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MESSAGE FROM THE PRESIDENT

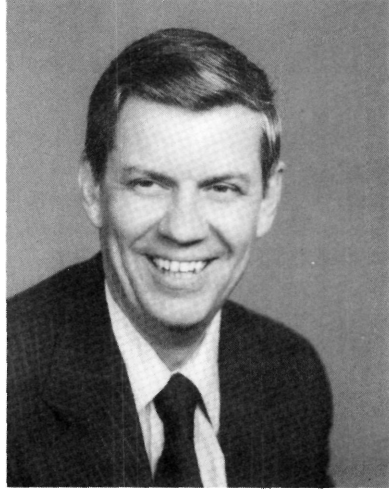
To say that I am honored to be elected to serve as the President of the Academy for 1989 is something of an understatement — It would be more appropriate to say that I am almost awed by the prospect.

As all of you know, I am not an educator. However, because of this, I will bring a different perspective to the office of the president, one which reflects my active participation in accounting, both public and business, for 40 years and in standards-setting for 12 of those years. My perspective thus reflects the pragmatism of a businessman/accountant who has directly supervised the accounting activities of the largest company in the world for the past 12 years.

In my opinion, the profession of accounting is at a crossroads. Those of us who run the accounting operations of the thousands of businesses in the U.S. who learned our accounting from a theory of accounts perspective and the matching of costs and revenues concept are growing older and we are being replaced by people who of necessity have had to learn the myriad of new rules and the balance sheet view predominant in the conceptual framework of accounting. The result is a growing schism in accounting concerning the relevance of the new accounting in the day-to-day operations of a business.

One of the Academy's past presidents — Tom Johnson — has gained well-deserved recognition through the book he co-authored with Bob Kaplan — *RELEVANCE LOST, THE RISE AND FALL OF MANAGEMENT ACCOUNTING* — which deals in part at least with this schism.

What does this have to do with the Academy? I believe that the root cause of the rules-orientation of accounting today is financial fraud which, whenever it occurs in a dramatic fashion, results in



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government reaction and regulation, e.g., Ivar Krueger and the SEC, McKesson-Robbins and auditing standards, Watergate and the FCPA, and today ESM and the Treadway Commission. I also believe that the belief that rules can resolve this problem is based on a lack of understanding of the nature of accrual-based accounting, its uses and limitations. Furthermore, this misunderstanding stems in no small part from the failure of accountants to understand their own history so that they can better explain accounting to non-accountants. Finally, the accounting field is facing an increasing challenge in attracting the "best and the brightest". Unfortunately, the study of history has always appealed to only a relative few in spite of Santanya's admonition. And yet, the study of history has always been intended to teach students to think — whether it be about social injustice, tyranny, or accounting. As the accounting field becomes more and more rules-oriented, the need for students who can understand the historical perspective of this trend, the need for regulation and the need for judg-

ment — in short, accounting historians — has never been greater.

In my year as president, I would hope to see the Academy become pro-active in addressing these issues. Specifically, I would hope that we can be successful in helping the AAA initiate a new symposium on the uses of accounting by preparers. This symposium should be a major step in drawing the practitioners and the educators together so that the future needs of accounting can be met.

In addition, I will, and do, urge all members of the Academy to submit prospectuses for symposiums on the history, uses and limitations of accounting. More specifically, I would urge research into why the various value-based theories which have been steadily proposed have failed to replace the historical-cost-based model. I will actively seek financial support for any well developed research project, if needed, and would hope to greatly expand the Academy's list of contributors.

Finally, I would hope that the preceding would help in increasing our membership also. Frankly, I have long been puzzled why out of 12,000 or so members in the AAA only 800 belong to the Academy. Apparently, we have not demonstrated the need. I would hope that the activities I have outlined for this year would begin to stimulate interest in accounting history as well as demonstrate its relevance. The future of accounting as a profession may well rest on a study of its history as a guide to its future. I hope in the coming year we can begin that process and I ask all of you for your help.

Eugene H. Flegm

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THE ACCOUNTING HISTORIANS NOTEBOOK

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