

Accounting Historians Notebook

Volume 5
Number 2 *Fall 1982*

Article 9

Fall 1982

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Recommended Citation

Bloom, Robert (1982) "Functional fixation as observed by George O. May," *Accounting Historians Notebook*: Vol. 5 : No. 2 , Article 9.

Available at: https://egrove.olemiss.edu/aah_notebook/vol5/iss2/9

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Bloom: Functional fixation as observed by George O. May
**“FUNCTIONAL FIXATION” AS OBSERVED
BY GEORGE O. MAY**

by
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“Functional fixation” is a behavioral decision hypothesis, reflecting a rigid notion of something—such as attaching economic substance to accounting figures that are really irrelevant in decision making. Stated differently, functional fixation is a habitual response to a familiar stimulus. Decisions are made by subjects based on patterned habitual responses, even though rational examination of the underlying facts would suggest different responses. An assertion by financial-statement users to the effect that “income is income regardless of the depreciation method employed in financial reporting” would indicate a functional fixation about income.

Even in historical accounting literature, the phenomenon of functional fixation has been implicitly recognized. Here is a case in point. Although George O. May never uses the term, he appears to be referring to functional fixation in the following commentary on the impact of the depression on accounting:

Nothing has astonished me more in conversations with men fairly well versed in

financial matters than their failure to appreciate the importance of methods of accounting in relation to corporate earnings and to capital values predicted on earnings. We accountants know how varied are the methods commonly and legitimately employed, how great the effect of a difference of methods on the earnings of a particular period may be. . . . (p. 337)

Now investors, and even some who undertake to advise investors, are apt to give the same weight to profits of companies in the same business without knowing whether the profits to which their calculations are applied have been computed on the same basis or how great the effect of a difference in method might be. (p. 340)

See George O. May, “Influence of the Depression on the Practice of Accountancy,” *The Journal of Accountancy*, November 1932.

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