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Kenneth Oswald Elvik

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Kenneth O. Elvik, Editor
IOWA STATE UNIVERSITY

BOOK REVIEWS

David Hackett Fischer, *Historians' Fallacies* (New York: Harper & Row, 1970, pp. xii, 338, paperback, \$3.95).

Reviewed by Orace Johnson
University of Illinois at Urbana—Champaign

The author should have addressed practicing accountants and auditors explicitly, as well as teachers of history, when, near the end of this tract on the logic of historical thought, he wrote:

“Each day, every rational being on this planet asks questions about things that actually happened—questions which directly involve the logic of inquiry, explanation, and argument which is discussed in this book. . . . This common everyday form of historical thought consists of *specific inquiries into small events, for particular present and future purposes* [emphasis added] to which all the academic monographs in the world are utterly irrelevant.” (p. 316)

While “academic” as used here seems a bit pejorative, and “utterly” is surely an exaggeration, in the popular connotation of the term this book *is relevant* to everyone in the accounting profession—whether teacher, researcher, or practitioner—who makes (1) specific inquiries, into (2) small events, for (3) particular purposes.

The author’s stated purpose was “not to compile a catalogue of all fallacies which historians *might* commit, but rather to collect a few common fallacies which actually occur in historical thinking, and to extract a few rules of reason from this experience.” (We could surely use such a compilation from accounting literature!) “The thesis of this book is . . . that historians, and all men who seek to think historically, tend to make certain assumptions in their work, and that these assumptions have logical consequences which must be respected . . . Logic is not everything. But *is* something—something which can be taught, something which can be learned, something which can help us in some degree to think more sensi-

bly about the dangerous world in which we live.” (p. 306) In my judgment, the author has succeeded exceptionally well.

The contents of this book are divided into three parts as follows:

- (1) *Inquiry*, including three chapters on fallacies of question-framing, factual verification, and factual significance;
- (2) *Explanation*, including six chapters on fallacies of generalization, narration, causation, motivation, composition, and false analogy;
- (3) *Argument*, including two chapters on fallacies of semantical distortion and substantive distortion.

Each of the 113 different kinds of actual fallacies discussed in the 11 chapters is richly illustrated with examples which are carefully analyzed to establish the precise nature of the fallacy. (Not enough examples, however, are taken from accounting and related business fields where they surely exist in abundance.) Then each chapter concludes with positive principles, affirmative axioms, criteria, and occasionally pious platitudes—in total, 83 “rules of thumb . . . that good historians feel in their bones and apply without thinking. If such rules are raised to the level of consciousness, practices might hopefully improve.” (p. 63)

The concluding section of this tract emphasizes that a study of history can be useful to (1) clarify the contexts of contemporary problems, (2) establish trends, directions and prospects, (3) refine knowledge of theory, (4) help us to find out who we are, and (5) teach us how to think historically. These uses are improved where logical fallacies are reduced. For example:

In Chapter 2 on fallacies of factual verification, one of the eleven kinds discussed is the fallacy of pseudo proof. The author writes this paragraph:

In a book entitled *Cities in Revolt* (New York, 1955) Bridenbaugh argued that Bostonians were heavily taxed in the period 1743-1760. His evidence consisted in an exclamatory assertion that “at the close of this period the levy on the ‘Estates Real and Personal’ of Bostonians amounted to 13s.6d. in the pound, or 67 percent!” But this statement, in itself, tells the reader nothing. Were those thirteen shillings and sixpence extracted from a pound of property at market value or from an assessed valuation of estates? Bridenbaugh doesn’t tell us. Let us assume the latter, which was probably the case. If so,

what were the assessment rates in proportion to real value—100 percent? 50 percent? 5 percent? If rates were high the Bostonians were very heavily taxed, in whatever year Bridenbaugh found his figure. But if they were low, then the Boston tax rate might have been absurdly small. Bridenbaugh's "fact" helps us not at all to clarify the confusion. As it is presented to the reader, it has no more evidential value than the exclamation point which ends his sentence." (pp. 43-44)

The most important result from a careful study of this book will be an improvement in actual thinking about (1) specific inquiries into (2) small events for (3) particular purposes. What could be more practically relevant than that?

Kapadia, G. P., *History of the Accountancy Profession in India* (New Delhi, The Institute of Chartered Accountants of India, 1973, pp. 460).

**Reviewed by Cadambi A. Srinivasan
Drexel University**

This book proposes a theory regarding the origin of accountancy in India, and describes in great detail the growth and functioning of the accounting profession since 1857 when the first Company legislation was placed on the Statute book. The book is organized into seven chapters.

Chapter One (pp. 1-28) outlines the system of land tenure, currency, trade, and various occupations as well as the general social and economic conditions prevailing in India during the Vedic period (about 3000 B.C.), to indicate the existence of a developed system of record keeping. Based on this and other evidence, the author concludes that "the art and practice of accounting, as a highly developed system, was in vogue in India even during the times of the Vedas."

Fiscal enactments—specifically, legislation relating to companies on account of their requirements dealing with the accounts and audits of corporations—have had a significant impact on the development of the accounting profession in India. Chapter Two (pp. 29-74) traces the history of Company legislation from 1857 till the enactment of the Companies Act, 1936, and describes the impact of each of these legislations on the gradual evolution of the profession.

Chapter Three (pp. 75-150) traces the growth of the profession during 1930-1948, and the stages through which the Indian Accountancy Board came to be established. The Board was constituted of selected persons representing interests principally affected or having special knowledge of Accountancy in India to advise the Governor General in Council on all matters of administration relating to Accountancy and to assist him in maintaining standards of qualification and conduct required of auditors.

Chapters Four and Five, (pp. 151-229) describe the recognition by the Government in 1948 that the stage had arrived for the profession to assume responsibility for the maintenance of the requisite standard of professional competence, discipline, and conduct of its members. The subsequent passage of the Chartered Accountants Act in 1949 established an autonomous Institute of Chartered Accountants of India, and created a council thereof to manage its affairs. The council was to be composed of persons elected by the members of the Institute. The Institute was empowered to serve both as an examining body as well as a licensing body.

Chapter Six (pp. 230-446) deals with the major problems the Institute of Chartered Accountants had to attend to. The need for ensuring the quality of input into the profession, for members' continued education and training, and the necessity to build a code of conduct for the general membership are some of the more important concerns discussed.

Finally in Chapter Seven, entitled "Behold Thy Future," the author emphasizes the need for the service-oriented accounting profession to be in tune with changes in the economic and social order. He focuses on the need to "expand the scope of the audit and making audit a tool for full information to be given and for a test of the principles of propriety and efficiency." In fulfilling this expanded role the primary consideration of the profession should be social responsibility and ethics.

This book is the result of a mandate of the Council of Chartered Accountants of India assigning to the author the task of writing the history of the profession in India. Having been the nerve center of the profession and the first elected president of the Institute, the author is uniquely qualified to perform the task. The book is extremely well written and provides an excellent historical perspective. The book is highly recommended to the interested reader.

Michael Chatfield, *A History of Accounting Thought*, Revised Edition (Huntington, N.Y.: Robert E. Krieger Publishing Company, 1977, pp. vi, 316, \$16.50, in paperback, \$9.50).

**Reviewed by Richard A. Scott
University of Virginia**

The original edition of *A History of Accounting Thought* was published in 1974.* A Revised Edition has now been issued. Each of the twenty chapters has an extensive bibliography, the updating and expansion of which represents the "revision." Only minor revisions have been made to the book's contents. Chatfield's work draws from many important pieces in the literature and consequently is heavily footnoted, although not to the point of distraction. The original edition was criticized for having reprinting and typographical errors. A new publisher seems to have satisfactorily corrected these.

Despite its title this book is a select exposition of the ideas, literature and events which have been most important in the development of accountancy. It does not merely present the views and thoughts of prominent individuals as the title might suggest. From the chronology of events and tide of forces that constitute history the author has discriminately chosen certain elements to write about which have been most influential in bringing about the here and now in accounting. Furthermore, these elements have been skillfully woven together so that the reader is offered more than a descriptive account of the times. As various sections unfold they are forged into a linkwork that joins the present with the past and produces a sense of understanding. The book's predominant purpose is to consider why we are in our present place and condition; in so doing the relevance of history to contemporary accounting problems becomes a matter of paramount importance. Because the author has been selective and discriminating in this work it necessarily ought to be viewed as interpretive. However, his interpretation of history is excellent and the outcome is not parochial.

The first seven chapters that make up Part 1 of the book are a history of bookkeeping from the earliest times of man. Part 2 focuses upon the rationalization of accounting that came about with the Industrial Revolution. In the eight chapters of this middle section the development of budgeting, cost accounting, income taxes, and auditing are related. The final section, Part 3, is a five-chapter

*See reviews in: *The Accounting Historian*, July 1974, p. 5, and *The Accounting Review*, April, 1975, pp. 418-19.

segment that examines the development of principles and formulation of accounting theory such as it is. A history of accounting performance ranges over a wide variety of subjects. The author has written of them in a way that is scholarly in construction and content, and with a style that is easy to read.

In the hardcover version the quality of paper, binding and printing is good. A softcover version is also available. Chapter layout and length—each is quite short—facilitate reading. This text could be employed to advantage in an accounting theory class where an early portion of the semester is set aside for a review of accounting history. Used as a text for a course in accounting history it would require a substantial amount of supplementary material, much of which could be selected from Chatfield's bibliography. Any member of the world of accounting, be they academic or practicing, should have this book in their library.

The Institute of Certified Public Accountants of Greece, *The Institution of Public Accountants in Ancient Greece*. (Athens, Greece: The Institute of Certified Public Accounts of Greece, 1963, pp. 17).

**Reviewed by Diana Flamholtz
Loyola Marymount University**

This small pamphlet attempts to describe the role of public accounting in the administrative and economic system of ancient Greece. It was written for the Exhibition of European Accounting History held in Edinburgh in September, 1963. The Archeologist of the National Archeological Museum of Athens, Mrs. Dina Delmouzou-Peppas, prepared the treatise which is based on some inscriptions from the museum as well as texts of ancient Greek writers.

Due to lack of source material for other parts of Greece, the pamphlet concentrates solely on Athens. The author first describes the political democracy on ancient Greece, for it was this system which necessitated the development of procedures for accountability in the handling of public funds. She then deals with the three basic boards which audited the performance of magistrates, the Council Accountants, the Administration Accountants, and the Examiners. A short final section tries, on the basis of very limited evidence, to deduce what sort of men would have held these positions.

The basic source materials used are those found in most works on this area, namely the writings of Aeschines and *The Constitution of Athens* by Aristotle. Therefore, to the specialist in this area of

accounting history the greatest interest of this treatise lies in its use of inscriptions from the National Archeological Museum of Athens. Although not numerous, the translated inscriptions do enrich the basic outline established through other source materials. In addition, five black and white plates showing some of these inscriptions are of interest. The general reader, wanting to learn something about accounting in Ancient Greece, might use this pamphlet. However, the recent articles by George Costouros in this journal offer a clearer and more comprehensive treatment of the same topic.

Max Lion, *Geschichtliche Betrachtungen zur Bilanztheorie bis zum Allgemeinen deutschen Handelsgesetzbuch*, Osaka, Japan: Nihon Shoseki, Ltd., Reprint edition 1977; (Berlin: Carl Heymanns Verlag, 1928), 39 p., \$12.50 (printed in German)

**Reviewed by Norlin G. Rueschhoff
University of Notre Dame**

This book, published in German, presents an historical view of accounting theory from the fourteenth century up to the time of the first German Commercial Code in 1861. It is a reprint of a book written in 1928 by a lawyer holding a university lectureship at the Commercial College of Berlin. The book has six chapters.

In the first chapter is a chronological listing of the references used in the study. The references include not only Italian, German, Dutch, French and English textbooks, but various other literary and official documents from what is now the European Common Market area. Each reference listing is accompanied by some brief remarks which show the development of some basic balance sheet and income statement concepts.

The first topic covered, in Chapter II, is inventories. Under single-entry bookkeeping, a periodic inventory had to be taken in order to compute a profit. The advent of double-entry bookkeeping in the fifteenth century fostered the practical development of the perpetual inventory system. That the perpetual inventory system required a physical inventory verification for balance sheet valuation purposes was not clearly set forth in theory however until the sixteenth century.

The next chapter, Chapter III, deals with the balance sheet. In the 15th century (Pacioli's times) and the 16th century, the balance sheet was basically a trial balance. The computation of the profit

and loss was most important and the balance sheet accounts were residuals. Inventory was also quite important and specifically dealt with in 18th century texts. The reason for the importance of inventory valuations was the early concern for the proper determination of a merchandise profit or loss.

Chapter IV deals with valuation problems. Up until Savary's management text was published in French in 1675, there appeared to be no clearly distinguishable valuation theory. The development in practice showed some significant variances specifically presented in three examples, namely, (1) the calculation of the capital balances of the Fugger firm in 1527 after seventeen years to determine the firm's distributions upon the founder's death; (2) the biannual closings of the Haug firm's books during the 1543-1562 period, and (3) the use of a "retail method" valuation at sales price less 10% by the Schickler firm of Berlin in 1795. In these examples and in the literature of these times, cost valuation was most often used. Appraisal prices were utilized occasionally. The "lower-of-cost-or-market rule" first appeared in 1675 and is treated historically in the next chapter.

The main origins of the rule of "lower-of-cost-or-market" were the theoretical presentation in Savary's textbook in 1675 and the practical requirement set forth in the Prussian Federal Law of 1794. The difference in dates shows the considerable length of time before the rule's use became widespread.

The final chapter provides a brief discussion of (1) receivable write-offs and (2) depreciation. Both of these accounting policies were long utilized in practice in the sixteenth, seventeenth, and eighteenth centuries, yet the 1861 German Commercial Code gave no heed to them. Theorists did not consider them in their texts until 1865 when Savary published his text; however, depreciation was treated by Magelsen as early as 1772. Until then, plant property accounts were often intermingled with the inventory accounts.

In total, the book is rather brief and covers some very simple concepts. The book's main asset is its very clearly presented chronological listing of excellent European references on accounting theory and practice. As a reference source, this book might be quite useful to the scholar of accounting history.

Index to Federal Tax Articles, edited by Gersham Goldstein in collaboration with Boris I. Bittker (Boston: Warren, Gorham & Lamont,

1975, \$145 for the main volumes and one year's supplementation; \$145 per year thereafter for four quarterly cumulative supplements.)

**Reviewed by Gary L. Maydew
Iowa State University**

This very comprehensive index of tax articles covers federal income, estate, and gift tax articles that have been published since 1913. The periodicals indexed include, in addition to the legal publications, a number of accounting and economic journals.

The index consists of: (1) a user's guide, which includes a list of the topical index headings, a key to the abbreviations of periodical titles, and a list of the periodicals searched, with the dates of the first and last article cited from each periodical, (2) volumes I-III which are the author and topical indexes, and (3) a one year supplementation index. Quarterly supplements have been issued since.

I used the series to do research in some areas of taxation and found the topical index relatively easy to use. A table of contents would have been helpful, but the lack of it is not a serious hindrance, given the comprehensive topical index. The cross-indexing appears to be thorough; i.e. all of the logical title descriptions to the areas I researched were indexed.

An interesting feature of the index is that the articles within each topic are listed in reverse chronological order. This will aid the researcher in deciding which articles are relevant to his problem. The cumulative index is also in reverse chronological order, and appears equally thorough. Given the dynamic nature of tax, the quarterly supplements are a valuable feature of the service.

It seems likely that tax practitioners would find the various tax services to be a more efficient means of answering most technical questions than would be this index. However, with respect to tax planning and explanations of the significance of litigation, the articles indexed would be of great assistance to tax practitioners. For those doing academic research, the index promises to be an invaluable time-saver.