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BOOK REVIEWS

Garry Carnegie, *Pastoral Accounting in Colonial Australia: A Case Study of Unregulated Accounting* (New York: Garland Publishing, Inc., 1997, 288 pp., \$60)

Reviewed by

Jan R. Heier

Auburn University at Montgomery

The history of Australia is a mystery to the average reader. Most see the country's history as nothing more than a shipload of convicts being deposited at Botany Bay and left to fend for themselves. In this book, Carnegie has lifted some of that mystery away from the history of Australia and has placed the development of the country in its proper perspective. More important to this review, he has traced the role that accounting and accountants played in taking Australia from a colonial backwater to a modern country. Carnegie also has showed the importance of the development of accounting principles to the development of a modern economy.

The book, which came from the author's doctoral dissertation, contains a thorough literature review and a methodology chapter that outlines the archival sources and the way they were used in the study. A short historical background of the societal, political, and legal nature of colonial Australia provides the basis for the sound analysis of accounting development used by the author in later chapters of the book. Finally, the author gives short biographies of the people who owned the sheep stations and a review of the contents of each of the 23 manuscripts of business records used for the study. This gives the book a very personal touch and makes the people who compiled the manuscripts more than a century ago very real.

Using the information from the manuscripts, Carnegie tells the story of sheep ranching in the Western District of Victoria before the federation of Australia, a period from about 1834 to 1901. These manuscripts include both accounting data and personal accounts of the proprietors of the stations. The archival research helps to track the development of accounting usages and practices among the sheep stations and related businesses and their effect on the development of the accounting profession in Australia.

In later chapters, the author discusses the nature of colonial pastoral records. In brief summary, the accounting on the sheep stations primarily involved record keeping for wool production. In the early part of the 19th century, this record keeping was largely non-financial in nature and dealt with such matters as the number of bales of wool produced and number of sheep shorn. Although records were also kept on wool sales, most of financial records about the stations' expenses and debts were kept in what the author called personalized ledgers. Though the term "ledger" was used, the author indicated that neither double-entry accounting nor periodic financial statements were the norms until the 1890s. Finally, as the political nature of the colony changed post-1870, the influence of professional accountants became important to the stations and affected the direction of accounting change.

Simply put, in the 1870s a colonial government, based on colonial liberalism, instituted a death duty or estate tax on sheep stations. Such a law resulted in the need for better accounting records compared with "bare essential" records described by the author for the earlier period under study. Besides legal and political considerations, the author indicated that cultural and environmental factors also influenced the development of accounting. Economic changes in the colony put an end to the original barter system as money became more plentiful. Finally, as the educational level of the people of the colony rose, the ability to understand financial texts made the adoption of double-entry accounting easier.

Carnegie's book is a very good example of the power of archival research and its ability to trace accounting change over time. His story of the development of pastoral accounting in colonial Australia is well-researched and the conclusions he puts forth to explain the nature of and reasons for accounting change are very sound. The research presented in the book is a very good addition to the accounting historian's knowledge and understanding of why and under what conditions accounting principles develop.

Frank L. Clarke, Graeme W. Dean, and Kyle G. Oliver, *Corporate Collapse: Regulatory, Accounting and Ethical Failure* (Melbourne: Cambridge University Press, 1997, 314 pp., \$69.95)

Reviewed by
Peter Foreman
Deakin University

Clarke, Dean, and Oliver have gathered convincing evidence from three decades of corporate collapses in Australia to question the role played by the accounting profession and the accounting regulators in most of these financial disasters. Although this is a book about Australian corporate history, it should be of interest and relevance to readers in other countries, particularly those countries that espouse an Anglo-American accounting philosophy. Reference is also made to similar collapses and therefore similar problems in the U.K. and U.S. The first sentence in the preface sets the agenda and leaves the reader in no doubt as to the authors' thesis: "Over more than three decades of corporate collapse, continued criticism of accounting is the result of ineffective action by regulators in general and the accounting profession in particular" [p. xii].

In the first of five parts, the authors develop their argument that current accounting standards and regulations do not provide useful information for investors or creditors and particularly do not predict impending collapse. Strict adherence to standards has, in fact, enabled directors to confuse and mislead about the true state of financial affairs of the corporation. The hue and cry after every major collapse blames incorrect application, not the system itself. However, the authors observe that "virtually none of the commentaries attack the organisational and accounting fundamentals — virtually all imply that current standards have not been applied adequately. None observe that even if they *had* been, it would not have solved the problem" [p. 12]. The reaction of regulators is inevitably the prescription of more rules. Such a response is not new; the Royal Mail collapse in the 1920s evoked a similar reaction.

The middle three sections of this book are devoted to a history of major corporate collapses. Each of the nine chapters covers the events of a single corporate collapse. The collapses included are Reid Murray, Stanhill, H. G. Palmer, Minsec, Cambridge Credit, Associated Securities, Adsteam, Bond, and Westmex. All had highly complex group structures which

contributed to the misleading information published in their accounting reports. The authors have analyzed the contemporary materials and given a commentary on these data and reactions at the time. These are engrossing reading for all those interested in accounting and corporate history. History is not, however, the authors' main concern. Each tale is a liturgy of blaming the individual, the high-flying entrepreneur, and sometimes the auditors. The system is never at fault; problems arise because individuals fail to apply the accounting standards with enough rigor.

The final section is devoted to addressing the problems inherent in the current regulatory structure and advancing possible solutions. The authors contend that all the collapses discussed display very complex structures and that the accounting standards for consolidations have created misleading information. Regulations encouraged more complex groups which resulted in more confusing reports and the failure to differentiate between public and private interests.

The authors' solution is "(i) proscribe wholly-owned subsidiary companies and account for the decentralised operations as if they were branches; or, failing that, (ii) require an aggregation of group assets based on the market price of assets" [p. 225]. Thus, they support Chambers' exit-pricing approach as the resolution to defects in current accounting standards. The question of control becomes irrelevant if market prices are used to value assets, including shares in partly owned subsidiaries. This approach requires "an accounting mechanism in which period balance sheets contain data from which aggregations of the money and money's worth (selling prices) of the physical assets and the amount of the liabilities can be determined and articulated income statements produced" [p. 230].

The authors conclude with something of a warning to the accounting profession. They have thus far failed to provide serviceable financial information to stakeholders. Suggesting that the problem lies with the reader's inability to recognize the limitations of published accounts or a retreat into yet greater prescriptive regulations is not the answer. The increase in litigation against auditors is not likely to decrease; indeed, actions under the Trades Practices Act open up a new area of concern. The way to reduce this litigatory deluge is to adopt the mark-to-market approach; thus, providing stakeholders with useful and reliable financial data on which they can make informed decisions.

Richard K. Fleischman and Lee D. Parker, *What is Past is Prologue: Cost Accounting in the British Industrial Revolution, 1760-1850* (New York: Garland Publishing, Inc., 1997, 368 pp., \$64)

Reviewed by
Gweneth Norris
Deakin University

This book investigates the cost accounting and cost management practices in the three dominant industries of the British Industrial Revolution (BIR): the iron, textile, and extractive industries. It provides an overview of these practices and industries, before exploring "the relationship between technological change and cost management" and examining "the paradigmatic approaches that have predominated in recent costing history" [p. 4].

Many of the chapters draw heavily from previously published papers of the authors, both jointly and separately with other colleagues, while adding much original data. Followers of this literature through various journals will benefit from the consolidation of the evidence and the coherent picture that this book presents. The further development and discussion of the Neoclassical versus Foucauldian (Chapters 7 and 9) and Marxist (Chapter 9) arguments provides an added interest.

Working through the book, the material gradually becomes more detailed. The first chapter introduces the reader to the environment from which the source data originate. The rapid developments of the BIR are explicated, illustrated with staggering statistics. This chapter also describes, and seeks to explain, the former misrepresentation of the cost accounting history of this period.

Chapter 2 provides "The Big Picture" by summarizing the authors' "findings of managerial accounting techniques in 25 major BIR enterprises" [p. 21]. After brief detail of the firms and the basis for analysis, the techniques of the period are discussed under eight headings: expense control; responsibility management; product costing; overhead allocation; cost comparisons; costs for special decisions; budgets, forecasts, and standards; and inventory control. Within these categories, the degree of sophistication occasions surprise in view of the previous assertions by accounting historians of lack of management accounting applications at this time in Britain. Evidence from the 18th century of cost center allocations, as well as cost analyses for repair-or-sell, outsourcing, and transfer-pricing

decisions, whet the reader's appetite for the more detailed later chapters.

Chapters 3, 4, and 5 examine the three industries more closely, focusing on the iron, textile, and extractive industries respectively. The evidence on management accounting practices in the iron industry provides an interesting background to the study of the less sophisticated textile firms. This is then followed by the more advanced management accounting practices evidenced in the extractive firms. The presentation of analysis in these chapters is not constrained by an attempt at consistency in format. Based on data from 24 iron firms, Chapter 3 presents data from 11 individual case studies (seven briefly and four in more detail), before consolidating the evidence and analyzing the "relationship between iron industry cost management and its environmental influences" [p. 50].

Chapter 4 presents data from the "archival survivals" [p. 81] of 30 textile firms, categorized according to four different uses of the information produced: expense control, product costing, responsibility accounting, and non-routine decision making. While the subsequent analysis relates management accounting techniques to technological changes of the period, the conclusion specifically compares the cost accounting activities in the iron and textile industries during the BIR. Chapter 5 disproves the authors' earlier contention [Fleischman and Parker, 1991] that cost accounting would be more important and highly developed in a factory environment: "This chapter is presented in an effort to rectify our former short-sightedness" [p. 116]. Here data are classified according to the geographic location of the sites to which they relate. Whereas the influences on management accounting practices in the iron industry were shown to be predominantly external, and those on the textile industries internal, the influences on such practices in the extractive industries are found to be both external and internal to the industry. These are, primarily, financial resourcing issues and the magnitude of operations.

Chapters 6 and 7 demonstrate the range and depth of management accounting techniques by presenting two in-depth case studies. Chapter 6 focuses on "costing practices" [p. 191] in the Carron iron firm, using seven of the categories of Chapter 2 as subheadings. Of particular interest is the inverse relationship found between management accounting and financial accounting sophistication over the lengthy period studied. Chapter 7 takes a different approach. By focusing on the development and

use of labor standards within the Boulton and Watt steam engine firm, there is an attempt to “shed light on the labour control issue.” However, this gives rise to an analysis that centers on the conflict, and possible resolution of the debate, between the Neoclassical economic rationalist and the Foucauldian views of the stimuli for using labor standards and performance measurement to control human behavior. A point of interest here is the disclaimer of one of the authors with regard to the argument developed within the chapter.

In parts of the early chapters, readability suffers from the heavy detail that is presented. However, respect for both the weight of evidence that supports the authors’ arguments and their full discussion of other related literature outweighs the occasional laboriousness of the prose. While the assiduous attention to detail continues through Chapter 8, it is presented within the historical setting that this reader had sought in earlier chapters. Briefly revisiting much of the evidence from earlier chapters, this chapter presents a flowing account, and a fascinating picture, of the use of management accounting techniques for informed decision making with regard to, for example, selecting, procuring, and running new technological applications. Would this industrial revolution have occurred, or taken a different direction, were it not for the micro-level analyses that directed individual decisions? This argument challenges the narrow arguments that macro-level factors, such as population growth and expanding overseas markets, completely dominated financially uninformed, or reckless, entrepreneurs. Was the survival of the fittest firms a matter of lucky or of intelligent decision making?

Chapter 9 appears to attempt the impossible. The first section provides an overview of extant methodologies and the paradigm paralysis that inhibits the development of the pluralistic and synergistic approach that the authors believe is vital to an understanding of accounting’s role in history in general [p. 276] and, more specifically, its role during the BIR [p. 241]. The chapter progresses to deeper coverage of what are claimed to be the “three major schools” represented in the literature on industrial revolution cost accounting: Neoclassicism, Foucauldianism, and Marxism. The chapter represents compulsory reading for both would-be accounting historians and current “participants [protagonists?] in these theoretical debates” [p. 241]. The authors conclude that the coexistence of competing theoretical perspectives is necessary so that each may bring a

contribution to a synergized whole. What appears to be missing at present is the necessary mutual respect between different schools of thought that is a prerequisite for useful dialogue and debate among them.

The final chapter highlights the major findings with regard to the industry studies, firm case studies, the relationship between costing and technological change, and "the perspectives yielded by differing theoretical and methodological paradigms" [p. 281]. It encourages further investigation of the period by reference to the archives of other firms, especially those in other industries (e.g., railways). However, it does not address some issues relating to both met and unmet objectives of the book. First, the intended demonstration that British cost accounting methods predated American costing methods is not mentioned, although achieved. Second, there are claims early in the book that it would show that the BIR was a "formative period for the development of sophisticated management accounting methods" [p. 17], that it was a pioneering epoch in the development of cost accounting [p. 23], and that the authors seek the foundations of "purposeful" cost accounting [p. 23]. This view is also both mentioned and inferred elsewhere. However, the evidence is not convincing that either these methods were *first* developed during this period in history or that they are the *basis* of current management accounting knowledge and practice. Indeed, the concluding chapter states that many of the cost accounting and cost management practices later temporarily vanished from view. Further, due to lack of documentation we may never know what drove the choice and use of innovative methods (some mechanical) during the earlier agricultural revolution. Can we confidently exclude their use during the days of the Roman Empire, or by the early Egyptians or Mayans? Any claim of a period of first use is brave indeed. Is it not possible that certain members of man[kind] are capable of determining what information is relevant to a particular decision in an isolated fashion? Notwithstanding this, anyone with a deep interest in history would find the methods actually employed in historic decision making quite fascinating.

A useful addition to the book would be a chronological chart, placing this period and its developments into context. For an holistic appreciation of the period and the place of the phenomena under study within that period, a chart that positions the developments and inventions of the period (e.g., the spinning jenny, the laying of the first railway, the Davy lamp,

and the widely different dates for the introduction of stationary and mobile steam engines) against the criteria that otherwise serve as reference points to our knowledge of the environment (e.g., the sovereign, principal wars and battles, military and political leaders) would be invaluable. Much of the contextual information that would add to an appreciation of the content of Chapters 2 to 7 does not appear until Chapter 8, and some readers with little knowledge of British history may find it easier to read Chapter 8 first. The discussion within the chapters would thus be easier to follow since they jump backwards and forwards through the era under study.

Concurrently, the authors have synthesized previous literature (both their own and that of others) on the research topic and considerably extended our knowledge of cost accounting techniques and usage during the BIR. The evidence is presented in detail, while summaries of the findings are comprehensive yet succinct. Such a useful analysis of the extensive data would have been a mammoth task. The collection of data and its analysis extended over ten years but proves well worth the effort. Reading the book from cover to cover, one is aware of the necessary repetition. However, it would definitely meet the needs and satisfy the interests of a wide variety of readers. At the same time as being a research document of high academic merit, reporting on extensive original research, this book would be useful as a research resource, a reference text for teaching management accounting history, and as a general interest reader.

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Stephen P. Walker and Falconer Mitchell (eds.), *Trade Associations and Uniform Costing in the British Printing Industry, 1900-1963* (New York: Garland Publishing, Inc., 1997, 216 pp., \$55)

Reviewed by
Gary P. Spraakman
York University

The authors state their purpose, viz.:

This book documents a highly significant development
in the history of costing practice in the U.K. — the

uniform costing system designed for the members of the British Federation of Master Printers . . . during the early twentieth century. Shortly after the launch of the printers' system, industry based uniform costing schemes became popular in the U.K. From 1913 to 1939, 26 such systems appeared, covering key industrial sectors . . . Thus uniform costing technology was potentially a prime influence on early twentieth century costing practice in several industries [p. v].

That purpose gets addressed with four sections based almost entirely on reproduced historical documents from the British Federation of Master Printers (BFMP) and related organizations. The book is actually a bundle of primary documents tied together with an introduction of 14 pages, four one-page section overviews, and a two-page postscript. Although these are important documents for the intended purpose, it was unexpected to be presented with them. In view of their stated purpose, the authors should have incorporated the 50 articles into a coherent analysis rather than reproducing them.

BFMP's system of uniform cost accounting was intended to provide U.K. printers with accurate costs which, in turn, were expected to reduce competition and increase profitability. In the introduction the authors briefly describe the genesis of uniform costing and the forces that affected it. Most importantly, they discuss the economic conditions that encouraged the members of the BFMP to seek uniform costing as a means of combating fierce price competition. The assumption was that, if printers knew their "true" costs, prices would rise.

The first section, "The Emergence of a Costing Panacea," traces the uniform costing system from 1873 to 1912. The major document themes are the importance of accounting records, cost accounting, and pricing. In one document, "An A.B.C. System of Cost-Keeping," the authors refer to a complete set of books that was "in the room." As those books and forms were "in the room" and not in the book as an attachment, a large part of that document made little sense to a reader.

The second section, "The Launch of Uniform Costing," presents documents from the 1913 Cost Congress of the BFMP where the uniform costing system was presented to 1,200 attendees. Some of the documents were transcriptions of actual speeches and subsequently punctuated with audience comments in brackets, e.g., "here, here," "loud here, here's," and "loud laughter." Accordingly, documents often contained sub-

stantial rhetoric. One important document, "The System Explained," from the first day of the Congress, referred to forms which had been excluded from the book.

"The Costing System" was the title of the third section. It consisted largely of the "pamphlet" for the uniform costing system, complete with specimen forms, except form 16 was omitted. The pamphlet provided detailed explanations on how to allocate direct and indirect costs to printing jobs. The last section entitled, "Selling the Costing Solution," provided selected documents from 1913 to 1963 about promoting the uniform costing system. These documents, many of which came from the BFMP Costing Committee and its Propaganda Subcommittee, discussed the difficulty in encouraging members to adopt the uniform costing system. A 1934 circular said the problem was due to a "lack of salesmanship."

In conclusion, this is not the book promised by the authors. They claim on page v to document a "highly significant development." The word document implied to trace or analyze in regard to the development of uniform costing. However, the book consists largely of copies of documents (i.e., 207 of the 227 pages); few pages (20 of 227) are devoted to analysis. This conclusion recognizes, as has Garland editor Richard Brief for 40 years, that primary materials are essential for historical accounting studies. First, they provide rich evidence for studies that analyze or compare accounting practices. Second, there are advantages to books consisting of copies of historical documents or the transcription of those documents. Such books allow other researchers to build on that work. *Trade Associations and Uniform Costing in the British Printing Industry, 1900-1963* is largely of the second type.

Based on their stated purpose, the authors wasted their book-length opportunity to make a significant contribution. Their recent publications indicate that they knew more than that presented [Mitchell and Walker, 1997; Walker and Mitchell, 1996]. Think of the minimal impact that Chandler [1962] and Johnson and Kaplan [1987] would have had if those books had been mere bundles of documents. If Mitchell and Walker are not willing to undertake a serious analysis, it is recommended that other accounting historians undertake the task. Such analysis should be pursued with Walker and Mitchell's stated purpose. Furthermore, the impact on the cost accounting profession should be added. And, as implied, the task must go beyond merely bundling documents.

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