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The Accounting Historians Journal
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BOOK REVIEWS

Barbara Merino, Editor
NORTH TEXAS STATE UNIVERSITY

REVIEW ESSAY:

Robert R. Locke, *The End of the Practical Man: Entrepreneurship and Higher Education in Germany, France and Great Britain, 1880-1940*. (Greenwich, Conn.: JAI Press, 363 pp., \$22.50, individuals, \$45.00, institutions).

Review by
O. Finley Graves
The University of Mississippi

Locke's investigation into the relationship of higher education and entrepreneurial performance in Germany, France, and Great Britain during the second industrial revolution (1880-1940) chronicles the accomplishments of German academicians in the area of business economics in the early decades of this century, accomplishments that not only resulted in a new business science but had a decided impact on German industry. Locke demonstrates that as early as the 1910s academic training and research met with a receptiveness among German entrepreneurs that remained uncharacteristic of their British and French counterparts until as late as the 1950s. In Britain and France, rather, the entrepreneur continued to esteem the practical man, the man who had received his training on the job or who had pioneered the first industrial revolution, and to view with contempt the idea of any academic orientation in business. As a result, Locke argues, Germany enjoyed a considerable degree of growth in the new high technology industries before and after the First World War that Great Britain and France did not. It was the legacy of the business economics movement in German higher education, moreover, Locke suggests, that enabled Germany to bridge the economic chasm of the post-World War II years and reclaim its leadership position in industry as readily as it did. Accounting historians will find Locke's account of the evolution

of German business economics of special interest since the movement was centered at its inception around such accounting-oriented business economists as Eugen Schmalenbach of the University of Cologne and Fritz Schmidt of the University of Frankfurt.

Indeed, from the standpoint of the English speaking accounting historian, Locke's inclusion in his book of an overview of the advances made in accounting in Germany from 1910 to 1930 is most fortunate. The 1910s and 1920s constitute what well may be termed a golden age of accounting thought in Germany. Several theoretical studies appeared that have become accounting classics in that country while a number of new German language periodicals served as a forum for a plethora of extraordinary theorists. In addition to Schmalenbach and Schmidt, Johann Scharr, Heinrich Nicklisch, Erwing Goldmacher, Willis Prion, Ernst Walb, Walter Mahlberg, Theodor Beste and Alfred Isaac contributed to the development of accounting thought. But, outside of Germany, only the Japanese and the Swedes appear to have taken note of the ideas of these men. The British and the French, whom Locke criticizes for their insularity to international developments in business economics, paid little heed to the German theorists.¹ And little is known of German thought on this side of the Atlantic.²

The End of the Practical Man, especially in Chapter IV, "German Business Economics: The Theoretical Achievement," provides the American accounting historian with an introduction to a rich body of accounting theory. Two subsequent chapters trace the influence of German business economics on educational achievement and institutionalization of management. The three chapters provide an excellent description of the forces that have shaped German accounting and enhance our understanding of the accounting profession as it exists in Germany today.

The book also provides the accounting historian with a good example of historical research methodology. Locke's research is characterized first of all by an exhaustive examination of the relevant primary sources; his "Selected Bibliography," which contains over 800 entries, is a reference tool in the area of European accounting history and general business history in itself. The breadth of Locke's research, in turn, has equipped him with a thorough knowledge of the cultural conditions and social institutions in Germany, France and Great Britain that gave shape to the educational and industrial developments in those countries during the second industrial revolution. This enables him to explain why an economically stimulating relationship developed between higher

education and industry in Germany and why such a relationship did not develop in Britain or France.

Moreover, Locke's international comparisons are not limited to European countries. Since certain innovations in U. S. managerial accounting (standard costing and budgeting) had a significant impact on German business economics, Locke incorporates observations concerning American contributions into his study (cf. Chapter III, "The American Challenge"). Thus, the book affords the reader an opportunity to place the history of U. S. managerial accounting in an international frame of reference. Unfortunately, Locke remains silent with respect to the role American higher education might have played in U. S. accounting innovations. Given the theme of the book and the frequent references to U. S. managerial accounting, one misses any mention of the relationship of higher education and entrepreneurial performance in this country.

Another area in which Locke's breadth of view serves him well is with respect to interpretation of statistical data. Locke [1979] has written previously about the fallacious conclusions to which a myopic interpretation of statistical data can lead and he reiterates this point in the first chapter of *The End of the Practical Man*. He notes that the data on which the cliometric school bases its conclusion, that the British and French performed well during the second industrial revolution, comes from old well-established industries. These data, however, do not reflect the fact that economic growth was concentrated in new high technology industries during the second industrial revolution, industries that were soon to eclipse the older industries. The cliometricians, Locke contends, failed to consider their data in its proper context. Locke uses statistical data throughout his study, but he uses the data to corroborate and resists extrapolating conclusions on the basis of statistical data alone.

Finally, while Locke's book is about the past, its lessons transcend the past. In its account of the impact of higher education on economic growth in Germany, the book highlights the importance of the teaching and research functions. Locke's description of rather unhappy developments in Britain and France during the second industrial revolution makes clear the exigencies of ongoing research and of a close working relationship between academicians and industrialists in today's technological environment. In addition, Locke points out the dangers of insularity. The success of the Germans during the first half of the twentieth century can be attributed to some extent to their ready assimilation of American

breakthroughs in management sciences, and the success of the Swedes to their ready assimilation of German innovations. The British and the French, on the other hand, apparently suffered economic decline when recognition of new scientific management techniques might have resulted in economic invigoration. In sum, *The End of the Practical Man* has much to offer the accounting historian both in content and methodology.

FOOTNOTES

¹The French, however, did experiment with German ideas on inflation accounting, see Wasserman, 1931.

²The American accounting academician may have read Schmalenbach's *Dynamic Accounting*, translated by Murphy and Most [1959], and perhaps, Fritz Schmidt's articles published in the *Accounting Review* and the *Harvard Business Review* in the 1930s, but overall, the ideas of German theorists have not had a significant impact.

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BOOK REVIEWS:

F. Sewell Bray, *Precision and Design in Accountancy* (London: Gee & Company (Publishers) Limited, 1947. Reprint edition, New York: Arno Press, 1980, pp. 145, \$14.00).

Reviewed by
Edward N. Coffman
Virginia Commonwealth University

This book is based in large part on selected articles that F. Sewell Bray, an English accountant, wrote for professional periodicals.

The book is divided into three parts. Part I, entitled "The Accountancy Profession — Philosophy and Background", consists of chapters on Philosophy of Accounts (3 pp.), Background of the Accountant's Art (5 pp.), Professional Education (3 pp.), Approach to Economic Science (7 pp.), Internal Equilibrium (3 pp.), and Relation between Accountants and Economists (6 pp.).

In Part II, entitled "Accounting Technique and Research", chapters are presented on the Development in the Functions of Accountants (7 pp.), An Accounting Statement of Profit (12 pp.), Theoretical Conceptions of Fixed Asset Valuation (3 pp.), Technique of Accountancy in Relation to Management in a Period of Transition (6 pp.), Uniform Accounting (5 pp.), and Accounting Standards (13 pp.).

Part III consists of 15 appendices containing mainly the author's letters to the editors of professional journals, and exchanges of letters with H. W. Singer and H. Norris.

As indicated by the above list of chapter titles, Bray reflects on a number of topics, including the education of accountants and the accounting concepts of historical cost, realization, uniformity, and conservatism.

He briefly describes some of the changes that have taken place in commerce, industry, and in the environment that have caused changes in the services, duties, and responsibilities of accountants. Bray felt that more is being expected from the financial accounts than was formerly the case and it is therefore important that a sound theory base be established to support the techniques that are followed in practice.

Much of the book is devoted to discussions of the differences in the thinking of accountants and economists in relation to the concepts of income measurement, fixed asset valuation, depreciation, and changes in money value. Bray's explanations of the differences in the accountants' viewpoint and the economists' viewpoint are easily distinguishable and well-defined.

This is a most interesting book that provides insight into the development of accounting thought, and thus would constitute valuable reading for courses so designated at the graduate level.

Richard P. Brief, ed. *Dicksee's Contribution to Accounting Theory* (New York: Arno Press, 1980, irregular pagination, \$35.00).

Reviewed by
Walker Fesmire
University of Michigan at Flint

This book of readings consists of a selection (16 of 68) from the works of Dicksee. The editor's choice of articles covers Dicksee's accounting career; the earliest selection chosen was published in 1893 while the final selection was published shortly before his death in 1932. The subjects represent the topics of concern to accountants in England between 1892 and 1932, and read like a present-day list. This work establishes Dicksee as one of the leading accounting theorists during the first one-third of this century. Many of his thoughts and ideas were decades ahead of his time. He treated the auditor's responsibility for the discovery of fraud, the limitations of the auditor's opinion, and the effects of technological changes. At the end of his career, he prepared a series of articles that he called "Popular Fallacies". These addressed a number of philosophical issues concerning the general state of business and the related misconceptions that had developed about it.

The editor has prepared an Introduction which presents an excellent summarization of Dicksee's career. He classified Dicksee's contributions into three phases (not mutually exclusive) plus the Popular Fallacies group. In the first phase from 1892 to 1904, Dicksee treated the traditional subjects of auditing and financial accounting. During the second phase from 1905 to 1930, Dicksee had an interest in the area of information systems. The third phase he identified as overlapping part of phase two. From 1920 to 1930, Dicksee reconsidered some of the critical issues in financial accounting.

This reviewer felt as if he was listening to Dicksee in person as he read the various articles. His personality and thoughts came alive on the page. However, this reviewer was disappointed by physical organization of this work. All of the articles included were photocopies of originals. Many of the photocopies were of poor quality. Because of their quality, many were difficult to read. Several articles contained references to tables, charts, or graphs which were not included. The editor did not inform the reader as to why these items were omitted. This reviewer believes that the editor

should have stated that it was his decision to omit the table, etc., or that they were not part of the originals. In addition, the book contains no page numbering. Irregular page numbering appears but it is the page numbering of the originals. The editor, in a bibliography at the beginning of the book, lists all of Dicksee's publications in chronological order. For the articles selected, the editor does not cite the date, issue, or journal from which the article was taken nor does he cross-reference it to the bibliography. In addition, the Introduction contains many quotes from Dicksee's work with only vague reference to the specific works and the page(s) that the quote was taken from. Finally, this reviewer believes that the editor could have contributed significantly if he had added a brief introductory comment to each article explaining why he included it and how this article contributed to an understanding of Dicksee.

In summary, the editor made excellent selections which presented Dicksee well but the physical organization of the book was poor.

Leslie G. Campbell, *International Auditing: A Comparative Survey of Professional Requirements in Australia, Canada, France, West Germany, Japan, the Netherlands, the UK and the USA*. (New York: St. Martin's Press, 1985, pp. 249, \$30.00).

Reviewed by
O. Ronald Gray
University of West Florida

In recent years international accounting has received increased attention in the literature. The focus of this literature has been accounting, financial control, and reporting in firms with multinational operations. The auditing implications of international financial control and reporting have received much less attention than they deserve. Campbell's book represents a major step toward filling this void and is in this respect a noteworthy contribution to the international accounting and reporting literature. As the title suggests, the book presents a comparative analysis of auditing standards in eight major economic countries which serve as headquarters for many multinational corporations.

The book, which is written from the perspective of a United Kingdom national, is organized into four parts. Part I provides a general background and introduction to the importance of multi-

national auditing. In addition, there is the theoretical justification for the existence of auditing and auditing standards. Campbell's presentation in this area is traditional and draws on the relevant theoretical and empirical literature. The reviewer would characterize the material in this section as being conventional and predictable.

Part II outlines auditing standards in eight countries. Campbell's presentation is standardized. Each of the eight chapters contains a discussion of: (1) the auditing and accounting environment; (2) auditing standards — source, history, and authority; (3) auditing standards — scope and content; and (4) summary. Reviewing auditing standards in this manner is an ambitious undertaking. The result of Campbell's effort is a very creditable survey of auditing in eight countries. However, after having reviewed auditing standards in this manner, the reader would have benefited from the inclusion of a separate chapter which summarized, compared and contrasted the auditing standards in each country. Unfortunately, the author did not consolidate the material in this manner. From an accounting historian's viewpoint, the author's treatment of the evolution of auditing standards in each country studied is particularly interesting. While the author's primary focus is not on the historical evolution of auditing standards, the significant circumstances and events influencing the development of auditing standards in the countries studied are noted and discussed. While this historical presentation is somewhat limited, it is sufficient to allow the reader to develop historical parallels and highlight differences in the evolution of auditing standards in the countries studied.

Part III contains a discussion of several issues in international auditing. Much of the material in this section of the book appears to be oriented toward the practitioner involved in auditing international clients. There is a discussion of audit problems peculiar to multinational companies which arise from international differences in auditing and accounting environments. Among the problems noted are the predictable language and cultural barriers, differences in generally accepted accounting principles, perceptions as to the objectives of an audit, concepts of auditor independence, and varying auditor education and training qualification standards. Problems which arise when another firm of auditors is used to audit an overseas subsidiary are discussed and the possible solutions are reviewed. The theoretical and practical barriers to progress in harmonization of auditing and accounting standards are discussed in another chapter. This discussion of harmonization offers little but restatement of conventional wisdom. The international harmoni-

zation of auditing standards is seen as a necessary step towards improving the international allocation of resources via increased comparability of financial statements. The main objection to harmonization is considered to be the fundamental differences in the national environments which created the different auditing standards. One chapter deals with auditing non-financial information included in the financial statements of multinational companies. The final chapter describes the size and nature of the international auditing firms and analyzes their structures and strategies. In Part IV, Campbell concludes by noting several areas in which further research could be conducted in international auditing.

Campbell's book should serve several audiences well. It should prove useful as a supplemental reading source in an undergraduate international accounting course. Practitioners who are involved in international auditing should find the book useful in their practices. Investors who receive international company financial reports should find the discussion of comparative auditing standards useful in evaluating audit reports. For accounting historians, the book offers a survey of the evolution of auditing standards in eight countries.

Sir Hugh Cocke. *A Summary of the Principal Legal Decisions Affecting Auditors*. (London: Gee & Co., 4th ed., 1946. Reprint ed., New York: Arno Press, 1980, 109 pp., \$12.00).

Reviewed by
Raymond T. Holmes, Jr.
Virginia Commonwealth University

A collection of court cases citing the trials and transgressions of auditors might, at first brush, appear to be not the most stimulating reading in finance and accounting. However, this preconception is quickly overcome as the reader weighs the courtroom arguments and evaluates the parties involved in arriving at his own decision as to what constitutes a just conclusion to these cases.

This slender volume is filled with the essential elements of fifty-eight legal decisions affecting auditors and their work. The pertinent facts of the cases are written in a clear and concise manner with very little legal jargon.

The cases are presented in approximate chronological order, with an 1887 controversy being the earliest reported, and a 1940

appeal to the Supreme Court of Canada the latest. An unintended humorous sidelight may be drawn from Sir Hugh G. Cocke's preface to the fourth, and last, edition of his work. In his introductory remarks Sir Hugh observed: "Since the last edition of the book was issued in 1932, there have not been many cases of special interest to auditors, but several have been added to this volume . . ." It is safe to venture that there are many practicing accountants in England and the United States who wish that statement could have been made at any time during the last ten years.

A tabulation of the points at issue in the cases reveals that nearly one-half involve claims that the auditors had been negligent in their duties. The question of how well the work had been performed almost invariably raises issues as to the understanding between the parties regarding the scope of work which was contracted for. The second most prevalent matter of dispute involved the erosion of capital brought about by alleged illegal payment of dividends out of capital. Other cases address the questions of the role of the auditor, the nature of his work and whether the auditor may take a lien on client records which the auditor has compiled and recorded. Less frequent are issues regarding special reserves, writing-up assets, contingency fees, and special fees for special services. Of course it is most often true that several issues may be raised in a single case, with one issue recognized as the dominant concern.

In addition to the advantage derived by any profession from reviewing its history from several perspectives, the primary value of these cases is the insight they provide into the evolution of accounting standards and practices. Although the author presents the cases without any commentary, they point to a number of persistent problems which have faced the accounting profession. The decisions rendered, and attention given to avoiding these controversies in the future, have been a major influence in determining how the practice of accounting is presently conducted. The necessity for an engagement letter explicitly defining the contract between accountants and their clients is obvious from a review of the misunderstandings which have arisen over this point. The present day treatment of problems relative to independence of the accountant, full disclosure, contingency fees, and the requirement that dividends must be declared and are not automatic even though there appears to be sufficient income, all may be traced to decisions in these cases.

One remarkable feature of these cases is the respect and deference paid to accountants and the accounting profession. This

attitude seems to prevail from the earliest cases, and accountants are continually referred to as men of outstanding integrity and ability.

Hawawini, G. A. and Ashok, V., eds. *The History of Interest Approximations* (New York: Arno Press, irregular pagination, \$25.00).

Reviewed by
Charles E. Boynton IV
University of Wisconsin-Madison

This book is a collection of reprints of articles, many from actuarial journals, reflecting the historical development of approximation procedures for implicit unknown interest rates in annuity and bond problems. The book is prefaced by an extremely useful interpretive review of that history by the editors.

Today, inexpensive handheld calculators permit anyone capable of pushing a few buttons to approximate the implied unknown interest rate that equates an initial payment amount with one or more repayment amounts, for problems in economics, finance, and accounting. The solution to implicit unknown interest problems in these fields bear such names as the discount rate, the internal rate of return, the yield to maturity, and the effective interest rate.

Why should anyone in these fields be interested in the history of such approximation methods and in original readings in the development of such approximation methods when it is now possible to enjoy excellent approximations in blissful ignorance of the actual solution technique employed by one's black (plastic) box and its transistors or chips? The reason, of course, is that the process of conceptualization in one field may be both of interest in itself and of use to those engaged in similar conceptualization in another field. For example, in the final selection of the book, the editors point out that in a capital budgeting context, the exact yield to a premium or discount bond problem is the internal rate of return, the conventional approximate yield is similar to the accounting rate of return on average investment, and the current yield is the reciprocal of the payback period of the investment proposal.

The history of interest approximations has involved issues dealing with the concept of return to capital and issues dealing with approximation accuracy. The Sutton (1875) selection is interesting both for its humorous comments on the floating of risky foreign

bonds and for its discussion of mean investment period in an analysis of sinking funds. The Hardy (1921) selection, itself a reprint of a 1890 paper, comments on what would now be called risk free return and risk premium in analyzing the income of an insurance company. History also involves people; The DeMorgan (1859) selection discusses the seventeenth century developers John Newton and Michael Dary.

The historical review provided by the editors identifies the principal approaches to the implicit interest problem as applied to annuities and bonds, the advantages and disadvantages of the approaches, and the principal authors involved in the development of (or attack upon) a given approach. A non-actuary will wish to start with that review. Notation is always a problem in dealing with a mathematical history, and appended to their historical review, the editors have rearranged the various formulas of the authors into standard forms that permit the different issues emphasized by the authors to be more readily identified. In the case of band approximations, the standard form involved recognition of an implied functional relationship, namely, the fractional amount of a discount to subtract from face to estimate average principal. Recognition of the functional relationship reduces the approach of different authors effectively to different estimates of the function. The mathematical behavior of the function is then analyzed to provide insight into the conditions under which given approaches lead to better or worse approximations.

The authors included in the anthology are Bizley (1962), Cantelli (1907), Craig (1929), DeMorgan (1859), Evans (1944-46), Hardy (1882), Hardy (1921), Hawawini and Vora (1980), Henderson (1907-08), the editors of the Journal of the Institute of Actuaries (1924), Karpin (1967), "M" (1855), McLauchlan (1874), Newling (1903), Spencer (1904), Steffensen (1916), Sutton (1875), Todhunter (1897), Webb (1930), and Worger (1967).

The editors have chosen not to add new page numbers to the reprints, which will make the book more difficult to use and cite. There is an error in the table of contents: the seventh selection, Hardy (1882), is not listed. This would have been more easily noticed if new page numbers had been added.

McCraw, Thomas K. *Prophets of Regulation* (Cambridge: Belknap Press of Harvard Univ. Press, 1984, 387 pp., \$20.00).

Reviewed by
Robert Bricker
Case Western University

Essential in the study of business regulation are questions of both origin and form. In his book *The Prophets Of Regulation*, McCraw hopscotches through the development of business regulation in the United States, skimming over the first question, his thesis being that individual personalities are the most potent forces in the establishment of regulatory form. Specifically, McCraw traces the lives of four men prominent in the regulatory arena; Charles Francis Adams, Louis Brandeis, James Landis, and Alfred Kahn.

McCraw's choice of the four is interesting. None, save Kahn, is regarded as a theoretician. Instead, McCraw chose men whose publications were able to influence implementation of their view of business regulation. Charles Francis Adams, the grandson of President John Quincy Adams, gained his reputation as a commissioner of the Massachusetts Board of Railroad Commissioners and pioneered the "sunshine" form of regulation, while encouraging industry self-regulation. Brandeis, a brilliant attorney and later a Supreme Court Justice, engaged in a lifelong battle against big business, and his influence was important in the development of the Federal Trade Commission. Landis, another lawyer, who principally drafted the 1933 and 1934 securities acts worked under Felix Frankfurter as a member of Roosevelt's "Happy Hotdogs". Subsequently, his presence as a commissioner of the SEC was important in establishing its early focus. Finally, Alfred Kahn provided the "economist's hour", beginning with numerous thoughtful publications on regulatory theory, then as a New York utility commissioner, and more recently as the deregulator of the commercial airline industry.

McCraw presents his subjects chronologically and devotes a chapter to each. Each chapter includes a broad biographical sketch and selected detailed biographical information. McCraw takes pains to tie these details into the subject's regulatory thought and action. The scene for each of these vignettes is set with a brief intervening chapter. McCraw concludes the book with unifying thoughts in "Regulation Reconsidered."

Of particular interest is the entire chapter on James Landis and the development of securities regulations. More narrowly, a dis-

cussion of pre-SEC financial reporting is touched on [165-168], in which McCraw innocently mistitles the 1917 publication *Uniform Accounts* as *Uniform Accounting*, but which is otherwise interesting. In addition, a brief section covers the enlistment of the accounting profession to the regulatory banner [188-192]. A page and a half of notes to this material [349-351] yields additional discussions on the cooperation between the SEC and the profession (Carey's *Accounting Historians Journal* article "Early Encounters Between CPAs and the SEC" is referenced), the effect of McKesson and Robbins on auditing standards and oversight.

The style is entertaining. The work is well referenced. Although some profound influences on business regulation are omitted, McCraw succeeds in demonstrating the power of the individual on regulatory form. At a time during which regulation is of great concern to the profession, McCraw's book conveys some interesting insights into regulatory theory and formulation.

D. R. Myddleton, *On A Cloth Untrue: Inflation Accounting — The Forward Way* (Dover, N.H.: Faulkner Publishers Ltd., 1984, 133 pp. \$25.00).

Reviewed by
B. A. Coda
North Texas State University

The author's main objective is to convince the reader that financial reports should be prepared employing units of constant purchasing power (CPP). He prefers base period units over current units, to avoid the need for rollover adjustments. He ends the book with a chapter that presents a proposed CPP Statement of Standard Accounting Practice for Great Britain.

The author clearly explains that the impact of inflation on money as a unit of account is independent from questions about the adequacy of historical cost that are raised when prices change. He believes CPP accounting is relevant, reliable and simple, and that it is impossible to present a "true and fair view" without it.

On the other hand, the author sees no merit in the commonly recommended variants of current value accounting (CVA). Most of the mischief in CVA comes about because, as he puts it, "The contrast is between *actual* historical cost and hypothetical current

value." (p. 85) He believes variants of CVA such as current cost or replacement cost are complex, irrelevant and unreliable.

U.S. readers get a couple of bonuses in this book. One is the opportunity to compare the U.S. experience with financial reporting problems caused by inflation and changing prices with the British experience. The author covers the official developments in Great Britain's efforts to deal with inflation and changing prices from 1952 into the 1980's. The second bonus is the opportunity to observe criticism delivered with more smack than is common in the writing of U.S. accountants. The author turns an especially rough tongue on the well known Sandilands Committee. He is upset by the committee's accounting ignorance and political motivation.

The author is obviously sophisticated and knows that financial accounting and reporting influence both wealth distribution and performance evaluation. For this reason one wonders at the author's apparent surprise that political motivation played a part in the work of the Sandilands Committee.

The author believes that CPP accounting is based on the proprietary concept of accounting and current cost accounting is based on the entity concept. In this he is mistaken because the choices are independent. For example, a preference for the entity approach does not preclude a preference for a stable unit of account, CPP. Preference for the entity approach merely influences the disposition of purchasing power gains and losses, which include what the British call the gearing adjustment.

Overall, the book is a very good piece of work. The author presents a capably argued point of view on subjects in which accountants have shown an intense interest for more than half-a-century.

Beresford Worthington. *Professional Accountants* (London: Gee & Company Publishers, 1895. Reprint edition. New York: Arno Press, 1978, 127 pp., \$12.00).

Reviewed by
Katherine S. Moffeit
Wichita State University

This book, originally published in 1895, provides an enlightening view of the development of the accounting and auditing professions in England from the earliest writings to 1893. The author discusses the effect of such landmark events on the accounting profession

as the "South Sea Bubble" (1720), the Bank Act of 1844, the Railways Companies Clauses Consolidation Act of 1845, the Companies Act of 1862 and the Bankruptcy Act of 1869, and provides a historical perspective by a person living during the time of many of these events. The author says, "It will be seen that the commercial crises of the present century, which is deemed necessary to refer to hereafter in some detail as being explanatory of cause and effect, have largely augmented the business of professional Accountants." (p. 13)

Worthington provides detailed information on the events leading up to the "South Sea Bubble" and subsequent to it. According to him, an investigation and report by an accountant of the records of Sawbridge and Company (Sawbridge was one of the directors of the South Sea Company) was perhaps the first existing record of an accountant being employed in an investigative capacity. The report by Charles Snell on his investigation, undated but probably prepared in late 1720 or early 1721, is discussed in detail and presented as Appendix I in the book.

The sketch of the development of the accounting profession is interjected with humorous quotes, anecdotes, and comments by the author. Included with information describing the Companies Act of 1867 (which provided for a "Liquidator" position usually filled by accountants) the author relates,

It will not perhaps be considered invidious to remark that possibly Accountants, like other industrious people who are paid by time, are not so anxious as other sections of the public to be restricted to the eight hours system, for it is recorded, but the accuracy is not here vouched for, that a Liquidator, on one occasion, managed to get 148 hours out of a single week, which, not including Sunday, works out as the rate of $24\frac{2}{3}$ hours to the 24. If true, a paralysing feat of Accountancy! (p. 53)

The excerpts from early works by authors describing themselves as "Accountants" or "Accomptants" such as Richard Dafforne (1660), Richard Hayes (1793), and John London (1758) are sometimes amusing, and always interesting. The author's descriptions of the early days of accountancy, although sketchy, contribute enough information to provide the reader with a special insight of the many developments which led to the profession's growth in England.

Worthington traces the auditing profession from biblical days to

his day, giving the effects of recent legislation on the growth of the profession. For example, the Railway Companies Clauses Consolidation Act of 1845, the Metropolitan Water Act of 1871, and other legislation all provided for auditors to be appointed. He also relates the circumstances of a then recent (probably 1893) legal judgment brought against auditors of the London and General Bank, thus demonstrating that auditors' legal liability problems have existed for some time.

The author presents a very detailed account of the formation of The Institute of Chartered Accountants in 1880, as well as stating the rules of the Institute contained in its Charter. It appears a new concern faced the Institute of Chartered Accountants in its early days. As related by the author:

The ranks of the profession have lately been invaded by that irrepresible development of cheap education — the New Woman; and a memorial has been presented to the Institute. from the Society for Promoting the Employment of Women, asking for admission. This is not surprising in an age which encourages female doctors and lawyers, and agitates for female suffrage; (p. 92)

The fascinating aspect of this book is that, although written ninety years ago, some of the author's comments could be made today. For example, the author states, “. . . Accountants should deal with figures as facts simply. It would be well to act strictly in accordance with this principle, gratuitously suggested here, in remembrance of threatened legislation to provide a Government Department to audit the accounts of public companies.” (p. 67) Many aspects of this book seem to call for additional research, whether to satisfy curiosity or to gain more information.

CAPSULE COMMENTS:

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Edwards, J. R., ed. *British Company Legislation and Company Accounts, 1844-1974*, 2 vols. (New York: Arno Press, 1980, 242 pp., \$60.00).

Professor Edwards has done an excellent job in providing a useful working tool for accounting historians. His objective is to give

historical researchers the means of identifying the origins of current regulatory provisions of the Companies Act of 1948, as amended by the 1967 and 1976 Acts. The first volume of this set is divided into three parts — (1) tables with respect to accounting and auditing regulation (2) the accounting and auditing requirements of the companies acts, 1844-1976 and (3) comparable data related to railroads. Readers should find Table V, which traces comparable regulatory provisions related to annual returns and accounting and auditing to each of the relevant companies acts, especially useful.

Volume II contains reproductions of accounting and auditing provisions in selected companies acts or amendments to companies acts (1844, 1895, 1906, 1918, 1926, 1945, 1962) and excerpts from evidence given before the various legislative committees. The editor has attempted to provide a representative sample of this testimony, but, warns that the selection is by no means comprehensive. However, for accounting historians, who do not have access to legislative records, these two volumes should be extremely useful, especially for comparative studies of how regulatory standards have evolved in different countries.

The Institute of Chartered Accountants in England and Wales Library Catalogue, 1913. 2 vols. (New York: Arno Press, 1980, paginated by volume, \$80.00).

The Institute of Chartered Accountants in England and Wales Library Catalogue, 1937. (New York: Arno Press, 1980, paginated by volume, \$45.00).

Anyone interested in the development of accounting during the last half of the nineteenth century will find the 1913 catalog invaluable. The catalog lists all items by both topic and author and includes a wide range of books, pamphlets, lectures and articles in the Institute library. For those interested in bookkeeping, the catalog is an especially rich source. Bookkeeping pamphlets and texts are arranged in chronological order, by language. The English language section is comprehensive; it begins with a pamphlet by John Mellis and the next 35 pages are devoted to texts published between 1588-1912.

The two volumes of the 1937 Catalogue are reprinted in one volume in the Arno series. Readers will find that Volume I of this

catalog is less comprehensive, although updated, than the earlier work; but, Volume II "The Bibliography of Bookkeeping" is far more extensive, reflecting the Institute's acquisition of banker Karel Petr Kheil's 1,634 volume bookkeeping collection in December 1913. The first volume, arranged by both subjects and authors, includes references to selected books and pamphlets, but, unlike the earlier catalog it excludes articles and lectures. Limited selection provides some information about the perceived quality of books since the librarian attempted to include the "best" books, regardless of age, on all subjects. The second volume contains a wealth of material for the accounting historian interested in bookkeeping. It starts with a 12 page listing of secondary sources, i.e., bookkeeping histories and bibliographies; the subsequent 201 pages contain a chronological listing of bookkeeping texts and pamphlets, starting with Pacioli's 1494 text and continuing through 1937. There is a brief summary of each book and, for books, written prior to 1800, there is a bibliographic collation of various editions and translations. The *Catalogues* provide an excellent source for those interested in the history of bookkeeping.

Papers and Proceedings of the American Association of University Instructors in Accounting. 3 vols. (New York: Arno Press, 1980, irregular pagination, \$99.00).

The three volumes contain the proceedings of the annual meetings of the American Association of University Professors from 1916 to 1925. The contents include papers presented, committee reports, minutes of business meetings, as well as occasional membership rosters. Volume I [1916-1920] and Volume II [1921-1922] will be extremely useful to anyone examining the evolution of accounting education. The majority of the papers and committee reports deal with accounting instruction, i.e., curriculum standardization and correlation with other disciplines. Those interested in the history of taxation also will find some interesting material in these two volumes.

Volume III [1923-1925] reflects a broadening of the objectives of the association. While a significant percentage of the papers continue to deal with education, this volume contains a broader range of topics and indicates the concern of the association's members with both development of accounting theory and practice. The three volumes should be in every university library; they add to our under-

standing of the “roots” of the academic accounting profession in the United States. They also may raise some interesting questions as to how far we have come.