

# Accounting Historians Notebook

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## Management accounting history seminar

Academy of Accounting Historians

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## CALL FOR ESSAYS ON HISTORICAL ACCOUNTING TOPICS

Members of the Academy of Accounting Historians are invited to participate in the centennial celebration of the American Institute of Certified Public Accountants by submitting an essay(s) on an historical accounting topic for possible publication in a special centennial issue of the *Journal of Accountancy*. This issue of the *Journal* will be published in June 1987 and will be edited by James Don Edwards, J. M. Tull Professor of Accounting, University of Georgia.

Essays should be on a single significant historical accounting event in the United States within the last 100 years that has had an impact on the accounting profession (e.g., enactment of the Securities Act of 1933 and the Securities Exchange Act of 1934). You are encouraged to include as the subjects of your essays not only the

more obvious events, but also important events that might have been less thoroughly covered in the accounting literature. Essays are to be limited to 600 words in length and are due by September 1, 1986. Three copies of essays should be submitted to:

Edward N. Coffman

School of Business

Box 4000

Virginia Commonwealth University

Richmond, Virginia 23284-0001, U.S.A.

Papers will be reviewed by a three-member review committee comprised of members of The Academy.

For your information, the 100th anniversary meeting of the American Institute of Certified Public Accountants will be held in New York on September 19-24, 1987.

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## MANAGEMENT ACCOUNTING HISTORY SEMINAR

One of the preconvention seminars to be held prior to this year's AAA meeting in New York will be one on management accounting historical research. The subject of this course is the role of history in both the teaching and the research of management accounting topics. The first half day of the course surveys recent literature in management accounting history, primarily to acquaint teachers with new material that will enhance their own courses in management and cost accounting. The second half day of the course considers management accounting history as an arena for field research, an approach to research that recently has received a great deal of attention from management accounting scholars. This half of the course

demonstrates that historical field research forces scholars to examine management accounting's organization context, a context that has been ignored lately by scholars who focus on management accounting's decision-useful, agency, and behavioral contexts.

The course is intended for all persons whose teaching and research involves topics in management accounting and cost accounting, as well as persons who have an interest in accounting history generally. The instructor, H. Thomas Johnson, himself teaches and writes extensively on the subject of management accounting history; he also serves on the editorial board of *The Accounting Review*, as a

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that prices may go much higher and stay there. He noted that if higher prices occurred, either the business community or the public would be compelled to make renewals at higher dollar costs.

Bauer recommended that the overstatement of profits and its potential devastating effects be recognized as a serious problem:

The public should provide now for complete renewals of property, together with all other costs, whether in strictly private business or public utilities. If it does not make adequate provisions, it will overstate its present prosperity, will indulge in extravagant personal expenditures and in the end will find itself poor because of the present showing of unearned profits.<sup>27</sup>

Thus, not knowing what the future would bring, Bauer suggested that the sensible policy was to accept inflated prices as permanent and to begin to recognize all costs accordingly.

### Conclusions:

In summary, the accountants of the 1920's showed a remarkable understanding of the effects of price increases. They also were concerned about the proper allocation and matching of costs. These early accountants recognized the problems

caused by the instability of the monetary unit and its effects upon the comparability of financial statements. Accounting for long-term assets was one of their major areas of concern for which they suggested possible methods that would adjust original costs for inflationary effects. Whether maintenance of investment or of physical plant should be advocated was considered the key to providing useful information on the financial statements.

### FOOTNOTES

<sup>1</sup>Brief, Richard P., "A Note on 'Rediscovery' and the Rule of 69," *The Accounting Review*, October, 1977, p. 811.

<sup>2</sup>Among the early accountants dealing with the subject were: John Bauer; J. M. Chinoweth; J. Hugh Jackson; Livingston Middleditch, Jr.; William A. Paton; Ernest S. Rastall and Henry W. Sweeney.

<sup>3</sup>Middleditch, Livingston, Jr., "Should Accounts Reflect the Changing Value of the Dollar?" *The Journal of Accountancy*, February, 1918, pp. 114-20.

<sup>4</sup>*Ibid.*, p. 114.

<sup>5</sup>*Ibid.*

<sup>6</sup>Bauer, John, "Renewal Costs and Business Profits in Relation to Rising Prices," *The Journal of Accountancy*, December, 1919, p. 413.

<sup>7</sup>Paton, William A., "Depreciation, Appreciation and Productivity Capacity," *The Journal of Accountancy*, July, 1920, p. 3.

<sup>8</sup>*Ibid.*, p. 2.

<sup>9</sup>*Ibid.*, p. 3.

<sup>10</sup>*Ibid.*

<sup>11</sup>Middleditch, p. 114.

<sup>12</sup>Chinoweth, J. M., "Depreciation and the Dollar," *The Journal of Accountancy*, June, 1921, p. 471.

<sup>13</sup>Middleditch, p. 115.

<sup>14</sup>*Ibid.*, p. 116-17.

<sup>15</sup>*Ibid.*

<sup>16</sup>Paton, p. 4.

<sup>17</sup>*Ibid.*, p. 6-9.

<sup>18</sup>*Ibid.*, p. 2.

<sup>19</sup>Middleditch, p. 116-17.

<sup>20</sup>Bauer, p. 413.

<sup>21</sup>*Ibid.*

<sup>22</sup>*Ibid.*

<sup>23</sup>Rastall, Ernest S., "Depreciation Reserves and Rising Prices," *The Journal of Accountancy*, February, 1920, p. 123.

<sup>24</sup>Chinoweth, p. 472.

<sup>25</sup>Bauer, p. 413.

<sup>26</sup>Paton, p. 3.

<sup>27</sup>Bauer, p. 419.

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## MANAGEMENT ACCOUNTING . . .

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trustee and past-president of the Academy of Accounting Historians, and as a member of the Harvard Business School 75th Anniversary Colloquium on Field Research in Management Accounting and Control.

A packet of course readings and outlines will be mailed on August 1st to persons registering for the course before the July 10, 1986, deadline. The course will be held on Wednesday, August 20 and the tuition fee is \$100. Those interested should sign up when they send in their AAA annual meeting registration form.