# Accounting Hall of Fame 1997 Induction: John Campbell Burton; Accounting Hall of Fame 1997 Induction: Thomas Junior Burns


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John C. Burton

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# ACCOUNTING HALL OF FAME 1997 INDUCTION

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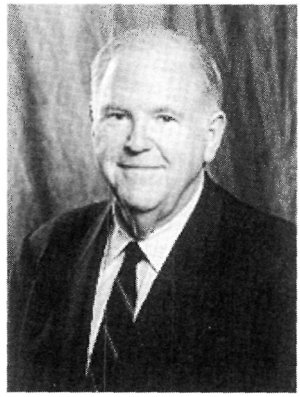
**Remarks, Citation, and Response**



## JOHN CAMPBELL BURTON

REMARKS
*by*
Donald J. Kirk
Columbia University

I am indeed honored to have been asked to read the citation for John C. (Sandy) Burton. But before I do, I must tell two short stories about this very special man.

I have know Sandy since his days as Chief Accountant of the SEC during the formative years of the FASB. In those days — and actually for the entire 14 years I was at the FASB — Sandy was a frequent critic of the Board. He might describe himself as a "loving" critic of the Board. I am sure I wasn't always convinced that "loving" was the right adjective, but his wit and humor always made him a "lovable" critic.

Sandy just did not trust the FASB to reach the "right" answers. That was understandable because he had a distinct advantage over the seven Board members. Sandy disclosed this advantage when questioned by an irate financial officer as to how he could ever have come up with the idea for some particular "outrageous" SEC proposal or rule. Sandy revealed his secret when he replied, "It must have been divine revelation."

When the SEC, that is, Sandy, was considering requiring current cost accounting, the FASB floated a competing proposal for accounting in terms of units of purchasing power. Sandy quickly labeled the FASB's proposal as "Pu-Pu" accounting and that put a quick end to the competition.

Ten years ago, my shortcomings at the FASB were overlooked when Sandy asked me to join him at Columbia Business School where I have benefitted from his counsel and friendship. A man of ample girth, Sandy is as big-hearted as he is big-waisted.

There are many other stories that could be told about his quick wit, sense of humor, strong intellect, and moral courage, but it is time to read the citation which captures the essence of the man.

## CITATION

*written by*

Daniel L. Jensen
The Ohio State University

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Donald J. Kirk
Columbia University

His distinguished career spans accounting practice, academe, and government. Combining wisdom and wit, he rejuvenated accounting regulation, helped rescue a city from financial crisis, led one of the nation's best business schools, and even was a statistician for the Brooklyn Dodgers.

This consummate New Yorker was born in 1932, the son of an early partner in Arthur Young & Company and the grandson of a minister in the Church of Scotland. Although his parents did not pressure him into an accounting career, he grew up with a keen interest in accounting and its problems of control and measurement. After graduation from Haverford College in 1954, with a major in political science, he entered the MBA program at Columbia University where he majored in accounting and took top honors. Graduating in 1956, he joined Arthur Young & Company in New York where he became a CPA and a senior accountant with responsibility for the audit of several major listed corporations. In 1960, he returned to Columbia University as a Ford Foundation Fellow, receiving the Ph.D. degree in 1962. During his college days, he worked as an assistant statistician for the Brooklyn Dodgers; when the team moved west, Walter O'Malley offered him a job as Chief Accountant of the Dodgers. Although seriously tempted by the offer, he decided to remain in New York where he was and is firmly attached.

Upon completion of his Ph.D., he joined the faculty of the Graduate School of Business at Columbia University, where he taught courses in corporate finance, security analysis, and accounting to MBA and Ph.D. students for over a decade. An award-winning teacher, he has produced seven books and over 50 articles.

In 1972, he was appointed Chief Accountant of the Securities and Exchange Commission, succeeding Hall of Fame Member Andrew Barr. Shortly thereafter, he received a letter from Walter O'Malley congratulating him on finally taking a chief accountant's job. Beginning his work on June 19, 1972 — the day of the Watergate break-in, he is fond of noting — he remained at the Commission for nearly five years, where he quickly earned a reputation for being an activist and an articulate spokesman for the Commission. He was deeply involved in increasing financial disclosure requirements, the development of enforcement activities, the creation of a relationship with the Financial Accounting Standards Board, and the task of communicating SEC principles and philosophy to the accounting profession. During a period of double-digit inflation, he initiated the first requirements for companies to disclose the impact of current costs on their financial reports, and he prodded the accounting profession in the development of a comprehensive self-regulatory structure that included peer review.

Upon completion of his term as Chief Accountant in 1976, he was appointed Deputy Mayor for Finance for the City of New York in a time of financial crisis for the city. As the senior appointed financial officer of the city, he had responsibility for long-term financial planning, financial management of operations, and relations with other governmental bodies. He participated in leading the city out of its short-term financial crisis by implementing the city's first integrated financial management system and by building tax structures conducive to the economic development of the city.

In 1978, he returned to Columbia University as the Ernst & Young Professor of Accounting and Finance. He became Dean of the Graduate School of Business in 1982 and held that position until 1988. From 1988 to 1991, he was co-editor of *Accounting Horizons*, a quarterly journal of the American Accounting Association.

His many honors and awards include Hofstra University's Distinguished Scholar Award and the SEC's Distinguished Service Award. He has served on advisory boards and committees for many organizations including the Council of the American Institute of Certified Public Accountants, the Financial Accounting Standards Advisory Council, the National Association of Securities Dealers as a Public Governor, the Office of the U.S. Comptroller General as a member of the Consultants' Panel, and the American Accounting Association as a Vice-President. In addition, he has served and continues to serve on the governance boards of many financial institutions and corporations.

An avid reader and sports fan, he has two children, Bruce and Eve, and lives with his wife, Jane, in New York City. He is the 59th member of the Accounting Hall of Fame, John C. (Sandy) Burton.

## RESPONSE
*by*
John C. Burton
Columbia University

The Hall of Fame is an unusual phenomenon. The best known of such organizations are associated with athletic prowess: the Baseball Hall of Fame in Cooperstown, NY, the Pro Football Hall of Fame in Canton, Ohio, and the Basketball Hall of Fame in Springfield, Massachusetts. It is therefore not surprising that those who know me would think of me as only a remote candidate for Hall of Famedom. Indeed, were it not for the efforts of Tom Burns of the Ohio State University faculty who played a major role in the revitalization and maintenance of the Accounting Hall of Fame, I doubt very much that such an organization would exist today. I am therefore particularly pleased to share this ceremony with Tom and I am honored to be recognized at the same time as he. I only wish that he could be present in person.

While athletic achievement of a physical kind has not been my long suit, I have spent many hours of commitment to sports and I have, from time to time, considered a professional off-the-field sports career as a part or full-time activity. When I was in college, I worked for the Brooklyn Dodgers as Assistant Statistician (three pennants and one world championship in four years), and after graduation, I received an offer from Walter

O'Malley to go to Los Angeles as Chief Accountant of the Dodgers. Turning this down was difficult, since it offered the opportunity to combine my two foremost passions, sports and measurement, into a professional sports career. After much soul searching, I opted to devote myself to business measurement, regulation, and disclosure where success is not measured solely by games won and lost.

As I attended the American Accounting Association meeting this summer in Dallas instead of the baseball meetings at Cooperstown, I am confident that I made the right choice in not being enticed by the romanticism of major league baseball, despite the joys it might have brought me. I can still recall no greater thrill than that of visiting the winning clubhouse of the 1955 world champion Dodgers where they celebrated their first world series victory. But even if these events were to be replicated, I would have missed out on the many elements of a diversified forty-year career that has included accountancy, academia, and government. In addition, I would have been deprived the recognition of my peer group, as evidenced by this flattering ceremony, the great satisfaction of directing the learning process of generations of students, and the platform for communicating the principles and philosophy of the SEC to the accounting profession. There is no better "Bully Pulpit" for an accountant, particularly one seeking change.

While I take pride in these achievements, they arise out of the efforts of many persons who played significant roles in any accomplishments which I modestly identify with my own activities. It is essential to recognize that many different persons played integral parts in any individual's accomplishments. In my case, I was particularly fortunate to have the support and fine judgment of a large number of those whose wisdom helped to direct me in productive ways. One must start any such group with my family.

This involves four generations of professionals. My paternal grandfather was a minister of the Church of Scotland, my father an accountant, and my uncle a surgeon at the Royal Infirmary of Glasgow. On my mother's side, her father was a physician with a general practice in Winchester, Massachusetts, prior to his premature death at the age of 42. The women of these generations faced an environment in which women played a limited role in professional activities. Were the environment different, I believe that my mother's interests would have led her to an active professional role. I knew neither of my grandfathers personally, but they had a significant impact on their children and hence on succeeding generations. My father, who was one of the early partners of Arthur Young & Co., came to the United States around the turn of the century and was successful in an accounting career. On many occasions, he would tell me how his preaching father expressed some doubt about accounting as a way of life, but he would also emphasize that different career paths could be mutually enriching. I have always been grateful that my father followed a similar approach when I chose a career different from the practice of accountancy, and took pleasure in debating the issues of ethics and measurement on which we could happily disagree. His judgment was fundamentally sound, and I found him a continuing source of wisdom.

My wife Jane found a commitment to service equivalent to that achieved by the members of the family even though it was less standard than those performing direct services. Her support combined a substantial commitment to our children together with an investment in my career. This resulted in a family unit which allowed for the evolution of her own vision to enhance the lives of very young children and parents by introducing them to reading and ownership of books. Her project "Reach Out and Read" is now an integral part to the development of children both in hospitals in New York and elsewhere. In addition, the family unit to which she contributes so significantly has allowed our children to become effective business and professional persons, following the traditions of service established by previous generations.

I am pleased that my son, Bruce, a representative of the fourth generation, could be here today. He keeps my pontifications under control. In addition, as Vice President of Marketing and Production of the Dole Fruit Company, he helps feed the customers (and shareholders!). My daughter, Eve, is Assistant General Counsel for the *New York Daily News.* She keeps the paper within the bounds of acceptable publishing. Both these professionals are continuing the tradition of service to the next generation. We watch with pleasure the growth of our grandchildren who seem willing and able to carry the baton.

Beyond the family, the impact of professional associates has played an important role in my development. In this connection I must initially call attention to my many colleagues at Columbia Business School who stimulated my intellectual curiosity. My first direct involvement came from David Dodd who asked me, while in my first year as an MBA student, if I would teach a graduate class in Basic Finance. I enthusiastically agreed, and despite the churning in my stomach, managed to meet Dave's expectations for me. I was doubly surprised when Dave gave me a check for $50, which was the first evidence I had ever had that I could be paid for teaching. In the second year of the MBA program, I worked systematically with Dave and learned the philosophy of Graham and Dodd. Additionally, I was exposed to Roger Murray for the first time, whose wisdom and insights directed me to the possibility of a doctoral program. Dean Courtney Brown also urged me to think in these terms and pressed me to consider an academic career, notwithstanding my expressed desire to enter the public accounting profession. Two years after graduation, while I was working in public accounting, the Dean offered me a full-term one course teaching assignment in basic accounting. I found this an exciting opportunity which sustained my previous discovery that the best way to learn a subject was to teach it. In the fall of 1960, the Dean offered to nominate me for a Ford Foundation Fellowship. I now found myself receptive to his urgings. In two years under Roger Murray's deft and supportive chairmanship, I completed the doctoral program in Finance. Since we had not yet learned the dangers of drinking one's own wine, I received and accepted an invitation to join the Columbia faculty in accounting and finance. While many colleagues have contributed toward my intellectual development in the years that have followed, I must specially mention Gordon Shillinglaw and Carl Nelson who provided the day-to-day stimulation so important in an academic career.

In 1972, after ten years on the Faculty, I received an invitation from Bill Casey to join the staff of the Securities and Exchange Commission as Chief Accountant. In my initial interview with Bill, I pointed out that I lacked SEC experience and he responded that this was one thing in substantial supply at the Commission and that he was looking for something different. After three months of looking, he offered me the job, which I accepted after three minutes of thinking. In June 1972, I arrived at the Commission to become its fifth Chief Accountant. To this day, I have no idea how I was selected although I have had many people take credit or blame depending on their point of view.

My five years with the Commission were enormously challenging and rewarding. During my tenure, there were a number of particularly exciting projects which the Chief Accountant was deeply involved in. They included broad expansion of disclosure requirements in income tax expense; leasing; liquidity and the management's discussion and analysis of income; the impact of "big bath" accounting; and the development of new approaches to enforcement of public accountants, such as peer review.

These years were also ones in which inflation was an increasing problem, and accountants were faced with substantial pressure to do something to reflect the impact of changing prices on financial reporting. I remember Chairman Ray Garrett returning from a Thanksgiving meeting at the White House and calling me in to tell me that President Ford wanted us to take some steps to deal with this problem. He asked what we could do that would be effective immediately. Even I, with a zeal for promptness and a skepticism about the costs of delay, felt we could not reasonably require registrants to put a new approach into effect in 30 days. We compromised by issuing a release (Accounting Series Release No. 151 — Disclosure of Inventory Profits) encouraging companies (on a voluntary basis) to make disclosure of the impact of rising prices on financial reporting. This could be called an approach which had limited success. Our survey of registrants found one out of 1,500 made any form of quantitative disclosure, so the staff set to work on what a year later became Accounting Series Release No. 190 which required disclosure of the impact of changing prices on large companies. While the problems of accounting for changing prices continued for a number of years, the gradual decrease in the rate of inflation has decreased calls for accounting change. We can only hope that we will not have to face a new inflationary environment with no time to develop a new solution. The elimination of mandatory disclosure and the urging of a voluntary approach has not been more successful than it was in the past.

Perhaps the most significant accomplishment of the Chief Accountant's Office in my time at the Commission was the establishment of a long-term relationship with the Financial Accounting Standards Board (FASB). In the early 1970s, there was a general feeling in the corporate and accounting communities that the standard-setting process under the direction of the Accounting Research Division of the AICPA and its senior technical committee, the Accounting Principles Board, was not doing a satisfactory job. The corporate world felt that it was underrepresented on the APB and that its judgments did not reflect business reality. The problem of accounting for business combinations was the most subject to criticism, but there was a general feeling that the Board was not producing practical results and that in addition, the relation between the SEC and the APB was too "cozy." In 1970, the AICPA appointed a committee under the leadership of a well-known securities lawyer and former SEC Commissioner Frank Wheat to study the structure currently in use and recommend a new institutional setting. The Committee reported in 1971, suggesting a more representative standard-setting body, a full-time group of seven board members and a research arm funded by contributions from the accounting profession, the business community (represented by the Financial Executives Institute and the Institute of Management Accountants), and small contributions from the users of statements and the academic accounting community. An additional two entities were created, the Financial Accounting Foundation to select the board members and otherwise govern the business side of the process, and the Financial Accounting Standards Advisory Council to provide independent technical advice and counsel.

One of the first steps to be taken by the Securities and Exchange Commission was a decision as to the acceptability of the proposed structure. This was not a small step since the Congress, when it passed the Securities Acts in the 1930s, gave the authority to the Commission to establish accounting principles. The SEC, at the urging of its first Chief Accountant, Carman Blough, elected to put aside this authority and allow the accounting profession to take responsibility for determining acceptable accounting under the Commission's oversight. The vote was 3 to 2. In the years since, the Commission has generally affirmed this judgment although in a few cases issues have gone the other way.

The first problem to be considered was the way in which the FASB board members and staff would relate to the SEC commissioners and staff. Initially, the FASB took the position that it would exercise primary responsibility for accounting rules. The SEC felt that it could not meet its statutory obligation in this manner. After several meetings, a compromise was reached and recorded (Accounting Series Release No. 150) under which the traditional responsibilities were sustained. This was essentially the acceptance of the Wheat Committee's report by the SEC and by the AICPA. The structure put in place has largely survived for more than 25 years, and while few would endorse every step taken, on balance the record is favorable.

The structure as adopted in Accounting Series Release No. 150 has evolved to utilize the talents of the Commission's staff and the professional accountants who have worked with the many day-to-day problems faced by registrants dealing with clients. The success of this process is the result of the excellence of the people who devoted themselves to it and the ability to marshal their talents. The only significant subsequent structural change has been the creation of the Emerging Issues Task Force which allows accounting issues to be brought to the FASB and Commission's staff on a timely basis.

Marshall Armstrong, Don Kirk, Dennis Beresford, and recently Ed Jenkins have served as FASB Chairmen, while Bill Casey, Ray Garrett, Harold Williams, and Arthur Levitt, Jr. were effective SEC Chairmen with accounting interests. A. A. Sommer, Stan Sporkin, Phil Loomis, Irving Pollack, Clarence Sampson, and many others were top professionals who were outstanding to work with.

We hope that the activities of these challenging persons and their successors will be continued. The recently adopted statement on stock compensation is an example of a case where a particular standard was accepted as a result of pressure on the board overcoming sound accounting reasoning. This significant failure cannot be replicated if the FASB is to sustain its credibility. At the present time, there are once again threats to the maintenance of a dispassionate, accounting standard-setting process. The pressure now being brought on the board is of serious concern. The newly appointed chairman, Ed Jenkins, is a qualified and determined professional who recently completed an innovative report on financial reporting. The efforts of the corporate community whose narrow self-interest may seek artificial solutions to business problems such as derivative securities are of concern. It would be unfortunate indeed if we start a new approach of a new chairman by chopping off his knuckles. The excellence of financial reporting and its importance in keeping our financial markets the best in the world leads us to require a more progressive solution. Let us hope that a sound foundation solidly supported will emerge.

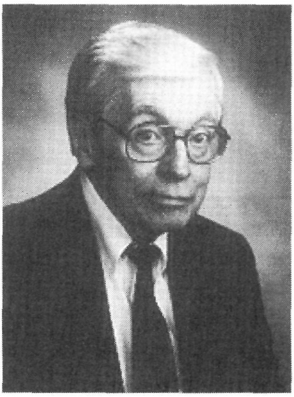
I appreciate this great honor of being inducted into the Accounting Hall of Fame and I and my family thank you.

# ACCOUNTING HALL OF FAME 1997 INDUCTION

August 18, 1997
Dallas, Texas

**Citation**

## THOMAS JUNIOR BURNS



CITATION
*written by*
Daniel L. Jensen
The Ohio State University
*read by*
Andrew D. Bailey, Jr.
University of Illinois at Urbana-Champaign

This dedicated teacher of accounting was a mentor to countless undergraduate and graduate students and creatively shaped the university and organizations in which he worked.

He was born in Arena, Wisconsin in 1923, and grew up in a small town near Madison. He played football in high school and graduated at the top of his class. Following high school, he enrolled as a part-time student at the University of Wisconsin working full-time for Gisholt Machine Company to assist financially his sister in attending college. In March 1943, he entered military service and served as a staff sergeant with the U.S. Army in Europe during World War II. He returned to the University of Wisconsin in December 1945, where he completed a degree in accounting and American history at the University of Wisconsin. Following graduation in 1948 and a brief stint with the Wisconsin Department of Taxation, he became controller for Lawrence University in Appleton, Wisconsin and, in 1952, became a CPA. In addition to the responsibilities of controller, the post included an opportunity to teach the beginning accounting course. Teaching in this small liberal arts school kindled his interest in teaching and, in 1955, he entered the University of Michigan to pursue graduate work. He received an MBA degree in 1957. Following a year on the accounting faculty at Southern Illinois University, he entered the University of Minnesota where he earned a Ph.D. in accounting under the direction of Carl L. Nelson.

In 1963, he accepted a position at The Ohio State University as Associate Professor of Accounting. Except for brief visiting appointments at Stanford University, Harvard University, the University of Chicago, and the University of California — Berkeley, he spent the remainder of his academic career at Ohio State, where he was promoted to professor of accounting in 1967 and served as department chair from 1977 to 1981.

He was totally dedicated to Ohio State's accounting students and programs. He founded the Accounting Honors Program in the late 1960s and served as its director until his retirement in 1994. Working with the Honors Program and the Omicron Chapter of Beta Alpha Psi, he molded an extraordinary educational experience for hundreds of accounting students. That experience included the Beta Alpha Psi National Student Seminar which he founded and which was named in his honor. He also served as director of Ohio State's accounting Ph.D. program for over 20 years and mentored dozens of new entrants to accounting academe who remember him as an insightful and tough-minded adviser. In the early 1970s, he revitalized The Ohio State Accounting Hall of Fame and served as its chair until his death in 1996.

In addition to papers in academic and professional journals, his scholarly publishing included several books and many edited conference proceedings. Several of these proceedings were instrumental in raising the importance of behavioral and social phenomena in accounting research. He was a strong proponent of innovation in accounting education, and for nearly 30 years McGraw-Hill published his *Accounting Trends*, an annual collection of innovative course outlines.

He served as national president of Beta Alpha Psi, director of education for the American Accounting Association, and president of the Academy of Accounting Historians. He made lasting contributions to the programs of all these organizations and received honors and awards from virtually every organization in which he became involved. These many honors include the Outstanding Accounting Educator Awards from both the American Institute of CPAs (1989) and the American Accounting Association (1992). He was also the first recipient of the Ohio Outstanding Accounting Educator Award.

He retired from Ohio State as Deloitte & Touche Professor of Accounting in 1994. Despite the limitations imposed by severe arthritis, he continued to advise students and colleagues and to work on matters related to Beta Alpha Psi and The Accounting Hall of Fame. He died on January 10, 1996. He is the 60th member of the Accounting Hall of Fame, Thomas Junior Burns.