

# Accounting Historians Notebook

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Volume 13  
Number 1 *Spring 1990*

Article 7

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Spring 1990

## Suggestion for the accounting classroom

Academy of Accounting Historians. Education Committee

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### Recommended Citation

Education Committee, Academy of Accounting Historians. (1990) "Suggestion for the accounting classroom," *Accounting Historians Notebook*: Vol. 13 : No. 1 , Article 7.

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Education Committee: Suggestion for the accounting classroom

# HISTORY PAPERS TO BE PRESENTED AT THE ANNUAL AAA MEETING

Gary Previts reports that several accounting history research papers are scheduled for presentation at the annual meeting of the American Accounting Association in Toronto on August 8-11, 1990. These papers are listed below for the purposes of informing you of the many and varied works in accounting history and to encourage you to attend the sessions and to support the continuing research efforts in accounting history.

"An Historical Record of the Financial Accounting Treatment of Research and Development Costs," Paul Nix (Montana State University) and David Nix (Boise State University).

"The Development of the 'Big Eight' Accounting Firms in the United States, 1900 to 1990," Charles Wootton (Eastern Illinois University) and Carel Wolk (University of Missouri).

"Evolution of Operational Auditing: A Comparative Study of Its Development

in Private and Public Sectors," Parveen Gupta (Lehigh University).

"The Development of Double Entry Bookkeeping: An Alternative Hypothesis," Marc Epstein (Yeshiva University).

"The Dynamic Theory and Replacement Cost Accounting: Fritz Schmidt's Reply to Schmalenbach," Finley Graves (University of Mississippi).

"The A.G.M. as a Source of Accounting Information," M.J.M. Kedslic (University of Hull).

"Management By the Numbers," Richard Macve (The University College of Wales), Mahmoud Ezzamel (The University College of Wales), and Keith Hoskin (Warwick Business School).

"Accounting for Labor in the Early 19th Century: The U.S. Arms Making Experience," Thomas Tyson (Clarkson University).

## SUGGESTIONS FOR THE ACCOUNTING CLASSROOM

The charter of the 1990 Education Committee is to get history into the accounting classroom. To do that, we need YOUR help!

Our thoughts run as follows. Few professors have the luxury of spending a semester, or even an entire session, teaching history. On the other hand, most of us would not be averse to lightening our classrooms and enlightening our students with historical anecdotes. The

problem is that many of us lack the anecdotes themselves—and the teaching materials on which to hang these stories.

We suggest, therefore, that the Academy undertake this year to create a series of "one-pagers" for use in regular classrooms. We have begun negotiations with one of our publishers to put these into book form. The book will be in an 8½ by 11 format and be on tear out sheets. Our hope is that these will be distributed

to accounting faculty generally. If this is the success that we think it could be, the final result would be an ongoing project for the Academy and a means of getting historical materials into the hands of faculty across the world.

Needless to say, before publication, all materials will have to pass the scrutiny of the President of the Academy and her designates.

An example might help explain the concept which grew out of a series of wonderful ideas generated by the committee. Consider the strange and obscure rules that govern the computation of earnings per share in the United States. One might tell the story of Jim Ling's wondrous money machine. Members of the Academy will recall that by poolings and convertibles he was able to make his company's EPS grow (almost) endlessly. Then, through the magic of the PE ratio, he appeared to draw market value like a rabbit from a hat. None of this should have happened, in theory, but the joy of history is that it did. When this story is told with a few numbers to illustrate the point, the terms dilutive and anti-dilutive, primary and fully diluted are, we believe, permanently embedded in students' memories.

Our plan is that we should write up stories like this on a page in enough detail for other faculty to share in class. In this illustration, it could include a small worked example of the tricks being played that would form the basis for an overhead transparency. The example and the background material could be printed back to back to facilitate tearing out of the book. The anecdote might bear the submitter's name; the transparency might carry the publisher's name — in small print!

Another example might be the origin of words. In teaching pensions, for instance, one can have a glorious time introducing students to its connections to

pendants. And why it was that peace was bought by handing over salt — and so why it is that we “pay” people “salaries” on “engagements” and “pensions” on retirement.

Recently the American TV series Nova had a program called “The Glory That Was China.” It told the story of the Sung dynasty and how the clocks, compasses, gunpowder, and printing techniques developed at that time made their way to Europe. It was these inventions that spurred the Renaissance that led to the origin of modern accounting, making this series wonderfully relevant to accounting.

If one is to discuss this video, one badly needs a map of China and of the silk route that could be put on an overhead transparency. How nice it would be at that point to read an extract from Coleridge's Kublai Khan or, even better, a small extract from Marco Polo's diary. Could someone provide these for use in class? Perhaps, a note could be provided on the ironic connection between Coleridge's drug induced fantasies and the dreadful opium wars that the West visited upon China. Has anyone pondered on how Japan today is almost as independent of the West as China was then? How swiftly a discussion of drugs today can move to drugs yesterday and so to the very origins of accounting!

We need your help to build our book. The possibilities are endless as the three illustrations reveal. They can relate to any area of accounting including auditing, systems, advanced, cost, financial, or theory.

There is no need to stick to a page, but we do think we need to stick to what someone can reasonably add to a single session. There is no need to prepare a transparency mockup, but our guess is that that will make it more likely to be used. If you do prepare a mockup, it need not be camera ready because we can use

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but is not limited to, the use of multiple-choice questions, and (3) shorten the exam to two days, rather than the current two and a half days. These proposed changes were intended to achieve more extensive and consistent content and grading which would increase the reliability and validity of the exam.

Protests to the proposed changes were mostly centered on the elimination of the essay questions. Some critics noted that the Board of Examiners' practice analysis study, which was concluded in 1983, identified writing, oral, and interpersonal skills as the three most important skills in the practice of accounting. However, the Board of Examiners decided that these three skills, along with research skills, were not to be included in the scope of the CPA Examination's content.

Writing skills were not included in the scope of the exam because "they are general skills not unique to the practice of public accountancy.... Generally, educational training is relied on to ensure minimum competency for these skills..." (Exposure Draft, p. 4). Critics of this position have pointed out that colleges and universities are not providing acceptable educational training in writing skills. Furthermore, discontinuing the use of essay questions would send the wrong message to CPA candidates. After much debate and discussion with the State Boards of Accountancy, the Board of Examiners agreed to retain essay questions and to grade the essays for writing skills.

A committee has been established by the American Institute of Certified Public Accountants to study issues related to the testing of communication skills of CPA candidates. The Board of Examiners has also begun another practice analysis study, with an expected completion date of July, 1990, to consider the cognitive skills level at which the CPA exam should be

set based on actual accounting practice. In addition, a "white paper," entitled "Perspectives on Education: Capabilities for Success in the Accounting Profession," issued in April, 1989, by the chief executive officers of the then eight largest public accounting firms, has led to the formation of the Accounting Education Change Commission.

The efforts to improve the quality of accounting education and the testing of CPA candidates will hopefully encourage academics to break the shackles of "teaching to the test" and to encourage the Board of Examiners and the State Boards of Accountancy to be more innovative in efforts to improve the CPA exam. Regardless, efforts will probably continue to improve the quality and proficiency of accounting graduates.



*Suggestions: continued from page 7*

the publisher's staff to do that for us. We do believe that we need to ensure from the start that it is professional, meaning *inter alia* that our anecdotes should be properly referenced.

Your thoughts, for and against, one-page ideas, maps, poems, pictures, and illustrations should be sent to one of the committee members, any one of the officers of the Academy, or to the Chairman of the Educational Committee: Michael F. van Breda, School of Business, Southern Methodist University, Dallas, TX 75275-0333.