1933 (the 8th year of the Showa Era). This period is marked by the autonomous development of corporate accounting by businesses themselves without active hands of the government. Since the beginning of the Meiji Era, the Japanese government had consistently followed its powerful policy of industrialization. With the enactment of the Commercial Code, private enterprises which had grown comfortably under the protection and control of the central government were now legally guaranteed their independent entity. With the independence comes the assumption of responsibility. They were thus obliged to develop corporate accounting procedures on their own initiative to meet their needs. The "rationalization of industry" policy adopted at the inception of the Showa Era led the Ministry of Commerce and Industry to institute the Financial Statement Rules. These Rules had been drafted only after the arduous process of reconciliation between the Continental accounting method and the traditional Anglo-American accounting method.

The period of 12 years from 1934 (the 9th year of the Showa Era) to 1945 (the 20th year) represents the third period in Professor Katano's presentation of Japanese accounting history. The pronouncement of the Financial Statement Rules (which are of extreme significance in the history of Japanese corporate accounting) by the Ministry of Commerce and Industry helped a great deal in removing some of the defects in somewhat unrestrained accounting methods practiced in the prior period. This is the period during

which Japanese corporate accounting rapidly achieved rationalization and institutionalization.

The fourth period began in 1946 (the 21st year of the Showa Era) and continued to the 1960's. In 1950, the Committee on Corporate Accounting System was formed as one of the efforts to reconstruct post-war Japanese economy through the adoption of "securities" capitalism in the United States. Guided by the doctrines of "current operating performance" and "public disclosure" in accordance with the Committee's accounting principles, "securities" capitalism has deeply penetrated into the Japanese business community.

What characterizes the history of the Japanese accounting as revealed in the foregoing brief description is the fact that from the very beginning the Japanese accounting history has been a continuing process of refining the "system of periodic income accounting by the profit-and-loss method." It is also clear that starting in the 5th year of the Meiji Era with the guidance of an English banker, Alexander Allan Shand, Western influences have always been present in Japanese accounting practices and thinking, but it must also be pointed out that these influences have had to undergo some modifications to suit the unique social structure in which Japanese economy has operated. The detailed analysis of this unique historical process will be of real value to accounting historians both at home and abroad.

(Vol. 2, No. 4, p. 5, 1975)