

Accounting Historians Notebook

Volume 13
Number 1 *Spring 1990*

Article 29

Spring 1990

Natural business year: A review of accounting literature from 1915 through 1988 shows a shift of proactive to reactive behavior by accountants

Richard G.J. Vangermeersch

Mark Higgins

Follow this and additional works at: https://egrove.olemiss.edu/aah_notebook



Part of the [Accounting Commons](#), and the [Taxation Commons](#)

Recommended Citation

Vangermeersch, Richard G.J. and Higgins, Mark (1990) "Natural business year: A review of accounting literature from 1915 through 1988 shows a shift of proactive to reactive behavior by accountants," *Accounting Historians Notebook*: Vol. 13 : No. 1 , Article 29.

Available at: https://egrove.olemiss.edu/aah_notebook/vol13/iss1/29

This Article is brought to you for free and open access by the Archival Digital Accounting Collection at eGrove. It has been accepted for inclusion in Accounting Historians Notebook by an authorized editor of eGrove. For more information, please contact egrove@olemiss.edu.

THE NATURAL BUSINESS YEAR: A REVIEW OF ACCOUNTING LITERATURE FROM 1915 THROUGH 1988 SHOWS A SHIFT OF PROACTIVE TO REACTIVE BEHAVIOR BY ACCOUNTANTS

by
Richard Vangermeersch
The University of Rhode Island

Mark Higgins
The University of Rhode Island

The Tax Reform Act of 1986 brought back the topic of the Natural Business Year in a shocking manner to accountants. The hard work of over seventy years was lost, as individuals and partnerships effectively lost the Natural Business Year alternative. This paper traces the proactive accounting development of the Natural Business Year concept to the reactive mode of the last three decades.

Fifty articles on the Natural Business Year were chosen for review from the literature from 1915 through 1988. The beginning of this literature was impressive, both in the quality and quantity aspects. Robert H. Montgomery chaired the Special Committee on Distribution of Work of the American Association of Public Accountants [AAPA, 1915]. Elijah Watt Sells published perhaps the major piece of literature on the Natural Business Year concept in 1926. A.C. Littleton's effort with the Bureau of Business Research of the University of Illinois in 1926 is a close second. The late 1920's and the 1930's marked the start of a very aggressive campaign by the A.I.A. to increase business adoption of the Natural Business Year concept.

Montgomery rejoined the fray in 1936. However, it was the Natural Business Year Council that provided the strongest focal



RICHARD VANGERMEERSCH

point for this quest. While the membership was inclusive of the financial community, the chief impetus was the American Institute of Accountants. Much success was achieved in the late 1930's and early 1940's.

There was a noticeable switch in the accounting literature from financial accounting to tax accounting starting in the 1940's. There were only two academic-type articles of a financial accounting nature reviewed in this later period. Chatfield in 1964 published an article which should become the basis for a more scholarly relook at the topic. Fogg and

Ovadia's 1982 effort is a start of that relooking. The tax accounting literature tended to be fragmented and very tax avoidance oriented.

The cataclysmic Tax Reform Act of 1986 brought the Natural Business Year concept back to more than seventy years ago for individuals and partnerships. While the Tax Reform Act of 1987 contained minor modifications, the Natural Business Year concept is in a severely weakened position. Was the Tax Reform act of 1986, at least in the instance of the Natural Business Year, a child of neglect by the AICPA? Was the Natural Business Year change caused by tax avoidance advocacy in the accounting literature? Should accountants become proactive again on this topic?

In conclusion, the writers had an overwhelming feeling of sadness at the end of the research process. There was a failure to maintain a truly marvelous literature. There was an almost complete absence of "theoretical" articles in the Natural Business Year literature of the last 50 years. There was a relatively complete switch from a proactive to a reactive stance taken by the AICPA, by accountants, and by accounting academics. The writers realize that there is much research to be done on the Natural Business Year Council and on the AICPA's Natural Business Year Committee. If these two institutions are needed to get us back to where we were, they need to be studied in great detail.

PICTURES AND PUBLIC RELATIONS IN CORPORATE ANNUAL REPORTS

by

Dale L. Flesher

University of Mississippi

Robert Jordan

University of Mississippi

A corporate annual report has a wider purpose than the mere communication of financial information. The report is a public relations tool to "sell" the firm to interested readers. The firm's story is told using the traditional methods—financial statements, notes, management letter, and auditor's report. But sooner or later, the firm adopts the use of pictures and narrative captions to aid in the telling of its story. This study examined the first use of photos by 14 large corporations. The average year of first usage was 1947. In most cases, companies evolved slowly in-

to the use of pictures, but a few companies jumped into the activity with a vengeance.

The magazine, *Financial World*, played an important role in this transition. *Financial World* did not specifically call for using pictures in annual reports, but its annual survey and awards brought an awareness to the business community of the public relations potential for annual reports. Since most companies whose reports won awards had photos, it was quickly recognized that pictures are an important public relations tool in the promotion of a company's image.