

Accounting Historians Notebook

Volume 8
Number 1 *Spring 1985*

Article 1

Spring 1985

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Recommended Citation

Porter, Grover L. (1985) "Willard J. Graham: A renegade accountant," *Accounting Historians Notebook*: Vol. 8 : No. 1 , Article 1.

Available at: https://egrove.olemiss.edu/aah_notebook/vol8/iss1/1

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The Accounting Historians

NOTEBOOK

Vol. 8, No. 1

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Spring, 1985

WILLARD J. GRAHAM: A RENEGADE ACCOUNTANT

by

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While it may be somewhat unconventional to use the term "Renegade" in a positive sense, that is the way the authors are using the term to refer to the late Willard J. Graham who died in 1966. We are using the term to mean "one who rejects tradition" when to do so is in the best interests of the cause. In this case, the cause is to assure that "The information presented in accounting reports should be useful for making decisions" (10, p. 17). And, in fact, Graham used the term "Renegade" to refer to himself in a memorandum that he wrote to the members of the Committee on Accounting Concepts and Standards of the American Accounting Association while serving as Chairman of that organization wherein he referred to some "Random Reflections of a Renegade" on current costs (6). Again, he referred to himself as a "Renegade" in a paper presented before the American Society of Women Accountants (15). Those of us who knew him as graduate students and/or colleagues have fond recollections of this unique gentleman. The feelings for Graham by those

fortunate enough to have studied under him or worked with him are best expressed by this comment by a former student: "He was a great one!" (18).

Moreso, we think that his efforts to advance accounting are not as widely known or recognized as they should be. The primary purpose of this paper, therefore, is to communicate some selected "Reflections of a Renegade" to the membership of the accounting profession. In doing so, we think that the wisdom contained in his contributions will become more widely recognized and accepted by academic and practicing accountants alike.

Graham had diversified interests that extend beyond the boundaries of this paper. Those broad interests are best expressed by a handwritten note that he scribbled on the cover of the *Tax Revision Compendium* which reports the hearings in Washington on the tax law that he participated in during 1959 which stated: "World We Have—World We Want" (3). Since we do not have enough space to consider the breadth of his interests

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**WILLARD J. GRAHAM:
A RENEGADE ACCOUNTANT**

(Continued from Page 1)



Willard Graham

herein, this paper will be limited primarily to his contributions in the following areas: (1) Education, (2) Management Accounting, and (3) Price-Level Accounting. Before we discuss these professional contributions, however, we will first summarize some of his personal characteristics.

PERSONAL CHARACTERISTICS

While it is difficult, if not impossible, to capture the essence of his life on paper, it is much easier to report the statistics about him from *Who Was Who In America* (19). The quantitative characteristics are stated below and the authors will attempt to communicate many of his qualitative attributes.

Willard J. Graham was born at College Corner, Ohio, on October 16, 1897. He was the son of John W. and Sina McCandless (Paxton) Graham. He married Margaret Ablett Brennen on April 18, 1925. She preceded him in death in 1962. This handwritten note on the flyleaf of his doctoral dissertation on *Public Utility Valuation* lends some insight into the quality of their marriage:

To Margaret.

In appreciation of encouragement, inspiration and assistance without which this would be a "contemplated" instead of an "actual" publication, with *all* my love.

Willard (14)

His academic studies included Sterling College, 1915-16; Tarkio College, A.B., 1921, LL.D., 1953; University of Chicago, A.M., 1924, Ph.D., 1934. He received the C.P.A. in Illinois, 1925; and North Carolina, 1954.

Graham was engaged in the practice of public accounting from 1927-42. He also served as a Business Consultant and as Editor on the series in accounting for the Richard D. Irwin, Inc. publishing company for a number of years. In his honor, the series was renamed "The Willard J. Graham Series in Accounting" in 1967.

His academic career included positions at Tarkio College, 1921-23; Monmouth College, 1924-26; University of Chicago, 1927-52; and the University of North Carolina, 1952-66. The following comment from a presentation before the American Society of Women Accountants reveals the wit this great teacher often displayed when speaking to a group of students or professional accountants;

The boy was taking a girl home and he says, "I just love to take experienced girls home," and she says, "But I'm not experienced," and he says, "My dear, you aren't home yet." So, we're not home yet; we've made a lot of progress (in accounting), but I think some of these things I've mentioned are still to be resolved (15).

A noted scholar, Graham was a contributor to the leading accounting and business journals. A survey of issues of *The Accounting Review* published during the late 1920's and early 1930's, for example, revealed articles by such renowned authors as W.J. Graham, A.C. Littleton, and W.A. Paton sharing the limelight in this prestigious journal. Graham is known to have presented and/or published more

than 70 papers during his distinguished career. In addition, he edited more than 50 books on accounting during his lifetime. Some comments selected from his many manuscripts are woven into the fabric of this paper.

Graham was a member of the major honorary associations including Alpha Kappa Psi, Beta Alpha Psi, Beta Gamma Sigma, Phi Kappa Sigma and Sigma Iota Epsilon. He was also a member of a number of professional organizations including the American Accounting Association (President, 1955), American Economic Association, American Institute of Certified Public Accountants, Financial Executives Institute, National Association of Accountants and North Carolina Association of Certified Public Accountants.

At the commencement exercises for the Thirteenth Group of graduates of the North Carolina Executive Program on April 11, 1966, a spokesman for the many grateful graduates of this program announced the funding of a chair in his honor at the University of North Carolina. It was well that the high regard in which he was held by all who knew him was expressed during this climatic moment in Chape Hill because Graham died a few months later on November 5, 1966. Thus, the spotlight will continue to be focused on Willard J. Graham through the achievements of the holder of "The Willard J. Graham Professor of Business Administration" chair. This is fitting recognition for this talented gentleman who had "the ability to reach beyond the campus, shaping men and ideas that they might better shape the world" (20).

EDUCATION

While *Who Was Who In America* listed Graham as an "Accountant" (19), he always thought of himself primarily as an accounting educator rather than an

accounting practitioner. In fact, Graham stated in a paper on "Developments in Accounting" presented at the University of Georgia in 1955: "I am primarily an educator and not a practitioner" (8). And, as revealed in the previous section, while he wore many different hats during the course of his distinguished career including those of a CPA and a Business Consultant, he was always an educator at heart.

It is interesting to observe that as early as the 1930's Graham recognized the need for accountants to be broadly trained. For example, in an article published in *The Accounting Review* in 1939 he recommended "a five-year program leading to a Master's degree" (2). In many ways the thoughts expressed in this early article were entirely consistent with the Common Body of Knowledge study and the Beamer Committee report, both of which occurred in the 1960's.

His thoughts on the importance of emphasizing "fundamental principles and theory" and the "managerial uses of accounting information" in the accounting portion of the degree program were stated in several speeches. These views were published later in *The Accounting Review* (2). Later, an article incorporating his views regarding the need for a five-year program with two years devoted to "cultural" subjects and three years devoted to "professional" subjects was published in the *Journal of Accountancy* (11). Similarly, it should be mentioned that Graham always believed that "the most detailed of the technical training should be secured *after* graduation in the office of the employer" (2).

A pioneer in the field of executive education, Graham was the driving force behind the development of executive programs at the University of Chicago in 1943 and the University of North Carolina

in 1953 (9). Later, the Egyptian government invited Graham to Egypt in 1959 to help organize an executive development program in Cairo (20). In fact, in "A Tribute to Willard J. Graham" presented at the University of North Carolina in Chapel Hill, Graham was identified "as the one man who had most changed the entire concept of executive development" (20).

His genuine interest in accounting education may be further documented by numerous comments excerpted from other sources as well—his many lectures, speeches, and manuscripts. While space prohibits including all of the relevant comments he made about accounting education in this paper, the authors direct interested readers to Graham's many articles which contain material related to education. Some important sources are:

"Accounting Education, Ethics and Training," *The Accounting Review* (2).

"How Can The Colleges Serve The Profession," *Journal of Accountancy* (11).

"Education for Management," *The Federal Accountant* (9).

MANAGEMENT ACCOUNTING

In modern business, Graham stated, accounting serves *three* important and distinct purposes:

1. The preparation of the periodic financial statements: The Income Statement, The Reconciliation of Retained Earnings (Earned Surplus), and The Balance Sheet.
2. The determination of taxable income.
3. The constant and continuous supply of information to management for its use in planning, operation, and control—the making of business decisions (5).

His concern with all three of these important functions of accounting reflected his philosophy that accountants should be broadly educated in the arts, in oral and written expression, and in business affairs generally in order to develop an understanding of the world in

which we live. He thought accountants should be able to communicate on equal terms with men of similar educational backgrounds, and thought that a broad educational background would help accountants learn to analyze complex problems to arrive at logical conclusions. This philosophy is epitomized in his approach to management accounting. He believed that accounting is primarily a service activity especially designed to supply information to management for the operation and control of productive activities. He felt that many accounting reports to management were sterile because the accountant lacked an appreciation of the real nature of business, its problems, and the management process, and therefore could not supply useful information to help management solve its problems.

To help accountants better serve management, he made several important suggestions in his writings on management accounting—starting with a basic assumption that accountants need a broad education. One suggestion was that accountants should not supply cost information to management until the intended use of the information was known. In the same vein, reflecting his strong interest in executive management education, he felt that management should not ask for cost information from their accountants without spelling out the purpose for which the information is to be used. Thus, accountants need to learn more about management and management needs to learn more about the proper use of accounting information.

To help educate management (and accountants as well!) about the proper uses of accounting information, he wrote an article for *Nation's Business* (4) in 1958 entitled "Choose Cost Figures for Better Decisions." An interesting aspect of this

article is that the editor of *Nation's Business* made a specific request of Graham to write an article that would help businessmen to understand how to use cost information in making decisions. The editor wanted the article to be written with a straightforward discussion of the problem. In the article Graham expounded on his favorite principles for using information in making decisions:

1. Costs must be tailored to the decision to be made.
2. Only estimated future costs are pertinent to decisions.
3. Costs common to the alternatives being considered can be ignored.
4. Nonrecorded costs, such as imputed costs and other opportunity costs, may be relevant to the decision.
5. The longer the period involved in the decision, the more likely that a given cost will be affected by the decision (4).

After enumerating these principles, he applied them to five types of business decisions: adding or dropping a department, making vs. buying a part, identifying the most profitable product line, replacing equipment, and setting pricing policies in different situations. He received a number of letters complimenting him on his clear explanation of the cost concepts presented in the article.

Graham's strong interest in managerial accounting was also reflected in his concern for management accounting education. In a speech made before the Accounting Employers Conference at the University of Michigan in 1948, for example, he asked the following question: "If the accounting curricula is too much directed at business accounting (i.e., financial reporting) and not enough toward industrial accounting, how can educators be sold on that idea?" (16). In answering his own question, Graham stated, "There must be statistics to prove the need, that accounting should include more of the uses management has for

it"(16). In these authors' opinion, Graham quoted sufficient statistics in his graduate level course in "Managerial Uses of Accounting Information" to prove the need.

His special interest in managerial accounting may be further documented by his numerous comments excerpted from other sources. While space prohibits including all of the relevant comments he made about management accounting in this paper, the authors direct interested readers to Graham's many articles which contain material related to management accounting. Some important sources are:

"Choose Cost Figures for Better Decisions," *Nation's Business* (4).

"The Opportunities for Public Accountants in Management Advisory Services," *National Public Accountant* (12).

"What Top Management Needs from the Financial Executive," *The Federal Accountant* (17).

PRICE-LEVEL ACCOUNTING

While Graham was deeply interested in accounting education and managerial uses of accounting information, his first and lasting professional "love" was price-level accounting. We are unsure whether his interest in price-level accounting preceded or followed the research he performed for his doctoral dissertation on *Public Utility Valuation* (14) which was completed in 1934. We do know, however, that Graham was perhaps "the strongest advocate (of price-level accounting) in the United States" (1) from that date until his death in 1966.

Graham's advocacy of price-level accounting was contained in numerous lectures, speeches and manuscripts. In addition, his testimony regarding the topic was incorporated into many governmental documents including the 1959 *Tax Revision Compendium* (3).

His strong interest in price-level accounting may be further documented by numerous comments excerpted from other sources as well. While space prohibits including all of the relevant comments he made about price-level accounting in this paper, the authors direct interested readers to Graham's many articles which contain material related to price-level accounting. Some important sources are:

"The Effect of Changing Price Levels Upon the Determination, Reporting, and Interpretation of Income," *The Accounting Review* (10).

"Price Level Changes and Financial Statements," *The Accounting Review* (13).

"Depreciation and Capital Replacement in an Inflationary Economy," *The Accounting Review* (7).

SUMMARY

There are innumerable "good things" that we could say about the late Willard J. Graham. We could quote from the many personal and professional tributes that have been bestowed upon him for his tremendous contributions to the accounting profession. Likewise, we could repeat comments made by the many former students and colleagues upon whom he left his indelible mark of excellence.

We think, however, that the most fitting comments about this "Renegade Accountant" are his own words regarding his attitude toward life. In the following quotation, one can see that Graham believed that each person could help convert the "World We Have" into the "World We Want":

Above all I should like to suggest that this is a wonderful era in which to live and work. Of course there are tensions, problems, uncertainties, crises, dangers. But what an exciting opportunity there is to make one's own contribution—however small—to the solution of really critical, vital problems. It is in coping with these problems that one

finds happiness, not in the peaceful and complacent enjoyment of the fruits of the labor of earlier generations. The greatest happiness, the most complete sense of satisfaction and well-being, comes from one's own achievements—from meeting difficulties and dangers head-on and overcoming them (9).

If only there were more accounting educators like Willard J. Graham!

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1985 HOURGLASS AWARD NOMINATIONS

The Academy's 1985 Hourglass Award Selection Committee is seeking nominations for consideration. The award is in recognition of significant contributions to the literature of accounting history. Past awards have recognized major books and monographs as well as consistent contributions to the literature over time through published articles or other works.

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