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THE 1947 FRENCH ACCOUNTING PLAN: ORIGINS AND INFLUENCES ON SUBSEQUENT PRACTICE

Abstract: The first official French Accounting Plan, adopted in 1947, had a marked influence in several countries. Its impact can still be felt today and many of its features have been retained in the 1982 French Accounting Plan. The article highlights the economic, political and accounting influences on the development of the 1947 Plan. The main characteristics of the Plan are also described. After presenting an overview of the events that marked the evolution of French accounting subsequent to the adoption of the 1947 Plan, the paper concludes with a comparison of the 1947 Plan with the latest French Plan (1982).

The 1947 French Accounting Plan, later revised in 1957, had a marked influence in several European, Asian and African countries (Greece, Turkey, Tunisia, for example). Its impact is pervasive today through the model financial statements of the European Fourth Directive adopted in 1978. What were the forces that led to the development of the 1947 Accounting Plan? What were the sources on which its development was based? What were the strong elements of the Plan that gave it its usefulness and led to its widespread adoption? These are important and basic questions that need to be answered to understand more fully the present state of accounting in the many parts of the world that have been influenced by French standardized accounting, and to understand why it had so much influence.

After considering the methodology used in the study, the paper will address, in turn, the aforementioned research questions. An overview of the events that marked the French Accounting Plan's history subsequent to the adoption of its first official version of 1947 will follow. The paper then proceeds to highlight the pervasive features of the 1947 Accounting Plan that have been retained in the latest revised version of the Plan, that of 1982. The conclusion recapitulates the landmarks of French accounting history since 1940.

RESEARCH METHODOLOGY

The research approach used in this study involved library research to obtain the following type of data: evidence on social, cultural, political, and economic factors in the relevant time periods; pertinent laws and decrees affecting accounting; rulings and decisions from accounting normalization bodies. Primary and secondary types of evidence were reviewed, including contemporary records and reports, government documents and compilations, and expressions of opinions, such as books.

Essentially, the necessary literature was obtained at the library of the *Conseil National de la Comptabilité* and the library of the *Ordre des Experts Comptables et des Comptables Agréés.*

The research process was one of abstraction and analysis of the factors which influenced the development of French accounting thought. The analysis included such steps as the determination of actual events that have happened and their sequence, and an identification of interrelationships among those events together with inferences about possible explanations.

FORCES THAT LED TO THE DEVELOPMENT OF THE 1947 ACCOUNTING PLAN

On August 31, 1944, after the liberation of Paris by the Allies, De Gaulle's interim government moved from London to the French capital. The war had left a devastated country with diminished productivity in both the agricultural and industrial sectors. Faced with an enormous task of reconstruction, De Gaulle's government initiated a number of economic and social measures: companies in key sectors of the economy were nationalized; a five-year economic plan for modernization and equipment was launched; revaluation of assets was permitted; and social security was extended. Nationalizations and economic planning were the driving forces that spurred the development of the 1947 Accounting Plan.

Nationalizations

In the post-war period, the general sentiment shared by the resistance organizations, the three major political parties (the Communists, PC; the Socialists, SFIO; and the Christian Socialists, MRP), and the leading trade unions was that nationalization of key sectors of the economy would allow for a structured reform of the economy and lead to a new social democratic order. Three motives were behind the nationalization movement: distrust of private companies, the urgent need for economic reconstruction, and the desire for improved labor conditions [Baum, 1958, pp. 175-177].

In the immediate post-war period, the first companies to be nationalized were the coal mines of the North and Calais regions, which badly needed structural reforms to play their role in the recovery of French industry. The next companies nationalized were, among others, the Renault manufacturing plants, the Gnôme and Rhône motor company and Air France. After the November 1945 election, the first Constituent Assembly continued the nationalization program with the Bank of France and the four largest credit institutions; gas and electrical utilities; and thirty-four major insurance companies.

After May 1946, there was a virtual halt in the nationalization movement. The constitution of the Fourth Republic, adopted in October 1946, recognized and retroactively defined nationalization in the following terms:

> "any good or any company whose operations have or acquire the characteristics of a national public service, or of a de facto monopoly, must become the property of the collectivity" [Chenot, 1977, p. 22].

There is no doubt that the nationalization of so many companies in such a short time was a determining factor in the creation in April 1946 of a committee to study accounting normalization *(Commission de Normalisation des Comptabilités)*. The government needed to put some order into the disparate accounting of nationalized enterprises if it was to manage and control them adequately. What could be a better way to meet this objective than a uniform accounting plan? The fact that nationalized companies and the companies in which the state had an interest were the first to have the plan applied to them underlines the key role played by nationalization in the standardization of French accounting.

In time, the government's objective was to extend the application of the plan to private industry so that everyone could benefit from the enhanced comparability of accounting information.

Economic Planning: The Modernization and Equipment Plan

War destruction and appropriations by the occupying forces had left France in poor economic condition. In 1945, agricultural and industrial production levels were respectively at two-thirds and one-half of their pre-war levels.

In the early post-war period, Jean Monnet, who had been a wartime member of the first French committee for national liberation, convinced De Gaulle of the necessity for an organized and planned development of the economy. Monnet believed that the strength of a country rested on its productive capacity. In this area, France lagged behind other industrialized countries due to the lack of innovative spirit which, in the past, had brought insufficient investment in productive and modernized equipment.

To restore and improve upon France's pre-war productivity, the country's productive structure needed to be rebuilt and modernized; this was the objective of Monnet's five-year economic plan. Emphasis was put on the key sectors of the economy: coal, electricity, cement, steel, transportation and agricultural equipment, some of which the government already controlled through nationalization.

The plan was prepared from scarce data; no set of national accounts was available. However, economic planning spurred the development of national accounting by drawing attention to its importance both in the elaboration of the plan and in the assessment of its realization, concurrently demonstrating a need for more sophisticated and more plentiful statistics. It was probably to meet this need that the National Institute of Statistics *(l'Institut National de la Statistique et des Etudes Economiques, INSEE)* was created in April 1946. It was also to meet the need for comparable and reliable data for statistical and national accounting purposes that the 1946 Committee for the Normalization of Accounting *(Commission de Normalisation des Comptabilités)* was created. In fact, the committee had a section whose mandate was to study the normalization of accounts for national accounting purposes.

THE SOURCES OF THE 1947 ACCOUNTING PLAN

Two major sources inspired the characteristics and structure of the 1947 Accounting Plan, namely the 1942 Accounting Plan and the Plan of the National Committee of the French Organization *(Comité National de l'Organisation Française, CNOF)* [Brunet, 1951, p. 168]. The influence came through individuals who had worked on the respective committees that developed these two plans, and who were later appointed to the 1946 Committee for the Normalization of Accounting. What were these plans, why were they elaborated and what were their respective contributions to the 1947 Accounting Plan? The following paragraphs seek to answer to these key questions.

The 1942 Accounting Plan

Developed during World War II, the 1942 Accounting Plan was the product of an Accounting Plan Committee *(Commission Interministérielle du Plan Comptable)* instituted by an April 1941 Decree. The plan's objectives were stated as follows by Detoeuf [1941, pp. 9-12], vice-president of the committee:

1. To allow the determination of assets, capital, profits and product costs at both the company and the industry level;
2. To make it possible to calculate industry-wide average costs for certain product types for government price control purposes;
3. To decrease the possibilities of deceiving tax authorities by increasing the clarity of accounts;
4. To help the government to avoid making mistakes in its tax and economic policies by normalizing accounting for each industry.

As can be seen from these objectives, the motivation behind the 1942 Plan was government control of firms and prices. This comes as no surprise since the plan was drawn up during the war, at a time when *dirigisme,* or the planned economy, was very strong. Although accounting normalization was considered useful for company management, this objective was not among the driving forces that led to the development of the 1942 Accounting Plan.

Contents of the Plan. To meet its expressed objectives, the 1942 Plan contained a chart of accounts, terminology, valuation rules, financial statement models — a balance sheet, a trading account and a profit and loss account — as well as a method for computing product costs [Brunet, 1951, p. 250].

The headings of the ten categories of the chart of accounts are the following [Fourastié, 1943, pp. 171-179]:

0. Capital and investments
1. Financial accounts
2. Regularizations and encumbrance accounts
3. Inventory and purchase accounts
4. Expenditures classified by type
5. Allocation accounts
6. Charges by sections
7. Product costs

8. Sales and other revenues
9. Profit and loss accounts and results of operations

In fact, there were two charts of accounts: a complete one with ten classes for companies which used cost accounting, and a simplified one without the cost accounting classes (numbers 5, 6 and 7) for others. Due to the integration of cost accounting into the accounting chart, there had to be two formats for the trading account and two for the profit and loss account: one set of statements classifying expenses by destination (functions) for companies using the cost accounting classes, and another classifying expenses by nature for companies which did not use these classes.

The 1942 French Plan was developed on the basis of a document prepared by Chezleprêtre, a Vichy government senior civil servant within the *Ministère de l'Économie Nationale et des Finances,* who had been trained as a statistician [Standish, 1990, p. 346]. Chezleprêtre had probably drawn up his Plan using the 1937 Goering Plan as a starting point since it had the only official chart of accounts in use at the time. In fact, there are similarities between the German and the 1942 French charts.

In both the German and French charts, cost accounting was integrated with financial accounting. This arrangement of accounts reflected Schmalenbach's conception, in which the chart of accounts follows the cycle of manufacturing activity: first, capital is raised and invested in fixed and current assets; then, materials are purchased and processed to create products that are sold; and lastly, all accounting elements are assembled in class 9 for the periodic closing of the books.

However, even if the German and the 1942 French charts of accounts were similar, the French influence had impact in two areas of the 1942 Plan: product costing and the standard balance sheet. The resulting characteristics were later retained in the 1947 Plan.

First the latest innovations in French cost accounting were embodied in the 1942 Plan. The homogeneous sections method, developed and defined by Lieutenant-Colonel Rimailho in a 1928 pamphlet under the aegis of the *Commission Générale d'Organisation Scientifique du Travail* (C.E.G.O.S.), was to be used in computing product costs. This method was concerned with the allocation of indirect charges to product costs. These charges were to be accumulated in various accounting units or sections (such as a division of the enterprise or a specific activity like distribution). Then, section costs were charged to product costs using a chosen work unit *(unité d'oeuvre)* as basis of allocation (such as kilometers or direct labor hours). This method allowed cost prices to be determined at each successive stage of the production process. The addition of the charges incurred at one level of production to the previous charges provided the cost of the product at that particular production level. However, since the method did not provide the original breakdown of the various cost components, components had to be recomputed on a separate schedule. The homogeneous sections method was adopted in the plan for cost computations because it allowed precise calculations, and afforded great possibilities of application to various situations.

Another characteristic related to product costing introduced in the French Plan was the use of mirror or contra-accounts which allowed product costs to be computed without altering expense accounts. In fact, charges were debited to the appropriate cost accounts by crediting contra-accounts, which preserved the information registered in financial accounting's expense accounts while ensuring the identity of the information carried from financial accounts to cost accounts.

Second, the rational classification (discussed in the next section) which had developed in France in the 1920s [CNOF, 1946, p. 46] and which, by the 1940s, had been widely adopted by the majority of French enterprises for their balance sheets [CNOF, 1946, p. 23] inspired the 1942 Plan's standard balance sheet. However, the rational classification was not retained for the 1942 Plan's chart of accounts since it was inspired by the German chart.

The 1942 Plan was mainly criticized for its lack of logic and its complexity, and for being overly oriented toward the determination of financial results for external purposes, and of product costs for internal and external pricing of products. Not enough attention was paid to the role of accounting in the daily management of operations [Brunet, 1951, pp. 252-253].

The other major criticism addressed to the Plan concerned the duality of the operations account and the profit and loss account, stemming from the possibility of classifying expenses either by nature or by function depending on whether the cost classes (5, 6 and 7) were used or not. This situation deprived national accountants of valuable information needed in the preparation of national accounts [Brunet, 1951, p. 252]. As will be seen in a later section, this criticism was taken into account in the drafting of the 1947 Plan.

An official adaptation of the 1942 Plan was only produced for the aeronautic industry. However, Brunet [1951, p. 254] mentions that a number of major companies also adopted the general plan, and applied it without any official approval. The application of the plan allowed users to discover its weaknesses, and the experience they gained was valuable for the 1946 accounting normalization committee.

The Plan of the National Committee of French Organization

The National Committee of French Organization (CNOF) was an association of individuals from various professions who were interested in the organization of work in general. In 1928, Gabriel Faure, who in fact had been the first author to offer a modern decimal accounting chart in 1909, formed the CNOF's accounting section, whose major concern was normalizing the balance sheet.

In July 1942, the CNOF's accounting section was invited by the CNOF council to study the plan prepared by the 1941 Accounting Plan Committee. Upon examination, the 1942 Plan was found to be too complex and technically difficult to apply to the large industrial companies for which it had been primarily conceived. Its classification was believed to be too empirical, without reflecting any particular order or method. To make a positive contribution to the advancement of accounting, the accounting section then devoted its efforts to the rationalization of current French practice; by 1944, the section had published a rational plan for the organization of accounts. Eminent French accountants participated in the deliberations of the section: Garnier, Brunet, Anthonioz, Demonet, Fourastié and others, all of whom later helped in the drafting of the 1947 Plan, carrying over ideas that they had applied in the CNOF Plan.

The objectives set by the authors of the rational plan were the classification, codification and articulation of accounts. No definitions were provided in their plan, since the authors believed that there were enough excellent definitions in current practice. Nor was there any new method given for computing product costs. The plan provided a structure for making and registering the desired computations, but confined them to a particular set of accounts. Their correspondence with, and complete independence from, financial accounting were ensured by the use of contra-accounts (imputation accounts). Any cost accounting method could be used in conjunction with the plan.

The CNOF's Rational Plan. The proposed plan presented three double-entry systems, each containing two *ordres*. Each *ordre* classified events or accounting elements from a different perspective. The summation of all the accounts of any *ordre* provided the results of operations. The *ordres* were linked together either by double-entry or by the use of contra-accounts. The plan's double-entry systems were as follows [CNOF, 1946]:

Financial accounting	*Ordre* 1 —	Operating accounts (revenues and expenses) (accounting elements seen as causes)
	Ordre 2 —	Balance sheet accounts (assets and liabilities) (effect of transactions on the company's position)
Managerial accounting	*Ordre* 3 —	Cost accounts and sales accounts (transactions classified as to purpose)
	Ordre 4 —	Imputation or contra-accounts
Budgetary accounting	*Ordre* 5 —	Budgeted operations
	Ordre 6 —	Budgeted liquidities

Ordre 7 and 8 were left open, in case other accounting systems were developed in the future. *Ordre* 9 was devoted to commitments and transitory accounts, such as purchases and sales in cash, and internal transfers. In financial statements, transitory accounts were to be replaced by the *ordre* to which they were related (1 or 2), and commitments were to be listed at the end of the balance sheet.

Each *ordre* was further divided into categories, each having its own specific meaning. For example, the categories found in *ordre* 1 were charges and revenues that are included in the gross profit margin, operating charges and revenues, investment-related charges and revenues, administrative charges, miscellaneous revenues and financial charges. These categories were further grouped to provide the following summary accounts: the gross profit margin, results of operations, net revenue from investments, net administrative charges and financial charges. The classification adopted in that *ordre* was based first on the economic function of the transactions and second on their nature. Another example of the breakdown of an *ordre* into categories is provided by *ordre* 2. In the latter, assets were divided, according to their economic function in the company and their degree of liquidity, into fixed assets, investments, short-term assets (inventories and short-term investments), receivables and liquid assets (cash and cash equivalents).

Ordre 3 and 4 were devoted to cost accounting, constituting a separate double-entry system. Separation of cost accounting from financial accounting was believed to be essential. The reasons that were given then for this separation seem still valid today in view of the maintenance of the same practice in the 1982 Accounting Plan. The most important justifications were the following:

1. It facilitated the establishment and further modification of the cost accounting system;
2. In cases where there were modifications in production or in the company structure, the cost accounts could be adapted without modifying the plan for financial accounting, thus preserving the inter-firm comparability of the financial information, as well as its comparability over time;
3. Charges included in product prices could differ from expenditures registered in financial accounting;
4. The use of contra-accounts allowed complete freedom in cost accounting; the transformation of data for the computation of product prices and the determination of results of operations could thus be done freely without altering the original accounts [CNOF, 1947, pp. 32-34, 99].

The CNOF Plan was very well designed; however, to preserve the recent tradition introduced by the 1942 Plan, only some of its features were retained in the 1947 Plan. The influence of the CNOF Plan and of the 1942 Plan on the 1947 Plan will be considered after introducing the latter.

THE 1947 ACCOUNTING PLAN

As the first official plan drafted after the Liberation, the 1947 Plan constituted the real beginning of accounting normalization in France. It was initially designed for industrial and commercial undertakings, but with the intention of adapting the plan to all sectors of the economy. The ultimate goal of the Committee for the Normalization of Accounting was to create a system that would allow the summation of the accounts of all economic units, thereby facilitating the preparation of national accounts.

The Committee was headed by its vice-president, Turpin, who was secretary of the Central Committee for Prices. The secretary of the Committee was Pujol, a state economic expert and former secretary of the adaptation committee for the 1942 Plan. Among the sub-committees that were formed to work on specific topics, the three most important ones were the sub-committee on principles, definitions and rules, headed by Fourastié and Lauzel; the sub-committee on the general chart of accounts and financial statements, headed by Lemoine and Pujol; and the sub-committee on cost accounting, headed by Martin [Brunet, 1951, p. 166].

The committee had to focus on accounting in industrial and commercial businesses as the starting point of what would ultimately become a national rationalization of accounting. More, specifically, the accounting system chosen had to be simple, complete and flexible enough to be applied to large companies as well as to the more numerous small and medium-sized companies. Finally, the orientation chosen by the plan's designers was towards the determination of financial results for investors and creditors (particularly banks), and the determination of product costs for pricing purposes. Although finding a plan suitable for national accounting was not the primary goal of the committee, several measures were nonetheless adopted which stressed the economic orientation of the accounting reform. The economic concerns of the designers were reflected in the following features of the plan:

1. Classification of companies' assets according to their economic function or location;
2. In the balance sheet, grouping of accounts into classes that reflected the accounts' economic function: permanent capital, long-term assets, inventories, third-party accounts and financial accounts;
3. The classification of expenses by type, which provided the necessary elements for the study of the economic situation at the company, industry and national levels;
4. The production of information on company operations to complete the financial statements, such as endorsements and commitments, or to facilitate the analysis of certain elements of the balance sheet (depreciation, fixed assets, provisions).

Contents of the 1947 Plan

The plan constituted a complete set of accounting procedures, including [Veyrenc, 1950?; Retail, 1951]:

1. A definition of financial and cost accounting;
2. A chart of accounts (see Appendix) and related terminology;
3. A list of the accounts and how they interact;
4. General rules for the application of the plan;
5. Valuation rules for assets;
6. Rules for determining depreciation and provisions;

7. Models for the balance sheet, the trading account and the profit and loss account;
8. A section on cost accounting, including a description of the system adopted, terminology, rules for computing product costs, an explanation of the perpetual inventory method and the procedure for the classification of expenses into fixed and variable categories;
9. Statistical accounts necessary to analyze the company's situation and establish a national accounting system (see point 4 in the previous section).

General Features of the 1947 Plan

The plan offered a simple, logical and flexible structure, while introducing the most advanced cost accounting techniques of the time (the homogeneous sections method described earlier). Terminology and presentation were largely borrowed from the accounting tradition. The chart of accounts (see Appendix) classes were chosen in accordance with the two traditional objectives of financial accounting: the determination of the firm's situation and the analysis of the year's results. The plan used the decimal system to number accounts and classes of accounts. The main classes of the plan were as follows:

Balance sheet accounts	1. Permanent capital (capital, reserves, liabilities);
	2. Fixed assets and investments;
	3. Stocks;
	4. Third-party accounts (receivables and payables);
	5. Financial accounts (short-term loans and borrowing, short-term investments, cash);
Operating accounts	6. Expenses, classified by type;
	7. Revenues, classified by type;
	8. Profit and Loss accounts;
	9. Cost accounting accounts;
	10. Statistical accounts.

This structure made it easy to prepare the balance sheet which was established from the accounts of the first five classes. Unlike the 1942 Plan, the order of appearance of the accounts on the balance sheet was the same as in the chart of accounts. Accounts were first classified according to the duration of use or realizability for assets (short or long-term) and according to the degree of payability of debts and capital. Subsequent classification of accounts depended on the physical or legal nature of the elements they represented.

The logic behind the balance sheet framework was based on the representation on an industrial and/or commercial firm with the following characteristics: productive assets having a long-term useful life and an irregular renewal pattern; long-term financing for long-term productive assets; inventories rotating rapidly in less than a one-year time period; and an operations cycle whose duration was also considered to be less than one year. This representation led to a classification of assets, debts and owners' equity based on the one-year time period, the year being traditionally considered as the usual time frame for the accounting period. The permanent resources at the disposal of the firm, together with their investment in long-term production means, were therefore shown in the upper part of the balance sheet, with short-term assets and debts appearing below. Exhibit 1 indicates the structure of the balance sheet as it has been outlined above, as well as the

Exhibit 1

Structure of the Balance Sheet: Relationships Between Classes of the Chart of Accounts and Balance Sheet Elements

	ASSETS		LIABILITIES AND EQUITY	
> one year	Preliminary Expenses Fixed Assets Other Long-term Assets	→ Class II Permanent Assets	Capital and Reserves Cumulated Profit and Loss (opening balance) Super-annuation Funds Provisions for Contingencies Long-term Liabilities	→ Class I Permanent Capital
< one Year	Stocks	→ Class III		
	Short-term and Liquid Assets	→ Class IV → Class V	Current Liabilities	→ Class IV → Class V
	Profit and Loss Account	→ Class VIII	Profit and Loss Account	→ Class VIII

relationship between the classes of the chart of accounts and the elements of the balance sheet.

The main categories of the balance sheet defined above were then subdivided into as many elements as needed to register the results of the various transactions that modified the patrimony of the firm. The correspondence between the nomenclature of balance sheet elements and the structure of the statement facilitated the passage from the list of accounts to the balance sheet.

The 1947 balance sheet was presented in the form of a T account, with the income or loss for the year as the credit or debit balance of that account. This provided a link between the balance sheet and the profit and loss account which was given some prominence. The following paragraphs will detail how income related operations were dealt with in the chart of accounts and financial statements.

Classes 6 and 7 of the chart were used to account for expenses and revenues. At the end of the period, the accounts were closed to account code number 80 (see Appendix) which then provided the information needed to draft the trading account. The profit and loss account was established from the information contained in account code number 87. The structure of the two statements is presented in Exhibit 2.

In the trading account, charges were classified by type, so it was impossible to determine the gross profit figure from the information provided. The plan offered an alternative presentation for these two statements, which could be used on an optional, supplementary basis: after reclassifying the charges by function, it was possible to present a trading account showing the gross profit on operations. In this alternative presentation, administrative charges appeared in the profit and loss account, rather than in the trading account. The option of presenting the trading account by function was offered in the hope of making it easier for management to analyze charges and set up a cost accounting system in companies that in the past had only been concerned with financial accounting.

The logic that prevailed in the subdivision of income accounts into two statements was based on the character of the operations which were being accounted. In the first statement, the trading account, all regular transactions that repeat themselves from period to period were grouped. The balance of this account thus provided an indication of the current performance of the firm. Next, all irregular or exceptional transactions were grouped in the second results statement, the profit and loss account. The break-

Exhibit 2

Structure of Income Accounts

TRADING ACCOUNT

Current Results Related to Operations	Opening Stock	Closing Stock
	Purchases	Sales
	Wages and Salaries	Scrap Proceeds
	Taxes and Duties	Proceeds from Packing Materials
	Rent and Maintenance	Own Construction of Fixed Assets
	Transport and Travelling	Other Income
	Supplies	Interest Revenue
	General Operating Expenses	Allowances Received
	Interest and Charges	
	Provisions for Superannuations and for Amortization	
	Credit Balance	Debit Balance

PROFIT AND LOSS ACCOUNT

Exceptional (non current) Results	Operating Loss (from Trading Account)	Operating Profit (from Trading Account)
	Losses Relating to Prior Years	Profits Relating to Prior Years
	Exceptional Losses Exceptional Provisions	Exceptional Profits
	Income Taxes	
	Total Net Profit	Total Net Loss

down between regular and irregular transactions was based on the assumption that certain types of transactions were always of an exceptional nature, whatever the type of firm involved. Transactions classified as irregular or exceptional were gains and losses on the sale of permanent assets, foreign exchange gains and losses, and profits and losses from previous periods. It must be noted that the classification by type adopted in the trading account was here replaced by a classification according to the origin of transactions.

Further classification of revenues and expenses in the trading account was developed from an analysis of the various elements to be accounted for. The logic that prevailed in the selection of the order of presentation of charges was based on the distinction between the major economic and financial operations usually conducted by the firm. First, production operations necessitate the purchase of material, the payment of wages to employees and of taxes to the state, and the incurring of various operating expenses. Next, a category was created to register financial charges resulting from the firm's financing policy. Finally, a category was devoted to the cost of permanent productive means related to the period: depreciation of fixed assets. On the revenue side of the trading account, resources coming from the sale of production or purchased goods were shown first, since they result from the primary activity of the firm. Next, sales revenues from two secondary sources were shown in separate categories. Production by the firm of its own fixed assets, which was considered revenue since it represented a transfer of charges to the balance sheet, also appeared under a separate heading. Finally, a category was allocated to revenues from financial operations such as interest and dividends.

Aside from financial accounting provisions, the plan contained an important section on cost accounting. As mentioned earlier in the case of the CNOF Plan, to maximize both the standardization of financial accounting and the flexibility and adaptability of the cost accounting system, the plan reserved a separate class for cost accounts, number 9. Separation of cost accounting also favored the progressive introduction of cost accounting, without delaying the application of the financial accounting section of the plan. The role assigned to cost accounting by the plan was threefold, including the periodic determination of:

1. The cost of manufactured or purchased products;
2. Inventories, using the perpetual inventory method;
3. The results of operations by each branch or subdivision of the firm's activities

In the general plan, a main structure for industrial accounting was prescribed, leaving the problem of application to particular cases to company plans.

Two measures ensured the flexibility and adaptability of the plan. First of all, the use of the decimal system meant that any account could be subdivided by adding extra digits to the account number. Secondly, the free accounts left in the general plan could be used to fill specific needs.

Comparison of the 1947 Plan with the 1942 Plan and the CNOF Plan

To facilitate the adoption of the plan, the Committee for the Normalization of Accounting did not want to upset accounting traditions unduly. Since the 1942 Plan had already been introduced in some companies, it seemed natural that the committee base its work on that plan, and try to improve upon it. The committee benefited from companies' experience with the 1942 Plan, and took into account the criticisms that had been expressed of the earlier plan.

The 1947 Plan was a major advance over the 1942 Plan. First, to number the first class, the zero was dropped and replaced by the number one to facilitate the use of accounting machines. The zero was used thereafter for statistical accounts. Second, separate classes were created for fixed assets and third-party accounts (short-term receivables and payables). Third, class number 2 of the 1942 Plan, which contained the regularization and engagement accounts, was abolished, and the accounts reallocated to other classes. Fourth, purchases now appeared in class 6 instead of class 3, which was reserved for inventories, and the cumbersome accounts for purchases added to inventory were eliminated. Lastly, accounts were classified in the same order on the balance sheet and in the chart of accounts.

The separation of cost accounting from financial accounting, a feature of the CNOF Plan, was retained, together with the imputation of both expenses and revenues in the cost accounts. As in the CNOF Plan, contra-accounts were placed in the same categories as the accounts they corrected, and accounts that had the same function in the firm were designated by the same number of digits.

The rational classification used in the CNOF Plan was adopted for the balance sheet. However, the committee did not retain the classification into *ordres* and categories found in the CNOF Plan, since the flexibility of decimal coding was preferred. This meant that, as in the 1942 Plan, the balances of the 1947 chart's classes were meaningless.

Applicability of the 1947 Plan

The Superior Council for Accounting, created by a January 1947 decree, was to supervise the application of the 1947 Plan. The conditions under which it was to operate were to be specified by a subsequent law. However, none of the propositions formulated concerning a possible accounting law were adopted. The government, through several decrees, simply extended the application of the plan to nationalized industrial and commercial companies, and mixed capital companies in which the government had interests (decree of October 22, 1947); government and public establishments of either an industrial or commercial nature, or of an administrative character; private companies benefiting from government subsidies or financial guarantees; private companies under administrative control (for example, farming cooperatives); companies which had revalued their assets in accordance with the June 1948 decree.

Finally, as a result of the rational conception of the plan, and due to the unsuitability of existing accounting systems in most French businesses, the plan was spontaneously adopted by several firms. This is confirmed by the fact that more than 45,000 copies of the official edition of the 1947 Plan were sold, and several private editions of the plan were also successful [CNC, 1957, p. 8].

The introduction of the plan was also facilitated by the fact that it was adopted by professional accountants, and taught in colleges and high schools.

Impact of the 1947 Plan

Favorable consequences of the 1947 Plan could be observed in several areas. First, in providing a rational organization of both financial and cost accounting, the plan provided the tools needed to improve company management — an objective of utmost importance in the post-war reconstruction period. Secondly, the introduction of uniform rules of valuation, classification, and presentation, together with the establishment of a clear terminology, facilitated inter-firm comparisons and improved the quality of the information collected for national accounting purposes. The increased homogeneity of the data collected further allowed them to be added at various levels of analysis. Finally, the classification of expenses by nature and of some assets according to their economic function in the company met the needs of national accounting.

These characteristics of the 1947 Plan made it appealing for countries looking for order in company accounts and readily available data for national accounting. Those were the reasons for the widespread influence of French accounting from the 1950s up to the present.

THE POST 1947 PLAN ERA

During the 1950s, the Higher Council of Accounting made the first revision of the 1947 Plan. The new Plan was approved in 1957. The Council mainly devoted its efforts to improving the various elements of the 1947 Plan while retaining its framework and giving the cost accounting section of the plan more flexibility. A 1962 decree required the 1957 Plan be used in the private economic sector. The 1957 Plan thus became legally binding in over eighty lines of business for which particular plans were developed. Further, in the 1960s, the 1957 Plan served as basis for the development of the Plan for the African, Madagascar and Mauritius Organization (grouping of former French colonies) by a group of experts from the National Council of Accounting and INSEE.

With changing economic conditions in France, the passing of new laws, the rapid development of information processing techniques and the internationalization of trade and capital markets, the Accounting Plan needed revision. The need to improve the possibilities for financial and economic analysis offered by the plan's financial statements played an important role in drafting the revised plan's conceptual framework; in fact, this consideration dominated the first phase of the revision (1970 to 1975). The new proposed plan changed the classification criteria adopted in the 1947 and 1957 Plans, and introduced a number of innovations. The classification of balance sheet elements according to their degree of liquidity/maturity was replaced by a classification of assets and liabilities according to their economic function in the firm. The impact of tax regulations on accounting income and on the balance sheet was to be shown separately in accounts such as regulated provisions. The presentation of a statement of changes in financial position was to be made mandatory as a result of banks' and financial analysts' requests for information about the impact of the firm's transactions on its financial position. In the income statement, components of production were to be shown separately, and computation of value added was required to meet national accountants' information needs. These changes were approved by the National Council of Accounting *(Conseil National de la Comptabilité)* in 1975.

Unfortunately, the 1975 Plan could not be adopted as such, since it had to be harmonized with the requirements of the European Economic Community (EEC) directive on company financial statements, which was approved in 1977. The EEC fourth directive had both positive and negative impacts on the evolution of French accounting.

Among the positive results were the introduction of the "true and fair" concept used in English-speaking countries, which -goes beyond the French notion of *comptes réguliers et sincères* (whose meaning is closer to careful obedience of the law), the new level of importance granted to notes to financial statements, the breakdown of income taxes information on deferred taxes.

Among the negative impacts of the fourth directive on French accounting were the abandonment of the requirement for the preparation of a statement of changes in financial position; the partial abandonment of the functional classification in the balance sheet reverting to the previous classification of elements according to their degree of liquidity/maturity; and the abandonment of the computation of value added on the income statement. At the EEC level, financial statements were not designed with the same broad objective of serving micro and macro-accounting as in France. Furthermore, its development was based on the 1957 Accounting Plan's financial statements and on the German financial statements in use in the 1960s [Nichus, Spring 1972]. Therefore, a number of innovations of the 1975 Plan, some of which reflected national accountants' demands, were not incorporated into the fourth directive. Similarly, since no conciliatory work had been done on a possible statement of changes in financial position at the EEC level, no such statement was included among the mandatory documents to be prepared annually by firms.

EEC member countries could go beyond the fourth directive's requirements when incorporating its provisions into their respective laws. Nevertheless, France was bound by the EEC requirements, since the French industry representatives at the CNC found support in the directive for their claims for simpler statements and fewer disclosures than originally anticipated in the 1975 Plan. French companies did not want to have to disclose more information than was required from their EEC competitors. Furthermore, it was not difficult at this point for industry representatives at the CNC to bring about changes in the 1975 Plan, since it was only a draft and had not yet been implemented. A compromise solution involved providing, in addition to the basic set of financial statements, a more elaborate, optional set of documents with the same basic structure as the EEC directive statements, but retaining as many as possible of the innovations of the 1975 Plan. A third, much shorter set of statements was adopted for small firms.

The revised plan was adopted by ministerial decision in June 1979. A final version of the plan, very similar to the 1979 draft, was approved in April 1982, and came into effect on April 30, 1983 with the passing of the accounting law designed to incorporate the provisions of the EEC fourth directive into the national legislation.

THE HERITAGE OF THE 1947 PLAN AND RECENT INNOVATIONS

The basic characteristics and structure of the 1947 Accounting Plan remain in the 1982 Plan. However, some elements were added, the terminology was refined and augmented, the presentation of the Plan was improved, and a number of changes were made to the chart of accounts and the financial statements. To highlight what has been retained of the past experience in the 1982 Plan and what are its main new characteristics, a comparative analysis with the 1947 Plan will be presented in the following paragraphs.

The 1982 version of the Plan contains basically the same elements as the 1947 edition (refer to the previous presentation of the 1947 Plan). However, accounting principles, which were implied in the 1947 Plan, are now specified clearly in the first section of the Plan. The cost accounting section of the Plan was greatly expanded. However, cost accounting remains independent from financial accounting. Additional information provided in this section includes the objectives of cost accounting, its uses for the management of operations, and a framework for the analysis of transactions in cost accounting.

The 1982 chart of accounts uses only nine of the ten classes, the class for statistical accounts (number 10) having been eliminated. Classes 1 to 5 are still reserved for balance sheet accounts and they retain the same titles. The operating accounts remain in classes 6 and 7. However, in each class, important reallocations were made in two-digits accounts in order that the chart more closely correspond to the new financial statement presentation of the classes' elements. Class 8 is now used for special accounts, such as commitments and consolidation accounts. Former profit and loss accounts of class 8 were reallocated into other classes because there is now only one statement for income related operations.

In fact, the fusion of the former trading account, and profit and loss account into one income statement is a major change that has been made to the 1947 Plan. However, the current/exceptional breakdown of operations has been maintained in the structure of the 1982 income statement, which is now divided into four sections namely, operations results, financial results, exceptional results and income taxes.

As far as the balance sheet is concerned, the 1947 liquidity/maturity criterion was retained for the classification of elements, except for financial investments and for liabilities. These elements are shown globally, details of maturity using the one-year criterion being given in notes to the balance sheet. A noteworthy change in the balance sheet concerns the presentation of net income for the period: it has been made part of equity instead of being shown separately as the last element of either the left or right section of the statement.

New importance has been granted to the supplementary information provided with the financial statements. In fact, notes are now regarded as being an integral part of the financial statements, subjected to the concept of true and fair presentation of financial information. Also, supplementary schedules are more numerous than in the 1947 Plan. A schedule presenting assets and liabilities maturities has been added and some summary statistics covering a five year period are requested, concerning such elements as capital, net income, wages and social security benefits.

The three sets of financial statements (the basic set; the optional, developed set; the abridged set, for small enterprises), all based on the basic framework, also represent a new feature of the 1982 Plan.

As can be noted from the comparison of the 1982 and 1947 Plans, the successive French committees on normalization had a good basis to work upon and, even if many improvements have been made, several features of the 1947 Plan have been preserved.

CONCLUSION

Since the 1940s, the road to French accounting standardization has been paved by a number of episodes, each building upon the previous stages. First, there was the unofficial 1942 Accounting Plan drafted during World War II under government's initiative. Then, in the 1942-1944 period, the Rational Plan was elaborated under the aegis of the CNOF, a private organization. Following the war, the 1947 Accounting Plan was the first plan officially approved by a governmental decree. Subsequently, revised editions of the 1947 Plan were approved in 1957 and in 1982, the latest version of the plan incorporating European considerations originating from the harmonization at that level.

Since the 1950s, French plans influenced accounting practice worldwide through their adoption by several countries and their adaptation for the former French colonies in Africa. Still today, some countries, like Madagascar who has adopted the latest French Plan, continue to be influenced by French innovations in accounting.

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APPENDIX

The 1947 Accounting Plan — Chart of Accounts

Group 1 Permanent Capital	Group 2 Permanent Assets	Group 3 Stocks	Group 4 Third Parties	Group 5 Financial Accounts	Group 6 Expenditure Accounts	Group 7 Income Accounts	Group 8 Profit & Loss Accounts	Group 9 Costing Accounts	Group 0 Statistics
10 Capital	20 Preliminary Expenses	30 Goods	40 Supplies	50 Short-term Borrowings	60 Purchases	70 Sales	80 Operating Results	90 General Control Accounts	00 Data to be attached to Balance Sheet
11 Reserves	21 Fixed Assets	31 Raw Materials	41 Customers	51 Short-term Advances	61 Wages,	71 (Available)	81 (Available)	91 (Available)	000 Commitments
12 Profit & Loss Appropriation	22 (Available)	32 Supplies	42 Personnel	52 Bills & Notes Payable	62 Taxes and Duties	72 Scrap Proceeds	82 (do)	92 Sectional Accounts (Indirect Charges)	001 Fixed Assets
13 Renewal Reserves	23 Constructions in Progress	33 Scrap	43 State Bodies	52 Bills & Notes Receivable	63 Rent, Maintenance, etc.	73 Proceeds from Packing Materials	83 (do)	93 Cost Price Accounts (Direct Charges)	002 Depreciation
14 Superannuation Funds	24 War Damage	34 Partly-finished Products	44 Shareholders	54 Cheques & Warrants	64 Transport & Traveling	74 Sales Allowances, etc.	84 (do)	94 Permanent Inventory	003 Provisions

APPENDIX (CONTINUED)

The 1947 Accounting Plan — Chart of Accounts

Group 1 Permanent Capital	Group 2 Permanent Assets	Group 3 Stocks	Group 4 Third Parties	Group 5 Financial Accounts	Group 6 Expenditure Accounts	Group 7 Income Accounts	Group 8 Profit & Loss Accounts	Group 9 Costing Accounts	Group 0 Statistics
15 Provisions for Contingencies	25 Long-term Loans	35 Finished Products	45 Associated Companies	55 Investments	65 Supplies	75 (Own) Construction of Fixed Assets	85 (do)	95 Stocks Consumed	004 Turnover
16 Long-term Liabilities	26 Trade Investments	36 Work in Process	46 Sundry Debtors & Creditors	56 Banks & Post Office	66 General Operating Expenses	76 Supplementary Income	86 (do)	96 (Available)	005 Founders' Shares
17 Inter-Branch (Capital) Accounts	27 Guarantee Deposits	37 Packing Materials	47 Provisions for Accruals, etc.	57 Cash	67 Interest, Charges etc.	77 Interest & Discounts	87 Profit & Loss Accounts	97 Oncost Differences, etc.	05 Statistical Data
18 (Available)	28 (Available)	38 (Available)	48 Deferred Charges etc.	58 (Available)	68 Provisions Super-annuation, Depreciation, etc.	78 Allowances Received	88 Appropriation Account	98 Industrial Profit & Loss Accounts	
19 (do)	29 (do)	39 (do)	49 (Available)	59 Funds in Transit	69 (Available)	79 (Available)	89 Balance Sheet	99 (Available)	