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## 1994 Accounting Hall of Fame induction : Robert Sprouse Accounting Hall of Fame membership [1994]

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Robert Thomas Sprouse

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# 1994 ACCOUNTING HALL OF FAME INDUCTION:

## ROBERT SPROUSE

### INTRODUCTION

by

Professor Charles T. Horngren  
Stanford University

I am honored and pleased to introduce Robert Sprouse on this noteworthy occasion. Among the many positive words that might be used to describe Bob Sprouse are: intelligent, dependable, pleasant, good-humored, gentlemanly, good listener, articulate, and fun to be with.

I met Bob and Fran Sprouse at Bill Vatter's house in California in January 1959, over 35 years ago. I first heard about Bob in 1955. Bill Vatter was seeking new young talent then for the University of Chicago. Bill mentioned that some doctoral student named Sprouse at Minnesota was a sparkling star in teaching.

Many academics are clearly outstanding teachers. Too often, their reputations and recognition are confined at best to their home institutions. For those who may be unaware, Bob Sprouse has an enviable record as a superb teacher in every dimension of that important role.

Before reading the citation, let me share a few Sprouse items that may not be well known.

- (1) He is about the only person I know whose handwriting is a model of flawless penmanship. He writes like an accountant should.
- (2) Bob Sprouse has had a variety of interests. Of course, he was the staid vice-chairman of the Financial Accounting Standards Board. But shortly thereafter, he became a part-owner of a race horse and an avid \$2 better at the Tijuana racetrack and elsewhere.

Even as a two-dollar better, a couple of years ago Bob bought an \$8 ticket in an attempt to pick the winners of all nine races at Santa Anita. No one had eight

or nine winners that day. For his seven winners, he received \$45,000. He now is the full owner of two fil-lies.

Bob's long-time friend, Bob Jaedicke, once asked why Sprouse wasted his investment dollars on a horse. Why didn't he sell? Bob Sprouse responded that he had too much money invested therein. Perhaps he never did understand the concept of sunk costs.

- (3) When Bob Sprouse and I were Stanford colleagues, one afternoon I was a passenger in his car. He was driving at or above the speed limit in the fast lane of a busy Bay Area freeway. Suddenly we ran out of gas. I do not recommend that situation to anybody. Fortunately, after a few harrowing moments, we were able to coast off to the side.

Bob Sprouse was suitably embarrassed. Bob, I'll always cherish the memory of our sharing this near-death experience. I am glad that we are both still alive to enjoy today's grand occasion.

## CITATION

by  
Professor Thomas J. Burns  
The Ohio State University

Although he has a lifetime of achievements, he started his life in very humble circumstances. Born in rural San Diego county in 1922, he lived with his mother and four brothers and sisters after his parents separated. For a while they lived on the earnings of his two older brothers who caddied on weekends. His mother worked for 25 years sorting lemons in a packing house.

He was the only member of his family ever to attend college. After high school, he attended San Diego State College, the older brother helping out financially. He did not do well in college. After two years, he was on probation and decided to quit. His brother agreed. Until he was drafted in 1942, he worked at a Piggly Wiggly grocery store and then a nursery/flower shop, starting at a salary of \$15 a week. He had never held a rifle in his hands before infantry basic training, but he qualified as an expert. As a result, he was promoted to corporal and later to sergeant. He was accepted in Officer Candidate School and, in 1945, was commissioned as a 2nd Lieutenant in the infantry. During three years in Germany, he served as a prosecutor in General Courts Martial where he met his wife, Fran, who was a U.S. civilian court reporter. They spent their honeymoon in Venice.

He left the service in 1949 to pursue a college degree, relying heavily on the GI Bill, which helped finance higher education for veterans. Returning to San Diego State, he was inspired by Professor Charles W. Lamden to major in accounting and undertake an accounting career. A visiting professor from the University of Minnesota offered him an assistantship to do graduate work at Minnesota. There he studied under Professor Carl L. Nelson. He received his University of Minnesota Ph.D. in 1956. Subsequently, he served on the faculties of the University of California at Berkeley, Harvard University and Stanford University. In 1973, he began a term of nearly thirteen years on the Financial Accounting Standards Board. He was the Board's vice chairman for eleven of those years.

With his colleague, Accounting Hall of Fame member Maurice Moonitz, he co-authored Accounting Research Study No. 3 for the AICPA's Accounting Principles Board. Several of

his many published writings have been reproduced in a book of readings and translated into foreign languages. He was president of the American Accounting Association in 1972-73. Following his service on the FASB, he became the first AAA director of publications. He has received a number of other honors.

He and Fran, his wife of 47 years, have a daughter and a son. Since retirement, he has become involved as an owner and breeder of thoroughbred race horses. For recreation he runs competitively as well as for pleasure, gardens, and swims. He is the 54th member of the Accounting Hall of Fame.

## RESPONSE

by Robert T. Sprouse

I have often day-dreamed about an opportunity some day, somehow to be able to pay public tribute to certain individuals who have played a special role in my most rewarding career. This is the opportunity that I have been waiting for. I shall appreciate your indulgence and I do apologize in advance if I should embarrass anyone here.

*Charles W. Lamden:*

When I left the army in 1949 with the intention of attempting to establish an academic record at San Diego State College that would permit me to enter a law school, Charles W. Lamden was a full professor of accounting there and, simultaneously, a full partner in the largest public accounting firm in San Diego. None of the big-eight firms had an office in San Diego at that time.

Charles Lamden was the consummate professional, both as a teacher and as a practitioner. From him I learned much more than the subject matter — I learned a great deal about ethics, personal values, personal conduct, and teacher/student relationships. To him, accounting was the most important activity in the world. He simply exuded integrity, and his enthusiasm and high standards were contagious. It was his energy and example that inspired me to embark on a career in accounting.

*Carl L. Nelson:*

My exposure to Carl L. Nelson at the University of Minnesota was responsible for my deciding to pursue a doctoral degree and a teaching career rather than a career as an accounting practitioner. The classes that I took from him were the most challenging, the most valuable, and the most stimulating that I had ever taken or observed. His personal interest and encouragement outside the classroom were even more important. Striving to cope with his constantly probing inquiries was an exciting experience. He alone was responsible for my first academic appointment at the University of California at Berkeley and his influence throughout my academic and professional careers has been unmistakable.

*Maurice Moonitz:*

At the University of California at Berkeley, technically Maurice Moonitz was a colleague but, of far greater signifi-

cance, he was in fact my mentor. A scholar in the most literal sense of that term, Maurice was always willing, if not anxious, to join me and other colleagues for a coffee break to discuss economics, world events, baseball, music (he himself is an accomplished violinist), Greek mythology, or you name it. His interests and his knowledge are both boundless.

Moonitz has little patience for mediocrity or sloppy thinking, but at the same time he has a remarkable talent for identifying positive contributions or possibilities in the works of others. He was immensely helpful to me in my earliest efforts for publication. As the first AICPA Director of Accounting Research, he invited me to assist him in the preparation of two research studies that were commissioned at the time the AICPA's Accounting Principles Board was created. We ended up as co-authors of the second of the two, Accounting Research Study No. 3. In spite of the reception given that study — or perhaps because of it — my academic career seemed to “take off.” I shall ever be indebted to Maurice for his confidence and friendship.

#### *Colleagues:*

In addition to Lamden, Nelson, and Moonitz who played such vital roles in the development of my career. I have been blessed with extraordinary colleagues wherever I was. I cannot acknowledge all those great colleagues here, but I particularly want to mention a few.

During my three years at the Harvard Business School, I benefited from an especially valuable working and social relationship with Bob Anthony. Bob not only was an interested and constructive colleague at Harvard but he continued to be after my moves to Stanford and to the FASB. I learned a lot from Bob but, unfortunately, he was never able to teach me how to write those short, direct sentences he uses so effectively.

In arriving at Stanford in 1965, I joined Bob Jaedicke whom I had first come to know and respect when we overlapped in the doctoral program at Minnesota. He was one reason that I decided to move from Harvard to Stanford. Arriving at Stanford at the same time as a visiting professor was Chuck Horngren, on leave from the University of Chicago. Those of you who know Bob Jaedicke and Chuck Horngren personally will have no trouble appreciating what capable, collegial, and constructive colleagues they are — never too busy to be helpful and never a disagreeable exchange among the three of us.

My extraordinary good fortune followed me to the Financial

Accounting Standards Board. Marshall Armstrong, the first Chairman, would be the first to admit that he was quite apprehensive about an academic's membership on the Board. Happily, that apprehension dissipated fairly quickly, enough so that he recommended me to replace John Queenan when John retired as Vice Chairman. That appointment bolstered my confidence as an accepted member of the Board. Probably only a few of us will ever fully understand and appreciate Marshall's effectiveness in launching the FASB. Without the dignity, good humor, unruffled demeanor, and dedication that characterized his unique leadership style, those first few standards might never have seen the light of day.

For me, Don Kirk's facility for mastering the most complex accounting issues was a constant source of amazement and admiration. During my tenure, foreign currency translation, accounting for oil and gas producing companies, and pension accounting probably were the most intellectually challenging. Don was in command of the intricacies of each of these before anyone else. Assuming the responsibilities of Chairman had no effect on his leadership in addressing accounting issues. His intellectual capability, personal integrity, poise and self-confidence, dedication to the Board and its mission, effectiveness as a spokesman, and remarkable capacity for work served him and the Board well. It was indeed a privilege and a joy to work closely with Don for nearly thirteen years, eight of those years as his vice-chairman. Don has been a faithful, highly valued friend.

Oscar Gellein is something special. In addition to being highly intelligent and always having done his homework, Oscar is an especially affable and reasonable guy. His thought processes are invariably logical. Especially noteworthy among board members, he had the unique talent for being able to disagree with you and making you enjoy it. I certainly was never able to emulate that talent, but Oscar's presence on the Board meant a lot to me.

A number of long-time members of the FASB technical staff were especially willing and helpful to me — in particular, J. T. Ball, Paul Pacter, Jules Cassell, and Reed Storey. I am indebted to them for their assistance, their patience, and their friendship. During my later years at the FASB, it was a joy to work with Jim Leisenring. With his energy, mental quickness and, usually, good humor, Jim was an incredible Director of Technical Activities. He and Don Kirk were some combination.



*FASB Independence*

Within financial reporting circles, certain concerns about independence seem to be on the front burner these days. As I look back on my experience on the FASB, I am singularly impressed with the importance of individual board members' independence. The Wheat Commission proposed specific safeguards to insure that independence. The Rules of Procedure governing the Board's activities that were adopted by the Board of Trustees of the Financial Accounting Foundation implemented those proposals, and include the following statement:

A principal factor in determining the organization of the FASB was the need to establish to public satisfaction the independence and objectivity of those responsible for establishing and improving standards of financial accounting and reporting. To this end, the Foundation's Trustees have adopted policies in respect of personal investments and other personal activities of FASB members and staff designed to prevent potential conflicts of interest. Among other things, the policies applicable to FASB members restrict financial and other obligations being owed by or to former employers or clients and arrangements or understandings for future employment, and restrict investments or other financial involvement or personal activities that might affect or reasonably create the appearance of affecting a member's independence or objectivity or that might create or reasonably create the appearance of a conflict or potential conflict of interest.

Over the years, among the most common questions I have been asked both by individuals and in meetings with groups is the extent to which the Board's decisions are affected by pressures from outside special interests, especially, but not exclusively, pressures from business enterprises. Based on my own experience and observation, I am aware of no instance in which the Board has taken a decision based on anything other than a consensus of Board members' individual conscientious conclusions. How else could one possibly explain the Board's decisions on some of its most significant and controversial projects, such as eliminating contingency reserves and catastrophe reserves, employers' accounting for pensions, and employers' accounting for postretirement benefits other than pensions. To some, strong opposition by affected parties may be bad news, but the good news is that the greater amount of controversy, the greater the

amount of information made available to the Board, and the less likely that the consensus of the Board members cannot be effectively defended.

### *FAF Independence*

I my opinion, if there is a legitimate concern about independence in the standard setting organization, it is not about the FASB and its decisions, but about the Board of Trustees of the Financial Accounting Foundation and its responsibility for raising funds and appointing board members. Occasionally, a contributor of funds has notified the Trustees that, because of certain actions by the FASB, no further funds will be forthcoming. As far as I know, that has not become serious but the threat is always lurking in the background. The method of funding has never been completely satisfactory.

A mixture of trustees who are professionals and trustees who are clients of professionals is certainly not ideal. If the chief executive officer of a large contributor of funds were to insist on the ability to veto candidates for the next board member appointment, what might happen? The reality is that members of sponsoring organizations that are expected to foot the bill are bound to strive for some influence, no matter how circumscribed. I readily recognize that it is easier to identify problems than to offer constructive solutions. I do think the AICPA's Public Oversight Board and the independence it enjoys might be an adaptable model for the Board of Trustees.

### *Acceptance:*

Finally, since my part of this morning's program is billed as "acceptance," now that I may have bitten the hand that fed me, let me assure you that I do accept induction into The Accounting Hall of Fame with unbridled enthusiasm and great pride, but also with sincere humility. I am sure than you can appreciate how rewarding recognition of this kind can be following more than 45 years of studying and writing about accounting, teaching accounting and, although I never managed to achieve the status of CPA or to practice accounting as a management employee, practicing accounting in my own way consulting, standard setting, and testifying.

I am deeply appreciative of the signal honor of being included in the Accounting Hall of Fame.

## THE ACCOUNTING HALL OF FAME MEMBERSHIP

<i>Year</i>	<i>Member</i>
1950	George Oliver May* Robert Hiester Montgomery* William Andrew Paton*
1951	Arthur Lowes Dickinson* Henry Rand Hatfield*
1952	Elijah Watt Sells* Victor Hermann Stempf*
1953	Arthur Edward Andersen* Thomas Coleman Andrews* Charles Ezra Sprague* Joseph Edmund Sterrett*
1954	Carman George Blough* Samuel John Broad* Thomas Henry Sanders* Hiram Thompson Scovill*
1955	Percival Flack Brundage*
1956	Ananias Charles Littleton*
1957	Roy Bernard Kester* Hermann Clinton Miller*
1958	Harry Anson Finney* Arthur Bevins Foye* Donald Putman Perry*
1959	Marquis George Eaton*
1960	Maurice Hubert Stans*
1961	Eric Louis Kohler*
1963	Andrew Barr Lloyd Morey*
1964	Paul Franklin Grady* Perry Empey Mason*
1965	James Loring Pierce
1968	George Davis Bailey* John Lansing Carey* William Welling Wertz* Robert Martin Trueblood*
1974	Robert Martin Trueblood*
1975	Leonard Paul Spacek
1976	John William Queenan*

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\*Deceased

(continued on page 163)

## THE ACCOUNTING HALL OF FAME MEMBERSHIP

*(continued)*

1977	Howard Irwin Ross*
1978	Robert Kuhn Mautz
1979	Maurice Moonitz
1980	Marshall Smith Armstrong
1981	Elmer Boyd Staats
1982	Herbert Elmer Miller
1983	Sidney Davidson
1984	Henry Alexander Benson
1985	Oscar Strand Gellein
1986	Robert Newton Anthony
1987	Philip Leroy Defliese
1988	Norton Moore Bedford
1989	Yuji Ijiri
1990	Charles Thomas Horngren
1991	Raymond John Chambers
1992	David Solomons*
1993	Richard Thomas Baker
1994	Robert Sprouse

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\*Deceased