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BOOK REVIEWS

W. T. Baxter, *Accounting Theory* (New York: Garland Publishing, Inc., 1996, 357 pp., \$82)

Reviewed by
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Dialogue—the exchange of ideas or opinions. In order to invoke critical dialogue among students, academician, and accounting historians, W. T. Baxter blends twelve thought-provoking accounting articles into a medley of theoretical prose. Readers should be advised that the title, *Accounting Theory*, is misleading. One should not expect a traditional “accounting theory” textbook proposing dogmatic views. Instead, the reader finds a collection of Baxter’s articles on various accounting theory topics including the meaning of wealth, asset and liability valuation, goodwill, depreciation, accounting research, and a particularly fascinating article on early accounting history, “The Tally and The Checker-Board” reprinted from *Accounting History* (Oxford: Clarendon Press, eds. R. H. Parker and B. S. Yamey, 1994). The author draws upon his past experiences and influences in selecting papers to be read in a “highly critical spirit” [p. xi].

The book’s incisive introduction implies that Baxter’s traditional accounting education hindered his critical examination of the underlying accounting principles during his early years in accounting practice. Baxter writes “the brainwashing was so thorough that I later was profoundly upset when university colleagues (economists) questioned me about accounting’s principles, and put forward objections that left me abashed and tongue-tied” [p. ix]. Through his revered association with colleagues Kenneth Boulding, Ronald Coase, Sir Ronald Edwards, and David Solomons from the London School of Economics, Baxter experienced an evolution in thinking about wealth and income. His book reflects the results of this evolution.

An interesting aspect of Baxter’s book is its chameleon appeal. As a textbook for undergraduate accounting students, *Accounting Theory* explores topics studied first in intermediate classes challenging the students to pursue a deeper understanding through critical dialogue. Baxter introduces students to his

theory of *deprival value*, a concept inspired by the writings of Professor James Bonright from Columbia University. Deprival value is a term used to describe the true value of the firm's assets including the value of outlay obviated by possession. Baxter presents this concept in a clear and understandable manner that appeals to students.

As a text for graduate studies, *Accounting Theory* serves as a research mechanism and a source for further studies into questionable areas of accounting practice and theory. Of particular interest to the graduate student, Baxter includes a section called Accounting Research—Academic Trends versus Practical Needs which examines, in part, the various aspects of the arguable nature of accounting research. As a recommended reference for accounting historians, *Accounting Theory* brings together various topics of interest and affords the reader an opportunity to discover, or rediscover, the controversial nature of accounting theory in general. After reading *Accounting Theory*, one single reader will experience moments of quiet pondering; whereas, two readers will surely engage in thought-provoking critical dialogue.

Michael Chatfield and Richard Vangermeersch, Eds., *The History of Accounting: An International Encyclopedia* (Garland Publishing, Inc., New York and London, 1996, 649 pp., \$95)

Reviewed by
Michael Gaffikin
University of Wollongong

On first learning of this book I was somewhat skeptical that such a volume could ever come close to doing justice to the history of accounting or even that an encyclopedia was an appropriate vehicle for serious accounting history. I also felt that as there were several authors it would be difficult to approach consistency in style let alone content. In fact, there is a very large number of contributors many of whom have no association with accounting history that I am aware of; actually there are some I know who would deny that accounting history serves any intellectual or other purpose and have never had any prior association with accounting history, so I find it surprising that they are prepared to be associated with such a deliberate accounting history work (and I doubt they would have "seen the

light"!)). On the other hand, there are some very notable accounting historians amongst the contributor list.

When I received the volume I was quite impressed with the presentation and with many of the entries I read. I have not read the entire work but have spent very many hours (days) poring over the entries, skipping from one to another as the mood took me. It is the intention that the work be used at all level of accounting scholarship and education. However, my skepticism was again aroused when I read in the Introduction that the work has works such as Chatfield's *A History of Accounting Thought* as one of its underpinnings as I have always found that to be a light work. However, the other works of the editors have also be drawn on and Vangermeersch's accounting history work has always impressed me.

Thus, many of the entries are by the editors but they have turned to the expertise of others for many of the entries they obviously felt was beyond their own areas. The work is truly encyclopedic in that it has entries for topics (subjects), definitions and biographies. The choice of those for whom there are biographies is surprising and there are many that I find hard to accept as having made other than a normal contribution to the discipline. I feel it is misplaced to have them alongside others who have made very significant contributions, some as early accounting writers, some as pioneers of theoretical and technical innovations. There seems to be undue deference to some who, in my opinion, have done very little to advance the discipline (quite the reverse, in fact). It was cozy to see that Ijiri wrote on Cooper and Cooper on Ijiri. However, there are some biographical entries which are informative and interesting and it would be difficult to find information on these people so the work serves a valuable service in this respect.

For the purist, encyclopedias present problems as no entry can ever "do justice" to a subject. For someone having devoted much of their work to defining and refining income measurement to find the whole subject summarized in two and a half pages (a large entry) would be disappointing. However, the encyclopedia never pretends to anything else. But should the entries have the obvious biases of the contributor? This is to be expected in cases where the contributor has written in the area so the reader will be directed to read that work, for example, Brownell's work on budgeting is slanted to performance evaluation. The entry for inflation accounting is not correct when it asserts that Chambers proposed a "black box". Some topics have

been omitted. Thus, if the work is to be for non-accountants as well as accountants where would an introduction to the notion of an asset be found? There is an entry for liabilities. There seems little point to the illustrations of cost curves for the entry on microeconomics in Germany—they could be found in an introductory economics text.

There are very many positive attributes of the work. Despite a natural U.S. bias, the editors have made every effort to make the work truly international. Entries on accounting in many countries (perhaps they can be forgiven for omitting New Zealand?) and on significant accounting figures in those countries have been included making this the first work to attempt to do this. At the end of each entry is a brief bibliography enabling those who wish to pursue further study of the topic to do so. There is a high degree of uniformity in the style of the entries so the editors must have worked hard on this aspect.

It is difficult to review an encyclopedia. People have differing views on the merits of such works; some of these works have achieved great recognition others have done this cause a great disservice. With the increase in information resulting from the information technology age, such works are usually found through some on line service. However, the hard work of researching the subjects must have been done first. The editors of this volume have performed a great service for accounting by having the energy and skills to draw together such a useful data base of information on accounting. It is easy to pick fault with aspects of such a work. Whether one believes in the concept of encyclopedias or not, this work is well worth acquiring for the information it includes as well as the directions it provides. Despite my skepticism I certainly would have bought a copy of this book and I recommend it to all accounting scholars (and institutions) whether or not they have the perception to be interested in accounting history.

Edward N. Coffman and Daniel L. Jensen, Eds., *T. Coleman Andrews: A Collection of His Writings* (The Accounting Hall of Fame, Ohio State University, Columbus, OH 1966, 5443 pp., \$40.)

Reviewed by
Robert Bloom
John Carroll University

Thomas Coleman Andrews (1899-1983) was inducted into the Accounting Hall of Fame at Ohio State University in 1953. A non-academic, he was a prolific writer. This very readable book synthesizes selected articles and speeches he prepared on accounting and auditing in the private-enterprise and governmental sectors.

Andrews' manuscripts are provided in seven parts of this book: 1) accounting and auditing practice, 2) state and local government accounting reforms, 3) federal government accounting reforms in the General Accounting Office, 4) other federal government accounting reforms, 5) professional leadership, 6) administration of the Internal Revenue Service, and 7) political and personal philosophies.

Self-educated through correspondence courses, Andrews began his career in public accounting in 1918. He became a CPA, founded his own firm, and was active in the American Society of Certified Public Accountants, a predecessor of the American Institute. A native of Virginia, Andrews became its Auditor of Public Accounts and later Comptroller of the City of Richmond. He was subsequently appointed Director of the Corporation Audits Division of the General Accounting Office. Serving as President of the American Institute of Accountants in 1950-51, he bridged the gap between accounting in private enterprise and the government. From 1953 to 1955, he was the first CPA to be U.S. Commissioner of Internal Revenue. After serving in that capacity, Andrews argued publicly to eliminate the income tax.

His eloquent manuscripts from 1923 to 1963 cover a wide range of issues, including: the nature of a CPA, the role of an accountant in the firm, the need for broad-based accounting education, accounting for government, and taxation by government. Interesting observations emerge from his writings, as the following quotations reveal:

The C.P.A. certificate was originally conceived as an attestation of fitness to engage in the *public* practice of accounting, and the reasons for this distinction are

more compelling to-day than ever. Those accountants who do not choose to go into public practice do not need C.P.A. certificates, and it is a distortion of the purpose of the accounting laws to give them certificates. I know of no surer way to make certain that the designation certified *public* accountant means what it clearly implies than to make the C.P.A. certificate available only to those who demonstrate that they intend to make their careers in public practice. [p. 37, italics in the original]

The foregoing comment is hypocritical since Andrews used the CPA to his great advantage in government.

Accounting, auditing and financial reporting are merely means to an end. The end in business is accurately informed management, owners and other interested parties. Only when management has accurate information is it in position to reach sound conclusions. In government, the end should be the same. The result undoubtedly would be a reduction of the burden of the cost of government upon the people. This end cannot be achieved unless and until the government uses accounting, auditing and financial reporting as tools of management. [p. 198]

Accounting as a discipline exists to provide information of a financial and managerial nature to be used in decision making.

There should be clear recognition of the distinction between accounting and independent auditing. Contrary to what many people think, the General Accounting Office is not the government's accounting office. It is primarily the independent auditing office...The Comptroller General's primary job is that of independent auditor of Congress. He is not the government's accounting officer, but he is, by law, injected into the archaic and confused accounting situation by being made to share with the administration the responsibility for important accounting determinations. Thus he is called up to review as auditor decisions that he makes as to accounting matters. This obviously is anomalous and improper. The General Accounting Office ought not to have anything at all to do with accounting, except to audit the books and report its findings, opinions and recommendations to the Congress. [p. 203]

Any individual or group who does accounting work should not be allowed to audit such accounting and vice versa. Otherwise, a conflict of interest results.

We aren't living the gospel of democracy and free enterprise today. We are merely preaching it. We have made only half of the combination work, and we've done that superlatively well. Free enterprise booms. But democracy staggers and reels under oppressive debts and inordinate operating costs—both the consequences of political failure, our political failure, yours and mine. [p. 450, italics in the original]

The last quote clearly captures Andrews' political beliefs.

A conservative in politics, he desired to cut government spending and reduce the size of government. Andrews believed in self-reliance, common sense, and the work ethic. While he began his career as a Certified Public Accountant, he gravitated to government accounting, taxation, and public administration. A critic and reformer at heart, he emphasized the importance of government stewardship and the need for full and understandable disclosure to the public. Andrews argued that accounting should serve the public interest and that better accounting leads to better government. Those themes recur in his speeches and writings.

T.A. Lee, A. Bishop and R.H. Parker, Eds., *Accounting History From the Renaissance to the Present: A Remembrance of Luca Pacioli* (New York: Garland Publishing, Inc., 1996, 290 pp., \$55)

Reviewed by
Kathleen Cooper
University of Wollongong

The book comprises seven chapters on a number of accounting history issues from the fifteenth century to the present. The papers were selected from the programme of a one-day conference held in Edinburgh in 1994 for an invited audience of accounting practitioners and historians. The major theme of the conference was the history and influence on accounting of double-entry bookkeeping. The targeted audience of the papers included in this text is undergraduate and graduate accountancy students and teachers with an interest in the history of accounting in Britain and America.

Given its targeted audience, the text is well set out. While each of the papers stands alone, they are set out in a manner that tells a complete and integrated story starting with the publication of the first book dealing with double-entry bookkeeping and then tracing the development of financial accounting and reporting and cost and management accounting from the fifteenth century through to the present and the establishment of an institutionalized accountancy profession. The final chapter deals with the evolution of the information technologies and their impact on the accountancy profession.

There are a number of common themes throughout the papers that make it clear that accounting is not an isolated, technical process that can be studied without reference to its social and political environment. For example, the paper dealing with Pacioli and the emergence of double-entry bookkeeping traces the social factors that may have influenced the development of the technique and also explains why Pacioli may have included it in a mathematics text. In addition, the issue is raised as to who Pacioli was and how it happened that his particular treatise was chosen for the newly developed art of printing. The paper suggests that for Pacioli, it was perhaps a case of "not what you know but whom you know" [p. 10] as his friends and associates included Dukes, Popes, leading intellectuals and artists.

While personal associations and alliances may not have been as important in later accounting developments, the ability to play the political game is clearly evident in the papers dealing with professionalisation of accountancy and the setting of accounting standards. These activities are depicted as serving political purposes in terms of not only gaining prestige and status for accountants but also a monopoly over accounting practice and how it is determined. Ample evidence is provided to indicate that the accountancy profession has forsaken its stated objective of protecting the public interest in favour of its own self-interests.

The accountancy profession's penchant for self-interest is clearly evident in both papers dealing with financial accounting and reporting. The first deals with the historical development of financial reporting and illustrates an ever increasing tendency to conceal or distort information so as to present the company as profitable and well-managed when it was often on the verge of financial ruin [p. 47]. While accounting standards emerged to curb this trend, the political nature of accounting standard setting effectively ensured that flexibility was enshrined in the re-

sulting standards. The preparers of financial statements benefited at the expense of the users.

The impact of economic and social factors is also apparent in the papers dealing with cost and management accounting and the impact of information technology on the accountancy profession. The papers dealing with cost and management accounting detail the influence of industrialization, two world wars and the concomitant need for information on management accounting. The second of these papers looks at specific developments including profit reporting and inventory valuation, budget planning, cost control and pricing policy. It also touches on the impact of information technology and signals a warning to accountancy that as many of the score-keeping activities are being automated and undertaken by non-accountants, their role must change. A more eclectic approach to management is required making use of organization theory, behavioral sciences and information theory.

This warning is seconded in the final paper dealing with information technology and the accountancy profession. As the paper notes, the accountancy profession had the opportunity to participate in the development of information technology and gain control over its application to the generation of accounting information. However, it allowed the opportunity to pass - initially. Information technology is not static and as ever more advances are made; as the use of information technology increases, the accountancy profession has a chance to participate in its development and application. The paper, however, concludes with a warning that producing ever more information may not be useful, particularly when it is essentially ignored by management. It is suggested that more concern be directed to the environment and an efficient use of resources than an ever increasing investment in technology.

In concluding, it must be said that for those seeking a definitive history of accountancy, in the Britain and America, this text will be a disappointment. This would be an impossible task for any text of this size. However, by combining what are essentially literature reviews with an overview of accountancy developments in the context of their social and political environments, this collection of readings should be of interest not only to students and teachers of accounting but also those looking for areas for further research. Many areas requiring further examination are identified. The notes at the end of most of the papers often clarify issues and, at the same time, point to avenues for

further research. The extensive bibliography is also most useful. Overall, this is a worthwhile text.

Ahmed Riahi-Belkaoui, *Accounting, a Multiparadigmatic Science* (Westport, Connecticut: Quorum Books, 1996, 208 pp., \$65.00)

Reviewed by

Nola Buhr

Binghamton University

If you were to pick up this book and begin at the beginning, you might expect that *Accounting, a Multiparadigmatic Science* was going to describe accounting research from a broad social science perspective. You might also expect to find a discussion of the growth and struggle, over the last 25 years, of such emergent areas as: behavioral accounting; accounting history; social and environmental accounting; and critical perspective accounting. Such a misapprehension arises because the first chapter of the book provides a succinct description of Kuhn's view (1970) of paradigms, the Burrell and Morgan (1979) four paradigm framework and a Jungian typology (1971) of accounting researchers. Riahi-Belkaoui even discusses political economy accounting.

Unfortunately, what has the potential to be an interesting read turns into a very dry overview of 30 years of the findings of mainstream accounting. The author chooses to ignore the foundation laid in chapter one and instead develops a set of five paradigms based on the state of accounting in the mid 1970s. No explanation or justification for the delineation of the five accounting paradigms is offered, other than the comment that it follows suggestions made by Wells (1976) and the American Accounting Association (1977).

The five chosen paradigms are:

- (1) The Anthropological/Inductive Paradigm;
- (2) The True Income/Deductive Paradigm;
- (3) The Decision Usefulness/Decision Model Paradigm;
- (4) The Decision Usefulness/Decision Maker/Aggregate Market Behavior Paradigm; and
- (5) The Decision Usefulness/Decision Maker/Individual User Paradigm.

The remainder of the book consists of five chapters, each of which is devoted to one of the five paradigms. The Anthropological/Inductive Paradigm consists primarily of information eco-

nomics, agency theory and positive accounting theory. Given the nature of this research it is not surprising that there is nary a mention of qualitative research techniques, even though the paradigm is classified as being anthropological and inductive in nature. The chapter on the True Income/Deductive Paradigm covers all the combinations and permutations of current value accounting. The level of detail is excessive for overiewing the research stream but not sufficient for use as a teaching tool. The third paradigm deals with bankruptcy prediction models and the fourth paradigm deals with capital markets research. The Decision Usefulness/Decision Maker/Individual User Paradigm includes cognitive based behavioral research, international accounting and management accounting. This is the only chapter where the reader is exposed to anything other than financial accounting.

The book suffers from what is only a minimal effort at analysis and synthesis. Noticeably absent is a concluding chapter that might offer some general thoughts about where accounting research has been and where it is headed. Much of the accounting research which has developed in the last 25 years and is typified by new journals, new conferences and new sections of the American Accounting Association is largely ignored throughout the book. It is only in the concluding two sentences of the book that the author refers, very briefly, to the struggle of new accounting research streams to gain acceptance:

The paradigm has gained a good measure of legitimacy in accounting research as evidenced by the large number of studies examining behavioral implications in the accounting environment. A good grounding in the social sciences is necessary for the survival of this paradigm and its eventual acceptance by policy makers. [p. 174]

On a less important note, the book has an irritating number of typographical errors and repeated lines of text that cry out for a good copy editor.

According to the forward, *Accounting, a Multiparadigmatic Science* promises to serve two purposes: (1) act as a guide to the accounting literature and (2) serve as a textbook to be used in research methodology and accounting theory courses. Are these purposes met? To a certain extent, yes. The book does serve as a well-referenced bibliographic guide. It can be used as a solid starting point for someone intent on pursuing the dominant

paradigm(s) of mainstream financial accounting. However, if you are looking for a book which examines accounting from a broad social sciences perspective, one which covers the struggle of emergent streams in accounting and examines a full range of accounting areas and research methodologies, this is not the book for you.

American Accounting Association, *Committee on Concepts and Standards for External Financial Reports: Statement on Accounting Theory and Theory Acceptance*, Sarasota, Florida: American Accounting Association, 1977.

Burrell, G. and Morgan, G., *Sociological Paradigms and Organizational Analysis*, London: Heinemann, 1979.

Jung, C. G., *Collected Works, Vol. 6, Psychological Types*, Princeton, New Jersey: Princeton University Press, 1971.

Kuhn, T. S., *The Structure of Scientific Revolution*. 2nd ed., Chicago: University of Chicago Press, 1970.

Wells, M. C., "A Revolution in Accounting Thought," *Accounting Review*, July 1976, pp. 471-482.

Terry K. Sheldahl, Ed., *Eighteenth-Century Book-keeping: Twelve Encyclopedia Articles* (New York and London: Garland Publishing, Inc., 1996, 232 pp., \$65.00)

Reviewed by
Robert Williams
University of Wollongong

The eighteenth century witnessed an increasing interest in double-entry book-keeping or the 'Italian Method' as it was often referred to. This book illustrates that interest by reproducing articles from encyclopedias published during that period. The book also assists accounting historians by providing access to important historical data which can be difficult to obtain.

The work consists of seven chapters. In Chapter 1 Sheldahl presents a detailed biographical and bibliographic introduction for each of the articles presented in later chapters. The author carefully describes the origin of each article, its author and the encyclopedia in which it was published. The chapter provides valuable background material for the later chapters and concludes with a comprehensive reference list.

Chapters 2 to 7 reproduce, in facsimile form, the articles that are the subject of the book. Beginning with the earliest article Chapter 2 presents the entries on book-keeping from Ephraim Chambers's *Cyclopaedia*, published in London in 1728, and from the 1738 edition. The later edition also included an

entry for 'books' and presents a more scholarly discussion of the topics, complete with examples of book-keeping procedures. As with a number of the articles published in Sheldahl's book, these ones draw heavily on the earlier work of the Savary brothers in France.

Chapter 3 reproduces four entries from Malachy Postlethwayt's *Universal Dictionary of Trade and Commerce*, published in London in 1751 and 1755. This text, too, draws upon the commercial dictionary compiled by Savary and Savary (1748). The author's supplemental notes at the beginning of the chapter indicate the changes that were made between successive editions of Postlethwayt's work. The entry from Richard Rolt's *A New Dictionary of Trade and Commerce* reproduced in Chapter 4 also draws on the work of the Savarys and provides an interesting comparison to Postlethwayt's articles.

The first edition of the *Encyclopædia Britannica* carried an extensive article on book-keeping, which Sheldahl reproduces in Chapter 5. The article, contributed by John Mair, was in line with the aim of the editors to provide "useful information" and provides a very practical description of the function of book-keeping together with appropriate practical illustrations.

Chapters 6 and 7 provide two American examples. The first from Thomas Dobson's *Encyclopædia*, published in Philadelphia in 1791, containing an article contributed by Robert Hamilton, whose own work *An Introduction Merchandise*, provided a comprehensive discussion of double-entry book-keeping. Chapter 7 provides an extract from the *Cyclopædia* by Abraham Rees, published in Philadelphia in 1807. The entry on book-keeping is again quite lengthy and practical in nature.

Sheldahl's book is a very useful volume as it is another indication of the importance placed upon book-keeping at the time of the Industrial Revolution. While it is accepted that encyclopaedia entries necessarily follow practice this book is a useful tool for researchers investigating the accounting records of the period. The illustrations contained in the encyclopaedia articles provide some striking similarities to modern practice and indicate the practical nature of the articles by demonstrating the relationship of the various accounting records and the use of those records. Also, because the examples included in the book span some eighty years it is possible to make comparisons and observe the evolution of the practice of book-keeping over this period. Sheldahl has provided a valuable insight into the practice of accounting in the eighteenth century.