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BOOK REVIEWS

Dale A. Buckmaster, Editor
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Tito Antoni, *I Costi Industriali di Una Azienda Conciaria della Fine del Trecento, 1384-1388* (The Industrial Costs of a Tannery at the End of the Fourteenth Century, 1384-1388), (Pisa: Pacini Editore, 1973, pp. 52, No price available).

Reviewed by
Alvaro Martinelli
Appalachian State University

It is well known that during the 14th century the city of Pisa was a major center for the manufacture of and commerce in leather. There is ample evidence that, at the time, there existed fundamental basic conditions for the creation and development of a tanning industry, including an ample supply of water, easy access to myrtle and chestnut groves, and a reliable source of livestock from the country. In addition, the close commercial relationship with the Saracens from North Africa had further stimulated the development of this industry since the 12th century. In fact, we have knowledge that in 1156 the sovereign of Tunis exempted all Pisan merchants from the payment of export duties on alum, a basic tanning ingredient.

Additional supporting evidence enhancing the position of Pisa is to be found in a ledger discovered by the author among the documents preserved in the State Archives of the city. The manuscript is classified as *Book of Debit and Credit,* and in it the merchant-tanner, Bartolomeo di Tingo, recorded all the costs for the purchase of hides and manufacture and sale of leather for the period 1384-1388. By following closely the allocation and classification of different costs, one may perceive that the basic industrial process used by Bartolomeo was not much different from other various techniques adopted until the second half of the 19th century when great progress was made by the introduction of the tanning drum and the use of chromium salts.

The main operations were usually performed by the river Arno with rather inexpensive tools, such as knives, beams, buckets and vats. Before starting the long and tedious tanning process, hides were first rounded into different sections according to thickness. Imported hides were subjected to a prolonged soaking and subsequently treated with lime in order to separate the corium from the epidermis and to destroy the root hair. The hides were later stripped of flesh, rinsed and repeatedly scrubbed to eliminate any trace of lime and to facilitate the penetration of tanning ingredients, such as myrtle, alum and oil.

The actual tanning process took place in big vats full of hot water, where hides were soaked in a solution of minced myrtle, and sometimes alum was added, to allow what it was called a "double tanning," since the treatment with myrtle was known as vegetal dressing, and the treatment with alum as mineral dressing. The tanning in the myrtle was assimilated by the derma through an osmotic process, making the hides strong, flexible and water repellent. Finally, the finished product was allowed to dry up "in the loft" or "in the field."

By the name of *addobbo,* or dressing, Bartolomeo indicates all the various operations that follow the fleshing until the hides were soaked into the vats. In all, we may count eight dressings that lasted from 24 to 95 days, with an average time span of 35-40 days per dressing. Since different groups of operations were performed at the same time, it appears that the labourers were performing repetitive tasks, as if a very slow assembly line was taking place.

Bartolomeo carried on his business in association with other partners: with Andrea di Puccino, leather-seller, until April 1385; with Dato di Borghese, tanner and merchant, from June 1385 to October 1386; with Piero Pancando, merchant, from February 1387 to July 1388. All the accounts are in paragraph form. The monetary unit is the lira of 20 *soldi* or 240 *denari* and the florin of 70 *soldi,* with the florin valued at three and one half liras. In the ledger there is record of the costs for the purchase of the hides, raw materials used in the tanning process, direct labour, and revenues from the sale of the finished product.

For the first association with Andrea di Puccino, there is no record of costs, but only revenues for the sale of leather in inventory: 450 backs still unfinished and 650 Berber skins were still unsold. The sale of 641 backs and 639 white bellies originated revenues of L. 4,215. This association is in a liquidation stage, and there is no reference to profits or losses. Only for the second association with

Dato di Borghese is there reference to the capital contributed by the partners and the allocation of profits. The initial contribution of Dato was of F. 95 s. 12, and his final balance was of F.176 s. 9 d. 10, with a rate of return of about 85%. The total cost for 152 hides amounts to L. 498.2.7; costs for labour, raw materials and transportation amount to L. 129.16.11. Sales are recorded in four different lots of merchandise, for a total of L. 787.8.9.

For the third association with Piero Pancando, there is no record as to the distribution of profits nor the capital contribution of the two partners, who purchased a total of 1286 hides at a cost of L. 4,615. This cost includes, in separate accounts, the purchase price, transportation by sea and by land, weighing, brokerage, loading and unloading. Additional costs were: labour, L. 501.9.8; myrtle, L. 656.17.6; lime, L. 25.1.10; firewood, L. 64.13.6; gratuities, L. 4.2.5, for a total of L. 1,286.11.3. Total revenues for L. 7,084 were generated by the sale of 685 backs, 1,304 bellies and 590 shoulders.

Based on these data, it appears that the average cost of a raw hide was of s. 65 when imported from a foreign country, and s. 100 when bought from a local butcher. If we add all the costs for material and labour, the final total cost of a tanned hide amounts to s. 79-122, whereas its selling price was of s. 117-150 if tanned with alum, and s. 168-201 if tanned with myrtle. The cost of production may be broken down as follows: raw hides 77.84%, tanning ingredients 13.29%, labour 8.45%, and rent for the shop .42%. The total cost of a finished hide amounts to 84% of its revenue, with a profit of 16%.

If we roughly assume that one *soldo* is more or less equivalent to two dollars of today (although it is almost impossible to make a rational comparison of the two monetary units, due to the great disparity in the purchasing power of money and in the standard of living), we may conclude that raw hides were at least ten times more expensive and tanned hides about seven times more expensive as they are today. The disparity in values was probably due to the relatively low incidence of the cost of labour on the total cost of the finished product.

In this study, the author gives a detailed analysis of the cost accounting system implemented by a 14th century businessman. Bartolomeo, somehow, reflects the personality and aspirations of a typical Medieval entrepreneur dominated by the idea of gain, in his belief that exactitude and clarity were indispensable in the business world.

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Horace Lucian Arnold (Henry Roland), *The Complete Cost-Keeper*, 3rd ed. (New York: The Engineering Magazine Press, 1901. Reprint edition, New York: Arno Press, 1979, pp. vii, 408, xi, $32.00).

Reviewed by
G. Stevenson Smith
West Virginia University

The Complete Cost-Keeper describes cost systems, not general ledger accounts, found in factories in the late 19th century. The cost-keeper is the bookkeeper whose primary function is maintaining the job cost records for a factory. The book describes actual cost systems in such detail that the cost-keeper position could have been staffed by someone with very little accounting experience.

The book's initial chapters deal with the merits of capitalism in rather lofty phrases such as the following: "possibilities of gain for the day are abbreviated by every tick of the clock as it marks the changeless flight of time from the unborn future to the dead past." Once past these initial chapters, the material deals in minute detail with job cost systems in actual use. The chapters develop these systems from a very simple operation with one factory up to a corporation with several branches. As the cost systems are described in their entirety, some repetition develops particularly in explanations of recording labor time on jobs.

Each factory system makes extensive use of cards upon which the costs of the job are recorded as the job proceeds through the factory. Standard costing is not used in any of these accounting systems, and only actual costs are tabulated. The overhead costs are distinguished from direct labor and direct materials. Although overhead allocation on direct labor is accepted, in one system overhead costs were allocated to machines used in production based on a proportion of the factory's entire machine costs.

An area of accounting theory not strongly developed in this period is the differentiation between assets and expenses. As an example, repair expense of a machine was added to the cost of that machine. Although it was stated that assets benefit future operations, it was not considered important as to whether charges were made against assets or expenses because eventually the results were the same.

The cost accounting systems described in these chapters are mainly oriented at making product pricing decisions. A ledger account with an inventory balance is a secondary consideration, and the ledger described would not necessarily provide inventory information. In such cases, inventory values were determined by a physical count.

Throughout the chapters there are extensive illustrations of the forms that are used in these factory accounting systems. The detail on these forms is extensive, i.e., size of the form in inches to color in some cases. In reviewing the numerous forms, it is interesting to see a payroll register without deductions for income taxes or FICA taxes. It makes one realize, although not remember, that there was a period when these taxes were not paid.

The book provides a vivid description of cost accounting systems that were used in the late 19th century. This description is valuable because of the numerous specifics provided about the systems. This value is enhanced because the material does deal with specifics and not the generalities of any theory.

Andrew Barr and Kenneth W. Perry, Editors, *Written Contributions of Selected Accounting Practitioners Volume 3: Andrew Barr* (Urbana, Illinois: Department of Accountancy, University of Illinois at Urbana-Champaign, 1980, pp. ix, 773, $15.00).

Reviewed by
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Anyone who wishes to trace the development of accounting theory since 1930 and the influence of the Securities and Exchange Commission (SEC) in this development must read the published speeches and articles of Andrew Barr. Barr was associated with the SEC from 1938, when he was hired as a research accountant, until he retired in 1972, except for military service during World War II. In 1947, he was appointed Assistant Chief Accountant and, in 1956, Chief Accountant, a position he held until his retirement. Thus, Andrew Barr was with the SEC almost from the beginning and always was directly involved in the development of accounting and reporting requirements of registered companies. This book presents speeches and articles of Barr from 1930 to 1979.

The kind of man Andrew Barr was is reflected in his writings. He was a candid, forthright individual, concise and direct in his speeches and articles. He was an accounting theoretician and practitioner with a sense of history. Most of his writings describe what was and what is and many of them tell what should be. He was aware of the necessity and importance of responsible corporate financial reporting to the effective functioning of the capital markets and of the critical role of the independent auditor in this reporting process.

Andrew Barr recognized earlier than most society's demands on and expectations of the accounting profession. "With the widespread recognition of the importance of accounting in solving present-day problems of government and industry, practitioners and teachers of accounting have an unparalleled opportunity to make a constructive contribution. If we do not, the lawyers of the Securities and Exchange Commission and other Government agencies will do it for us." Barr said this in 1938.

Andrew Barr was concerned with and involved in the development of accounting theory. His speeches and articles discuss the critical accounting problems of the time—investment tax credits, leases, pensions, income taxes, business combinations, and replacement costs. However, Barr was not one of narrow vision concerned with theory only. He was deeply concerned with broader accounting and auditing problems such as the following: (1) SEC cooperation with the accounting profession, (2) auditor independence, (3) auditor competence, (4) displacement of local practitioners when their clients go public, (5) investor protection, (6) ambiguous auditor reports, and (7) management services provided by the auditor.

In his speeches and articles, Barr acknowledges the importance of the accounting profession in the effective functioning of the capital markets and the commitment of the SEC to cooperation with the profession in the development of accounting theory. In a 1962 speech, Barr stated that "the professional accountant's reputation for high standards of personal integrity is relied upon to protect the public investor. Basically it is the accountant's conscience which affords the protection demanded by the securities acts." In 1964, Barr, in discussing cooperation between the SEC and the profession, noted that "experience has borne out that the investor, and the public, are best served by this practice."

Barr wanted accounting to change as the business environment changed. However, he wanted the change to be gradual. He was concerned always about the public's confidence in published financial statements. Thus, in his comments on *Accounting Research Study No. 3,* he states that "the proposals might be tested during a conversion period by means of supplementary statements. However, indiscriminate application of the principles could result in false and misleading financial statements and might tend to undermine the confidence of the public in all financial statements."

Barr was aware of the problem of local practitioner displacement when his client went public long before Metcalf and Moss. In his speeches and articles, Barr alerted the local practitioner to the demands of the SEC for competence and independence. He advised the local practitioner to anticipate his client going public, to maintain his independence, and to keep up to date with auditing and accounting pronouncements of the profession and the SEC. His commitment to cooperation with the profession extended to encouraging the practitioner to consult with the SEC. In 1963, he noted that "many . . . of the problems . . . and other difficulties of the first-time registrant may be avoided . . . by a pre-filing conference with the accounting staff of the Commission. The inexperienced practitioner should not hesitate to suggest this to his client."

In 1960, Barr acknowledged the broad scope of accounting services and recognized that the performance of some of these services might create irreconcilable conflicts. He noted that "systems work, cost analysis, budgetary controls and other aspects of business management have long been the province of the public accountants. It could be possible for an accountant to become so deeply involved in performing managerial services for a client that he would lose his objective approach to his audit engagement. In such a case he should concentrate on one activity or the other and not attempt to do both." Andrew Barr was evangelical in his commitment to auditor independence and investor protection.

This collection presents fifty years of the work of a man deeply involved in the development of accounting theory and the evolution of government regulation. A project of this magnitude cannot be without flaw. The speeches and articles are presented in chronological order. It would have been better if they had been presented by subject matter, wherever possible. An appendix in the back of the book notes where an article was published or a speech presented. It would help the reader if this information was presented on the first page of each work. Finally, when a person is a public figure for fifty years, he repeats many of his thoughts and ideas. Some of this repetition could have been avoided by more thorough editing. However, these flaws are minor and are a small price to pay for having in one book fifty years of Andrew Barr.

Victor Z. Brink, *Foundations for Unlimited Horizons—The Institute of Internal Auditors 1941-1976* (Florida: The Institute of Internal Auditors, Inc., 1977, pp. 177, $8.95).

Reviewed by
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Drexel University

The purpose of the book is stated to be to provide a history of the Institute of Internal Auditors. This has been well done by the author, a person who has been very much a part of the Institute since its inception and has lived the history he has attempted to write. From such a vantage point the author has recorded in minute detail every significant event and circumstance from the time the Institute was established to the time the book was started in 1976, a period of approximately 35 years.

The contents of the book have been organized into three major segments which are further divided into six chapters and several appendices.

In the first major segment, the foreword, a preface, and Chapter 1, the author provides the background information leading to the creation of the Institute in 1941. It is very interesting to note how the ideas of a handful of people working primarily for management for various companies, utilities in particular, led to the birth of a whole new profession of internal auditors.

In the next major segment, Chapters 2, 3, 4, and 5, the author has carefully traced the development of the Institute under four different leaders that exhibited different leadership styles during the 35 year period from 1941-1976. Thus, the author has chosen to divide the middle segment of the book into four major parts based on the different personal styles of the leadership of the Institute the author happens to perceive during the period of the Institute's growth. Here one could question the motives of the author for his preferences. However, if the different personal styles have contributed differently to the growth of an organization, it can be regarded as an acceptable way to write the history of an institution.

The period between 1941 when the Institute was created to February 1947 is referred to by the author as the "Early Years" (Chapter 2), to describe a period when the Institute did not have a central office nor a managing director. The next period, between February 1947 and May 1962, is labeled as "Professional Integration" (Chapter 3), to characterize the reserved but steady growth and professional progress in those years under the leadership of Bradford Cadmus.

During the third part of this segment, covering the period between May 1962 and May 1967, the Institute is reported to have made progress, but not without a lot of problems and organizational changes. One senses here that the author perceives these to be the result of a different kind of leadership provided by Archie McGhee. Reflective of these circumstances this period has been labeled as "Growth with Strains" (Chapter 4).

In the final section of the middle segment, the author describes the growth of the Institute from mid-1971 to 1976 under the leadership of John E. Hermon. The author recognizes the accelerated growth of the Institute during this period calling it "The New Dynamics" (Chapter 5).

The author made an initial commitment to limit his scope by emphasizing facts over subjective opinions and evaluations. However, at times, he seems to have slipped from this commitment which is understandable since he was so much a part of that institution.

In the concluding segment of the book, one observes the change from a pure historical record of facts to an assessment of the future potential of the Institute. Brink has included a conceptual framework in this section wherein he has attempted to identify some of the problems facing the Institute and offers his views on them.

The appendices include copies of historical documents such as the letter regarding the organization of the Institute, the certificate of incorporation, lists of charter members, and the list of officers and directors from 1941 to 1976.

This book is a concise and thoughtfully written overview of the creation and growth of the Institute of Internal Auditors. It has ample references and contains worthwhile insights into the future of the internal auditing profession. This book is a must for all those interested in internal auditing, and it serves as good reference material.

Alfred DuPont Chandler, Jr., *The Visible Hand: The Managerial Revolution in American Business* (Cambridge, Mass.: The Belknap Press of Harvard University Press, 1977, pp. 608, $18.50).

Reviewed by
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Eleutherian Mills-Hagley Foundation Inc.

In *The Visible Hand,* Alfred Chandler analyzes the emergence of the modern corporation between 1840 and 1917, in a continuation

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of his history of industrial enterprise begun in 1962 with the publication of *Strategy and Structure.* According to Chandler, during this period, as businesses and markets grew, the visible hand of management replaced the invisible hand of the market in all transactions except the ultimate one to the consumer. Chandler finds business organization and methods in 1840 essentially unchanged from those of medieval Venice. Slow transportation and small markets left businessmen with little need for cost accounting—each venture was viewed separately based on immediate market conditions. The coming of the railroads brought the first use of middle management as well as the growth of new financial markets to serve the needs of these early corporate giants. Function limited the railroads' growth (along with that of the communications industry) and the industry had no need for top management or modern accounting procedures. Similarly, the mass retailing firms which grew as a response to the opening up of markets by the railroad failed to produce significant managerial innovations. In the late 1800s, technological changes in manufacturing industries resulted in remarkable increases in the speed with which products could pass through the factory, and thus the volume that a single firm could produce. It was in these industries that the first modern managerial methods emerged. According to Chandler, "high volume industries soon became capital-intensive, energy-intensive, and manager-intensive." In these mass production industries, "technological and organizational innovation created a high rate of throughput and therefore permitted a small working force to produce a massive output" (p. 241). It was thus economies of *speed* not of scale, which transformed these industries. However, innovations in accounting methods were not yet necessary to the mass production firm; first, the successful firm underwent vertical integration, taking over both supply of raw goods and distribution of the finished product. Merger provided the second and better known route to the modern business enterprise. Chandler finds that by 1917, however, only those mergers remained that involved industries able to add supply and distribution networks, as had the mass production industries. It was the firms that grew by merger that developed modern top management structures and moved beyond family control. By 1917, General Electric, DuPont, and General Motors, three firms that had grown both by merger and vertical integration, had developed the methods of accounting, budgeting, and forecasting that were to become normal operating procedures in the 1920s. Managerial innovation thus followed changes in the structure of firms, and "markets and technology . . . had a far greater

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influence in determining size and concentration in American industry than did the quality of entrepreneurship, the availability of capital, or public policy" (p. 373).

A Chartered Accountant, *The Etiquette of The Accountancy Profession* (London: Gee & Co., 1927, pp. vii, 85) and *The Ethical Problems of Modern Accountancy* (New York: The Ronald Press Company, 1933, pp. v, 152. Reprint edition, New York: Arno Press, 1980, $22.00).

Reviewed by
Stephen E. Loeb
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As the name implies, this Arno Press reprint is, in reality, two books compiled as one book. This being the case, each work will be reviewed in the order of its appearance in the Arno Press compilation.

I. The Etiquette of the Accountancy Profession.

This work was originally published in 1927 by Gee & Co. (Publishers) Ltd. The manuscript is in book form and is based on a series of articles that appeared in *The Accountant.* The author is identified as "A Chartered Accountant."

The book attempts to guide the Chartered Accountant as to correct behavior in performing his or her professional role. A wide variety of topics are considered including: fee splitting, incompatible occupations, ethical sanctions, advertising, solicitation, changing auditors, confidentiality, and forecasting.

The work contains some interesting data on accountants sanctioned by the Institute of Chartered Accountants in England and Wales. On page 68 the book points out that between 1921 and 1926 only 26 members were either suspended or expelled from the Institute for ethical violations.

The work contains some interesting discourses on the subjects covered. The discussion on "incompatible occupations" is most interesting. It is noted that the rule is a general one; the determination of the incompatibility of any occupation to be determined in actual cases. The book does indicate that practicing public accounting and being either a stockbroker or an auctioneer is unethical for all public accountants except those practicing both occupations when the rule was first adopted in May of 1880 or who purchases or becomes a partner in a combined business in existence on May of 1880. These lucky individuals were excepted from the proscription.

The policy of "grandfathering" ethical norms seems to this reviewer most interesting. Is it possible for similar professional actions performed at a particular moment of time to be ethical for some practitioners and unethical for others? Are we really concerned with ethical behavior when one criterion for sanctioning appears to be when the individual actually began to perform the action? Such rules reduce the legitimacy and viability of a code of ethics. To its credit, the book does hint at compromises that must be made in the early years of a profession.

The book at times tries to differentiate between "professional ethics" and "professional etiquette." If there is such a difference, the book does not make a totally clear distinction. The book does indicate, however, that at that particular time the British profession had both formal written and informal ethical norms. Correctly, the work does note the dynamic nature of professional ethics.

In summary, the work is of significance in that it provides the reader with a notion of the state of the ethical norms and their enforcement in the British public accounting profession during the early 1920s.

II. The Ethical Problems of Modern Accountancy

This work first published in 1933 by The Ronald Press Company is an anthology of a series of lectures delivered in 1932 at Northwestern University.

The first article (lecture) was written by Professor Vandeveer Custis of Northwestern University and is entitled "Introductory—Accountancy as a Profession."

Professor Custis takes what might be termed a "static attribute" approach to defining a profession. On page 4 he suggests that "legitimate" professions (1) render a service, (2) have ". . . a certain psychological unity . . . among practitioners, and (3) have a code of ethics to govern their professional conduct." He (p. 23) notes that accountancy meets these criteria and thus is a profession (a young profession). The bulk of the Custis article is spent proving these contentions. The arguments made are well done and set the stage for a lecture series on ethics and accountancy. To his credit Professor Custis makes a strong case for the importance of the third party obligations of independent auditors. In fact, this last concept is discussed throughout the lecture series.

The next lecture was given by George O. May of Price, Waterhouse and Company and is entitled "The Accountant and the Investor." May identifies the attest function as the work of an accountant that is of particular concern to the investor. In discussing the attest function he (p. 29) emphasizes that exact precision is not possible in the accounts of large modern corporations. He (p. 30) contends that accounts are subject to estimate and opinion. Mr. May emphasizes the importance of the auditor's obligation to third parties. He emphasizes the importance of objectivity and independence from an audit client.

In his lecture, Mr. May also discusses differences of opinion between an independent auditor and a client. In such a situation he suggests that the independent auditor do what is best for investors.

The third lecture was given by J. M. B. Hoxsey who at the time was Executive Assistant for the Committee on Stock List, New York Stock Exchange. The lecture was entitled "The Accountant and The Stock Exchange." Mr. Hoxey presents an interesting discussion of relations of accountants with the New York Stock Exchange at that time. He emphasizes the important obligations that external auditors have to investors. He also discusses a number of then current financial accounting problems.

The fourth lecture in the series was presented by Arthur Andersen of Arthur Andersen and Company and was entitled "The Accountant and His Clientele." Andersen hones in on two basic points: (1) the increased opportunity for service to clients in areas that we view today as management consulting; and (2) the then relatively new realization of the third party obligations of the external auditor in the attest function. Andersen, on pages 97 and 98, laments that no mechanism existed then to protect the auditor from replacement in a legitimate disagreement with a client. He appears to be concerned with clients shopping for independent auditors that will agree with them (the clients) for a price. Furthermore, he wishes for a mechanism for CPAs replaced in such circumstances to present their position. It was to be about forty more years until the SEC provided independent auditors with such an opportunity.

The fifth lecture was presented by Eugene M. Stevens, then Chairman of the Board, Federal Reserve Bank of Chicago. Mr. Stevens' lecture was entitled "The Accountant and the Investment Banker." In the lecture he discusses the accounting profession, the investment banking business, and the independent auditor's responsibilities to investors. He stresses the importance of the external auditor's independence.

The final lecture was delivered by Dean J. Hugh Jackson of the Graduate School of Business, Stanford University. It was entitled "The Accountant and his Profession." Dean Jackson in his lecture recognizes the crucial importance of the CPA's responsibilities to third parties. However, his emphasis is on ethical issues internal to the accounting profession. He stresses that practicing CPAs should contribute to the profession's body of knowledge. Further, he suggests that accountants should assist in the development of the accounting profession by being active in professional accounting groups. Dean Jackson concludes with a discussion of collegial ethical norms.

In summary, this collection of lectures provides an interesting discussion of the prominent ethical issues facing the profession during the early 1930s.

Paul K. Conkin, *The New Deal,* 2nd ed. (Arlington Heights: AHM Publishing, 1975, pp. 114, $4.95).

Reviewed by
Barry Anderson
University of Delaware

The New Deal by Paul K. Conkin is part of the AHM American History Series edited by John H. Franklin and Abraham S. Eisenstadt. The book consists of four separate essays first published in 1965, but revised somewhat for re-release. The first essay is titled simply "Roosevelt" and presents a rather impressionist character analysis of the thirty-second president. Conkin is clearly fascinated with the character traits which he believes separated Roosevelt from other men and made many of his presidential achievements possible. This fascination manifests itself on virtually every page of the first essay as the author delves deeply into the origins of Roosevelt's personality. We are told, for instance, that Roosevelt's "unusual and politically invaluable self assurance" was the result of an unconventional childhood. Young Roosevelt's "rigid, possessive, but loving mother" and his "elderly, increasingly ill, indulgent father" provided him with "a large farm estate with trees and gardens; nurses, tutors and loneliness for other children; a patterned almost regimented tempo of life; and such Victorian virtues as duty, honesty, and fair play." (p. 2) As if these advantages were not enough, the author reports that Roosevelt was an only child who was "breastfed, with no competitors for a mother's love, catered to by innumerable servants and relatives, indulged by gifts and toys and pets" and therefore able to grow up "secure and happy reflecting the vitality and commanding presence often observed in single children." (p. 2) The rest of the chapter continues in this vein attempting to explain Roosevelt's personality in terms of his origins and his subsequent career in terms of his personality. The problem with this sort of analysis is that it comes dangerously close to committing the *post hoc ergo propter hoc* fallacy of logic. Simply because Roosevelt was raised in a particular environment and in a particular way does not prove that either the environment or the manner of his upbringing produced his particular collection of character traits. Other explanations are possible. For instance, one might argue that his personality was determined entirely by genetic factors, or by some combination of environmental and genetic factors, or by his astrological sign for that matter. Without statistical or experimental proof, any of these hypotheses is as plausible (i.e. as difficult to refute *logically*) as any of the others. Viewed in this light Conkin's narrative is reduced from scientific inquiry to mere conjecture, interesting but hardly persuasive.

The second essay, "Clouds Over a New Era, 1932-1934," discusses the problems of general economic depression and Roosevelt's proposals to deal with them. It devotes considerable attention to early New Deal programs and the "alphabet soup" of new agencies created to run them. The National Recovery Administration (NRA), the Agricultural Adjustment Administration (AAA), the Civilian Conservation Corps (CCC), and the Tennessee Valley Authority (TVA) are but a few of the agencies whose goals and performance are discussed. Because so many programs are mentioned, however, none is given very much attention. (The TVA, for instance, is covered in but one page and a half.) The result is a nice overview but very little depth. Unfortunately, there are two flaws in this chapter which seriously reduce its overall quality. The first appears in the introductory discussion of the role of government in a free market economy. In that discussion, Conkin points out that government secures property rights, grants corporate charters, taxes for community needs, provides a currency, and conducts an array of other activities designed to provide a social "matrix" for economic activity (p. 25). This is all true enough. In the same discussion, however, he repeats the common misconception that "some classical economists" were unaware of the extent and importance of governmental influence in maintaining that matrix. Who among the prominent classical economists could possibly be guilty of such naiveté? Certainly not Smith, Ricardo, Malthus, or Mill. Certainly not Bentham, Lauderdale, or Sismondi. Even a cursory reading of these writers reveals their clear understanding of the importance of government for maintaining the social order that underlies a market system. Implying that any of them lacked this understanding betrays an ignorance of their work that is difficult to justify in any critic, especially one who is an historian. The second major flaw is a crime of omission. Almost completely missing is any discussion of New Deal monetary policy. A growing economic literature on the causes of the Depression indicates that it was largely the result of the bank panics that occurred in the early thirties. Once in motion, those panics reduced the money supply by one third, a blow severe enough to cripple aggregate demand and almost by itself force the economy into depression. The Federal Reserve was responsible for the panics, and therefore the Depression itself, because it had the power to prevent them but refused to act. Since the Federal Reserve was the governmental agency most able to arrest the continuing economic decline, one would expect it to receive some attention in any general review of the early New Deal. Such attention is conspicuous in the second essay only by its absence.

The third essay, "Origins of a Welfare State, 1934-1936," describes the changes which the Depression wrought in the American political concensus about welfare and the welfare state. Conkin argues that the enormous suffering of the Depression changed the American view of welfare from "a repudiation of responsibility" and "a catalyst of character decline" to an institution which is generally seen as conventional and orthodox and quite necessary in a modern industrial society (p. 52). He describes Roosevelt's awareness of this change and his willingness to move with it. The Social Security Act, the Wagner Act, and the Banking Act, for instance, would have been unthinkable in 1929 yet all three had been passed in 1935 and, as Conkin points out, passed at presidential behest. The notion that the Depression marked a turning point in American political thought is, of course, not new, but it is well presented in this essay.

Interestingly, the discussion of monetary policy, expected in vain in the second essay, appears briefly in the third. In describing the specifics of the Banking Act of 1935, Conkin presents a variant of the famous liquidity trap argument to explain why during deep depression central bank policies are almost useless unless supported by fiscal policy or by direct controls (p. 67). Conkin's rejection of the view that monetary policy can be useful against depression is evident elsewhere in the piece when he criticizes Roosevelt for temporarily supporting in 1933 the "pseudosolution" of monetary inflation, (p. 42) or monetary *re*flation as it might more accurately be called. Conkin's belief that monetary policy was impotent in the thirties explains why he excused the Federal Reserve from his list of important recovery agencies. Unfortunately, the popular Keynesian view that money does not matter during depression was refuted in 1963 by Friedman and Schwartz in their classic, *A Monetary History of the United States, 1867-1960,* a work which appears in Conkin's own bibliography.

The concluding essay, "The Perils of Depression Politics, 1936-1938," discusses the backlash to the New Deal which developed in the mid-thirties and brought it to an end by 1938. The furor over the Court Bill of 1937 is discussed and Roosevelt given the usual low marks for his conduct. Conkin points out that the political losses Roosevelt incurred during the court fight were magnified by the contraction of 1937, which he correctly identifies as the last precipitous economic decline in American history. Unfortunately, as important and severe as the contraction was, Conkin provides little insight into its causes. His claim that it was caused by the timidity of corporate leaders "still overreacting to misinterpreted New Deal policies" (p. 94) is facile and unpersuasive. It also ignores a sizable economics literature which again finds monetary forces at the root of a contraction. As Friedman and Schwartz, Chandler, and others have shown, the doubling of reserve requirements between August 1936 and May 1937 was a devastating blow to a financial system just recovering from collapse. The resulting scramble for reserves produced a credit crunch which certainly played a key role in dampening the economy. Conkin's failure to recognize these findings (and make some effort to refute them if he holds otherwise) weakens his fourth essay considerably.

In conclusion, *The New Deal* is a weak effort with serious flaws in each of its four essays. If it has a redeeming feature, it is certainly its ample bibliography which directs the reader to a number of stronger works on this important period.

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Mortimer B. Daniels, *Corporation Financial Statements* (Ann Arbor, Mich.: University of Michigan, Bureau of Business Research, 1934. Reprint edition, New York: Arno Press, 1980, pp. 122, $14.00).

Reviewed by
James D. Blum
American Institute of Certified Public Accountants

This book presents a brief critical description of the accounting and reporting practices of corporations in the United States during 1931. Daniels examined the published annual reports of 294 corporations in 1931. He also looked, to a lesser extent, at how these corporations' accounting and reporting practices changed over the twenty-five years preceding 1931.

To an individual interested in external reporting requirements, Daniels provides one with a quick and easy-to-read description of:

- Accounting terminology, principles, and practices in 1931 and the twenties;
- Adequacy of disclosure in corporate annual reports in 1931;
- Uniformity of reporting practices among entities;
- Asset valuation problems existing in 1931.

The book begins with a summary of Daniels' observations in reference to published financial statements. As examples, two of the author's nineteen observations are:

- "Too great emphasis has been placed upon the importance of the balance sheet. . .
- Write-ups of plant assets and write-downs both result in inaccurate financial statements."

The first three chapters describe the underlying structure of financial statements, the format and terminology used within financial statements, and, finally, the adequacy and uniformity of disclosure among entities in published annual reports. These chapters give the reader an overview of the state of the art of accounting in 1931. Numerous excerpts from various reports are presented and, to a limited extent, summary information about the 294 corporate reports examined is given. Examples of summary information are that twelve corporations published no income-sheet data; four published only the disposition of net income after deduction of interest, and so forth.

Following the discussion of the state of the art and illustrations of the adequacy of disclosure and uniformity of terminology, seven chapters deal with the accuracy of financial statements with respect to valuation of assets, liabilities, and proprietorship. Many of yesteryears' problems appear still unsolved. Daniels discusses and gives illustrations of the practice, among other things, of writing-up in the twenties and writing-down in 1931 of plant assets to replacement value and the impact of this on financial statements, especially with respect to depreciation and income. Insight into valuation problems in times past should help the reader understand why the historical cost principle is so embedded into our current accounting practice and makes one appreciate the current controversy, e.g., some advocates of cash flow accounting oppose depreciation as an allocated expense. Many other valuation problems are discussed and illustrated.

The final five chapters deal with lack of disclosure and uniformity relating to the income sheet, treasury stock and reserves, and consolidated statements. Finally, in an appendix, Daniels presents an outline form of a balance sheet and income sheet in order to illustrate adequate disclosure.

This book gives a reader an easy-to-read insight into the state of the accounting art as of 1931. It gives a brief discussion of various alternative reporting practices and the author's opinion as to the best alternative, illustration of actual reporting practices and some summary narrative of the reporting practices of 294 financial statements examined. Any undergraduate with basic accounting knowledge, i.e., intermediate accounting, should be able to understand this descriptive research study. This book could be used as assigned reading in any undergraduate or graduate course where a quick knowledge of the accounting practices of fifty years ago is desired. Also, financial accounting professors might find the Daniels' study interesting in relation to current practices and problems discussed in the accounting literature and classroom.

John M. Houkes with Ljudmila T. Mursec, *A Catalogue of Rare Books, Pamphlets, and Journals on Business and Economics in the Krannert Library Special Collection 1500-1870* (West Lafayette, IN: Purdue Research Foundation, 1979, pp. vii, 357, $25.00).

Reviewed by
Edwin Bartenstein
California State University, Northridge

If your research takes you to the study of mines, railroads, labor, agriculture or nearly any kind of business history, you may find considerable help and interesting stimulation in the Krannert Collection at Purdue University. Most of the materials are original works, a few are copies or republications, and some, especially in the early years, are microfilms. There are Sir Hugh Plat's 1601 treatise on the "setting of Corne" and Samuel Hughes' "treatise on waterworks for the supply of cities and towns, with a description of the principal geological formations of England as influencing the supply of water" written in 1859.

The bulk of the collection was acquired in 1964 by the University when it purchased a large private collection in England. Since that time Professor John M. Houkes, the Krannert Librarian, has been able to add hundreds of titles. On one European buying trip in 1970 he purchased more than 550 volumes when he "visited some 75 second-hand book dealers in 29 cities."

In his introduction, Professor Houkes says that "it has been necessary to observe some flexibility in defining the meaning given to the words 'economic' and 'business.' " He quotes: ". . . the period which these materials cover antedates the introduction of the straight jacket of modern academic specialization." The catalogue lists publications and manuscripts in the following areas: banking, finance, accounting, agriculture, social conditions, industrial revolution, population, poor relief, corn laws, social movements, English Socialism, Owenism, utopias, voyages of economic interest and travel accounts.

The collection catalogue extends two or three decades beyond those of other famous collections thus permitting coverage of the gold discoveries, manufacturing developments such as steam engines, iron manufacture, heating and ventilation, telegraphy and photography. Changes brought about by the growth of industrial society are reflected in material concerning slavery, women's conditions, the environment, public services and energy resources.

Some of the accounting authors represented are Paccioli, Payen, Cronhelm, Cazaux, Babbage, and Mayhew. Most of the well-known economists are represented. The breadth of coverage is reflected in the forty page length of the alphabetic listing (one line per item). The book is organized chronologically by year, the first entry being Paccioli's *Summa* in 1494. Within years, the arrangement is alphabetical. Each item description is in the language of the document or publication described.

For accounting historians and for those interested in almost any kind of history this volume must be a valuable source. The chronological arrangement encourages browsing in the period of interest and could result in the discovery of other sources and interesting background in subject areas outside of the major field of study. Someday it may become more stylish to provide translations into English of the foreign language descriptions. This could make a fine source such as this even more valuable to those among us who are not so adept at languages.

Norman J. Marshall, *A Jubilee History, 1928-1978* (Melbourne: The Institute of Chartered Accountants in Australia [Victorian Branch], 1978, pp. 127, $10.00).

Reviewed by
Frank L. Clarke
University of Sydney

Unless one knows the personalities involved, the history of an administrative body could be dull, uninspiring and seemingly useless. Whereas some may find that this book fits into that mold snugly, if one reads "between the lines" it is quite the opposite. Frequently, such an account of the comings and goings of a body like The Institute of Chartered Accountants in Australia will display all the victories and refer only to the happier occasions in its history. The "losses" and any troubled times will be pushed aside out of sight lest they dinted the current public image of a smooth running organization with its act together. Thankfully such a format has been discarded for this book.

The first fifty years of the Victorian Branch of the Institute are detailed through five chapters giving such uninviting titles that the temptation to set it all aside is quite compelling. The chapters, "Origins," "The Pre-war Years," "War Years," "The Research Society," and "Professional Expansion," are poor descriptions of their content, their potential for capturing and keeping the interest of readers, and for giving an interesting insight of the birth of a professional accountancy body.

Although its title gives the impression of a dour recall of stuffy meetings at which a new branch of an already existing body emerged, the first chapter traces not only the conception of the Victorian Branch, but also some of courtship of the accountancy bodies preceding the formation of The Institute of Chartered Accountants in Australia. In this regard, Chapter 1 is of particular interest to Australian accountants, for much of what it contains mirrors the mating ritual currently being performed by the hierarchies of the Australian accountancy bodies prior to deciding whether to merge. Chapter 1 shows that the path to such things is never smooth. It details the laborious procedure of acquiring a Royal Charter and the difficult task of merging existing bodies. Such is far from dull reading. For not all of the action was as friendly and pleasant as might be imagined. With refreshing candour, sufficient recall is made of the infighting for a clear picture to be formed of the climate of conflict surrounding the Institute's birth, without damaging reputations or creating the impression that it was an all-in brawl. Those events are interesting sidelights of what must inevitably occur when men with a vision set out to bring those with diverse interests and backgrounds together. Recall of the conflicts between accountants in the various Australian states as their respective administrative bodies jockeyed to become a dominant force in the proposed new Chartered Institute makes good reading.

The growth of professionalism and the emerging identity of Chartered Accountants as an important sector of Australian society and the social concern of members during the depression are outlined in Chapter 2. It was no mean feat for any new body to earn such a reputation during those harsh times. The expected stagnation during the war years is shown in Chapter 3 to have been avoided by the older members' continuous efforts to keep lectures and other professional betterment activities going. The Victorian Branch's research society emerged as the members' factotem. Chapter 4 explains how it conducted research lectures, sponsored other educational activities, recreational pursuits and conferences, and husbanded the Institute's first accounting standards committee. It comes as no surprise that the Victorian Branch provided inaugural members of the Australian Accountancy Research Foundation and of the Accounting Standards Committee, the bodies now primarily responsible for shaping accountancy in Australia. In that vein, Chapter 5 gives a good account of the Branch's influential role in the drafting of the Companies Act (Vict.) 1958, which became the template for subsequent "uniform" legislation in all the Australian states during 1961.

The book contains a number of interesting anecdotes about professional accountancy in Australia. For example, it explains how A. A. Fitzgerald, then the first editor of *The Chartered Accountant in Australia,* was carpeted by the new General Council of the Institute for publishing material in the journal ". . . calculated to disturb the peace of the Institute." The offensive material was a letter from a "dissident" member questioning the legality of the election of Councillors without issuing voting-papers to the members at large. It sparked off a bitter debate over the meaning of the Institute's by-laws before the ink was dry. In the wash-up, Fitzgerald resigned. He later became the editor of the rival journal, *The Australian Accountant* (then published by the Commonwealth Institute of Accountants). Another example of anecdotal material is the open comment regarding the obvious rivalry between the New South Wales and the Victorian branches of the Institute during those early days.

Thus, this book should be a valuable source for any historian looking into the background of professional accountancy in Australia. The tone of the book suggests there is much more to tell about those early days of the profession in Australia than it covers. The author pulls few punches, but is quick to acknowledge the contributions of particular individuals to this unique half century of development in professional accountancy.

John O'Sullivan and Edward F. Keuchel, *American Economic History: From Abundance To Constraint* (New York: Franklin Watts, 1981, pp. xvi, 270, $15.00).

Reviewed by
Thomas H. McInish
University of Delaware

Because accountants are professionals, they are often called upon to give advice and to make decisions about business strategy and business policy, decisions which require a broader view of the economy than is provided by the typical accounting course. For this reason, the accountant needs to know as well not only where the economy is, but how it got there. *American Economic History* fills this need.

Each of the 12 chapters of *American Economic History* is devoted to a detailed review of a specific period of United States economic history. Topics covered in each chapter are clearly identified and include such diverse subjects as the development of agriculture and the transportation system, the Civil War, and the growth of big business. Each chapter also provides either a biography of an important individual from the period (e.g., Carnegie, Rockefeller, Ford, Mellon) or a more detailed profile of an interesting topic from the period such as "Alexis de Tocqueville's America" or "The Automobile Industry in the 1950's." An index is provided; references and suggested readings are given for each chapter.

This book is very general, but its strengths make it useful to accountants (and accounting students) who seek a broad overview of the American economy and its past. More importantly, the book is easy to read and understand. This is achieved not through excessive simplification of the subject, but rather by interesting writing which conveys a sense of the relevance of economic history. Statistics are used amply, but the book is not statistical or quantitative. Numerous pictures and biographies personalize the topics.

Alfred R. Roberts, Editor, *Third Charles Waldo Haskins Accounting History Seminar: An Historical and Contemporary Review of the Development of International Accounting* (Atlanta: Academy of Accounting Historians, 1979, pp. 58, $5.00).

Reviewed by
Wesley T. Andrews, Jr.
Texas A&M University

Collectively, the papers presented at the Third Charles Waldo Haskins Accounting Seminar (held April 20, 1979 at the Atlanta Hilton), represent another step forward in our attempt to gain an understanding of the extremely complex issues involved in international accounting. The participants, each having a well-developed sense of the value of the study of history as a point of departure for the understanding of contemporary problems, would probably agree in unison with Santa Anna that "he who fails to study history is doomed to repeat his mistakes." It is this historically based insight that the seminar participants seek in their scholarly deliberations.

The four papers each reflect their authors' appreciation of historical perspective in their own way. Professor Paul Garner's "Comparative Accounting Education: A Neglected Area of Research for Accounting Historians" suggests that an understanding of the differences in accounting disciplines in various countries may be gained through research into the nature of the "accounting educational features of the several dozen countries of the world." Professor Baxter, in "Accounting's Roots—and Their Lingering Influence," presents the traditional historian's perspective, tracing through time and from a macro point of view, the broad currents of human history and their impact upon the development of the accounting craft.

To this reviewer, the primary insight furnished by the seminar papers is eloquently summarized by Professors Hopwood, Burchell and Clubb in their paper "The Development of Accounting in Its International Context: Past Concerns and Emergent Issues," who add the international dimension to historic analysis. In their words, this is a view of accounting as ". . . a heterogeneous phenomenon, varying in form, content, organization and function across both time and space. As a consequence, accounting is not seen to include a multitude of different practices, the nature of which has changed quite radically over time." Rather, accounting is a universal phenomenon with certain ubiquitous qualities; historical and geographical differences in systems of accounting thought are therefore merely different manifestations of the same force, each manifestation tempered by the socio-economic and cultural influences of a specific region at a specific time. Hopwood, Burchell and Clubb review the attempts of scholars in the field of international accounting to classify different systems of accounting thought on the basis of (a) the institutional contexts from which they spring, (b) specific conditions (such as war) which shape their development, and (c) varying societal needs to which the accounting craft attempts to respond.

Professor Schoenfeld's paper, "Major Influences Which Shape Accounting Systems: An Attempt of an International Historical Analysis," utilizes this perspective to "model" the phenomenon of development of accounting systems by suggesting a taxonomy of "variables" which influence the development process. The resulting taxonomical scheme identifies forces related to international differences in the development of ideas and knowledge, differences related to the effect of diverse economic systems, differences in the mode of societal development between countries, as well as differences between countries in the degree of development of accounting related technology.

And yet each of the presenting scholars is aware of the limitations of their efforts in the light of the enormous complexity of the problems which they address. Each, in his own way, recognizes implicitly that, before we can seek meaning from the order of things, we must first identify and describe such order as exists. Hence, each attempts to describe our efforts to categorize the events of history so that we may gain insights into the forces that influence the development of accounting. In addition, Garner calls for research into comparative accounting education systems while Schoenfeld *attempts* to systematize those influences which history shows to be meaningful.

In conclusion, I must agree with Professor Flamholtz in her discussion of the Hopwood, Burchell and Clubb paper, when she notes that "Too often, . . . accounting history becomes a glorification of the present, written from a perspective . . . which studies the past with references to the present and therefore searches for similarities between past and present. . . . Hopwood, Burchell and Clubb's paper illustrates that a comparative or international approach can help to dispel [this] 'whig' type of perspective. This type of research, by its very nature, breaks down absolute standards." Thus, the papers presented at the third Haskins Seminar offer a broadened perspective, based upon historical investigation applied across international boundaries, to our attempts at understanding the complexities of international accounting problems—perhaps this is the main contribution of the highly capable scholars who presented their work at the seminar in Atlanta.

Henry Whitcomb Sweeney, *Stabilized Accounting* (New York: Harper and Brothers, 1936. Reprint edition, New York: Arno Press, 1978, pp. xiii, 223, $31.00).

Reviewed by
Dale Buckmaster
University of Delaware

This book has probably had more influence on the development of American ideas of price-change accounting than any other single document. It was also the last of Sweeney's works on general price-level accounting (now more commonly identified as general purchasing power accounting).

I cannot identify why this book has been so influential and widely discussed over the years. But three factors that certainly contributed to its success are that it is beautifully written, completely describes and effectively illustrates the general price-level adjustment model, and demonstrates that application of the model was practical in the accounting environment of 1936. By beautifully written, I do not mean that Sweeney's style was elegant and literary. Rather, the book is extremely readable and Sweeney's points are understandable with a minimum of effort on the part of the reader.

The book contains three separate parts. The first three chapters are a general description and illustration of general price-level adjustments (Sweeney's stabilized accounting) including a chapter on stabilizing replacement cost accounts. The next part of the book (Chapters IV, V, and VI) describes the application of "stabilized accounting" to the accounts of three real businesses. The last part (Chapters VII and VIII) is devoted to discussing general price-level adjustments within the economic environment of that period and to answering objections to the model.

Every person interested in understanding price-change accounting should read *Stabilized Accounting.* But that reading should be a supplement to the reading of Sweeney's earlier publications that are listed in the appendix (p. 204) to *Stabilized Accounting.* The most substantive incremental contribution of the book is the illustration of the application of general price-level adjustments to the three businesses. And that is of limited interest now. The articles contain Sweeney's thought and justification for his advocacy of "stabilized accounting" as well as a complete description and illustration of the model.

Arno Press partially met a need by making *Stabilized Accounting* available again on the new book market. But they could have multiplied the value of the contribution by extending the scope of the project. Specifically, the following items are desirable additions to any reprint of *Stabilized Accounting:*

1. Sweeney's fourteen articles that were published prior to *Stabilized Accounting.*
2. The short essays that were added as "Forewords" to the 1964 reissue of the book.[1] These essays are interesting and add considerable insight into the development of Sweeney's model.
3. A contemporary retrospective foreword written by someone such as Steve Zeff, William Baxter, or Frank Clarke.

FOOTNOTE

[1]Sweeney, Henry W. *Stabilized Accounting* (New York: Holt, Rinehart and Winston, Inc., 1964).

Accounting Historians Journal, Vol. 8 [1981], Iss. 2, Art. 9

Charles Weber, *The Evolution of Direct Costing,* Monograph 3 (Urbana, Illinois: Center for International Education and Research in Accounting, University of Illinois, 1966, pp. 91, $2.00).

Reviewed by
Lane K. Anderson
Texas Tech University

The author defined direct costing as having three essential features. Direct costing is:

> . . . an accounting technique which: (a) is based on the differentiation between fixed and variable costs; (b) is fully integrated into the general accounting system; and (c) gives rise to a multi-step income statement based on the differentiation between fixed and variable costs.

The study is organized into four parts, with each part subdivided into sections corresponding to the three essential elements of the definition. Parts three and four, in addition, review the use of direct costing for planning, control, and reporting purposes.

Part one discusses the nature of direct costing as it appeared in the accounting literature of the United States and foreign countries. Part two presents the development of the basic techniques used in direct costing, with special emphasis on the accounting literature in the United States. Here, the author examines the techniques for separating fixed and variable costs and the development of the flexible budgeting concept. Part three looked at the development of direct costing just prior to World War II. The author dwells on the contributions of Jonathan N. Harris, who was probably the first one to highlight the issues of direct costing for internal reporting in the American accounting literature. Part four discusses the development of direct costing from the end of World War II to the early 1960s. The major development was in the format and detail of an income statement under the direct costing approach.

Throughout the study, the author considers all of the issues in favor of and opposed to direct costing for internal and external purposes. He does not, however, organize this material to highlight these issues so that a reader can evaluate each one and form a position about direct costing.

The author defined direct costing as consisting of three elements, and he organized the material to discuss each of them. It becomes painfully clear that his discussion of the separation of variable and fixed costs and the integration of cost accounting and financial accounting is superficial. Rather, his discussions center on the income statement reporting format under direct costing. He leaves the impression that the major difference between direct costing and absorption costing is the contribution approach to an income statement. His emphasis is appropriate if direct costing is for internal purposes only. The study also lacks the evolution, issues, and conceptual arguments to justify direct costing for external reporting purposes.

In conclusion, this study identifies and summarizes the major sources in the accounting literature. For the serious student of direct costing, this study provides interesting and provocative reading.

M. C. Wells, *A Bibliography of Cost Accounting: Its Origins and Development to 1914,* 2 Vols. (Urbana, Illinois: Center for International Education and Research in Accounting, University of Illinois, 1978, pp. xv, 1058, paper, $8.00).

Reviewed by
Adolph Matz
The Wharton School
University of Pennsylvania (Emeritus)

This two part bibliography is a companion volume to *Accounting for Common Costs,* an historical review of the origins and reasons for the allocation of overhead and other common or joint costs.

In the Introduction the author points out that no existing histories of cost accounting are accompanied by a comprehensive bibliography which provides the raw material for studies of that kind. The author believes that A. L. Prickett's *Classified Cost Accounting Bibliography,* Indiana Business Study No. 29 (Bloomington: The School of Business, Indiana University, 1946) is the most complete, but tends to emphasize the two decades immediately prior to 1943.

The Table of Contents of the two parts of this bibliography depicts the compiler's aim to enlarge the field of study by examining more than 130 different journals and nearly 400 books; the total number of references is in the vicinity of two thousand. The journals are classified as accounting, engineering, economic and other journals. More than a third of all the references listed are accompanied by annotations or classified extracts. The extracts chosen were those which appeared to be important to the compiler's view with the hope that they would faithfully portray the content of the article or book concerned. The journals are all of the English-speaking world. A few foreign authors appear in translation.

The two volumes are over 1,000 pages long with a bibliography that starts with articles published about the middle of the 19th century. As a journal (e.g., *The Accountant,* London: Gee & Co.) is examined, the compiler travels through all the issues available and lists the articles at random. No distinction is made as to topic. At first, this method is disturbing, but the author escapes any criticism when at the end of the second volume the Index of Subjects not only lists the titles but also refers to the articles with the aid of the numbers in which they appear within the four classifications. This Index reveals an astonishing number of articles dealing so many years ago with topics that have been discussed, argued, disputed, and rejected in these 100 years. Any researcher will be pleased to have such an aid at his command. For example, the topic of allocation is in 15 categories, and allocation methods lists no less than 94 articles. It might not be advisable to cite all other topics but it is interesting to discover the following: costs for control; costs for decision making; costing for pricing; depreciation; interest—a cost of production; interest—not a cost of production; inventory valuation; pricing; standard costs; transfer prices; variances; and numerous individual manufacturing cost accounting systems.

Closely allied with the multitude of topics dealt with are the opinions and suggestions made by these early writers. The reviewer was astonished by some of their approaches and believes that a few excerpts from these articles will prove the point: In 1878, Thomas Battersley wrote: "in the above business it is necessary to know the prime cost of the manufactures in *detail,* and the next profit realized, as similar classes of work have to be undertaken and present prices are based on previous data of prime cost . . . while the system of bookkeeping registers the facts of direct and indirect expenses, the system of prime cost takes such data and exhausts them completely and systematically upon the manufactures in detail."

The purpose of cost accounting is stated by Garcke & Fells (1887) "to know the cost of each individual article produced, but equally so to ascertain the cost of any particular part, or of any particular process of manufacture. Localization of cost should be carried as far as possible, so that the varying rates of realizable profit on parts may be known, and the pressure to minimize cost of production be applied in the right direction."

C. E. Knoeppel (1911) discusses the importance of cost allocations stating "that in indirect cost we have an element not capable of being handled so easily, for while there is absolutely no question regarding the advisability of apportioning this element, part to produce on the basis of tonnage and part on the basis of direct labor, there may be considerable questions regarding the advisability of apportioning the various elements which made up this subdivision according to the manner outlined. . . . In considering the handling of commercial cost, all will agree that some means must be provided for taking care of it—that it is not a cost capable of direct charging and must therefore be classed with the apportionable." However, Knoeppel is "of the firm opinion that the points brought out logically point to "Commercial Cost" apportionment to production on the basis of "Direct Labor," as being right and proper."

Frank E. Webner's book on *Factory Costs for Cost Accountants and Factory Managers* (1911) clearly "identifies cost accounting as associated with, or a necessary condition for scientific management; discusses opposition to introduction of cost systems by management foremen, labor and unions in terms which indicate concern with scientific management." For the allocation of overhead the author believes that "the best method for distribution is that which minimizes as far as practicable the amount of indirect costs to be diffused on an arbitrary basis—the method which charges the greatest amount of so-called 'indirect' expense directly to the product to which it really belongs." He also advocates "a general uniformity of practice as between different establishments in respect to expense charges to production costs. As one of the consequences of this lack of uniformity, concerns manufacturing similar lines of product cannot compare costs of production intelligently, and in fact fail dismally when they attempt to do so, because their respective costing charges are not on the same basis . . . a condition which leads to puzzling and unwarranted variations in quotations, sometimes very perplexing to competitors, and occasionally very disastrous to the quoting 'concern.' "

Benjamin Franklin wrote in 1912 that "there are so many theories of expense distribution, possibly, not a little due to the fact there is no positively right one, but nevertheless the necessity for theory exists. But the theory must be a practical one." Regarding standards, he thought that "the ability to master this point (that costs vary from time to time) and to figure estimates or production of costs from a standard under varying conditions gauges the comprehension or the meaning and value of practical costs. . . . A product's true cost is not what it is produced for in good times, in bad times, or the first time, but what it can be produced for in the ordinary average routine of shop practice."

In 1912 L. W. Rawson, discussing foundry cost data and the problem of transfer-prices believes that "whenever the foundry is run in connection with a machine shop, the accounts should be kept entirely separate and castings charged to the shop at fixed prices, just as if they were purchased from the outside."

Roland Henry published several articles (1897-1898) on the subject of Cost-Keeping Methods in Machine Shop and Foundry. Of interest is this first reference to Responsibility Accounting. "The first aim of the shop manager as superintendent who is immediately responsible for the cost of manufactured articles produced is always directed to the reduction of labor-cost, not because the labor cost is the one element which can be reduced. The expense account is not commonly under the control of the shop superintendent but is determined by the general policy of the establishment."

The contribution margin is introduced by Morrell W. Gaines (1905) by stating that "direct expense per unit subtracted from direct receipts per unit gives the direct net revenue per unit, or net contribution per unit towards all those expenses which are outside of the sphere of influence of the action, and which are with respect to it just as much 'fixed charges' as are those special charges which are 'fixed' or invariable, with respect to all choices of action alike."

A. E. Outerbridge published in March 1900 an article entitled, "The Policy of Secretiveness in Industrial Works," explaining that "English visitors to American industrial establishments have frequently expressed their astonishment at the freedom of access generally accorded foreigners . . . it is not . . . true that secrecy is, according to the generally accepted European idea, the key to success in manufacturing. It is not true, moreover, that this system tends to preserve and perpetuate methods and machines which have elsewhere been discarded as obsolete." In 1904 an Editorial points to the Secrecy article and is inclined "to think that manufacturers have themselves to blame for the backward state of Costing Accounts. It is only within quite recent years that many manufacturers have so far got over their old-fashioned prejudices as to allow professional accountants access to their private books; and their Cost Accounts—which from their point of view, represent the most private books of all they have kept, and in many cases still keep, to themselves till the last."

In conclusion, the reviewer wishes to point out that the quotations cited here represent only a minute number of similar ideas expressed over a period of almost fifty years by many authors. None of these authors was ever cited as the innovator or originator of a definite philosophy, technique, form or procedure in the field of cost accounting. Many ideas were advanced yet none was immediately accepted as a fundamental axiom. Today's cost accounting thoughts and practices are the result of academicians and practitioners who have combined early efforts with recent developments to create an acceptable management tool. Mr. M. C. Wells' work is admirable since it truly affords a comprehensive picture of the origins and development of cost accounting.