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Sydney School of Accounting: 50th Anniversary

Frank Clarke, Graeme Dean and Murray Wells*

The 'Sydney School of Accounting' is the enduring legacy arising from the tenure of Ray Chambers in the Department (now the Discipline) of Accounting in the University of Sydney. Raymond John Chambers (1917–99) was born and educated in Newcastle, New South Wales, before being awarded a scholarship to study economics at the University of Sydney, from which he graduated in 1939. He was the first full-time lecturer in accounting at the university (in the Department of Economics), becoming senior lecturer in charge of accounting in 1953, at a time when evening classes were the norm. In 1960 he was appointed to the university's Foundation Chair of Accounting in the newly created Department of Accounting, a position he occupied until his retirement in 1983. The appointment presaged the rise of accounting there to a standing equal to that of the traditional academic disciplines. Consistent with Cardinal John Henry Newman's

dictum that the function of a university is to expose 'false doctrines and profess the truth', he set about establishing a cadre of scholars wedded to the discipline of accounting and dedicated to the pursuit of evidenced-based research. Of that cadre which husbanded the Sydney School, eighteen eventually became professors of accounting in Australia, the United States and the United Kingdom.

Chambers' intellectual school was forged during a dynamic period described by Chambers and Dean (1986, 'General Preface') as 'one of substantial business growth, of conglomeration on a large scale by mergers and takeovers, of intense multinational corporate development, of increasing use of modes of organization and methods of financing that were novel at the beginning of the interval ... The accountancy profession grew in scale and changed in style under the influence of such things as these.'¹ By the 1970s the department had

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¹ R. Chambers and G. Dean (eds), *Chambers on Accounting, Vol. I: Accounting, Management and Finance*, Garland, 1986.

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grown from a small group of fewer than half a dozen full-time academics to a faculty consisting of fifteen accountants and ten lawyers.

The emergence of the Sydney School was propitious. The 1960s and 1970s was the golden age of accounting theorists worldwide — Ray Chambers, Bob Sterling, Ricco Mattessich, Maurice Moonitz, Yuji Ijiri, George Staubus, David Solomons, Will Baxter, Basil Yamey and others. Accounting was being accepted as a scientific discipline — scholars, not just technicians dominated discussion. The interface between accounting theorists and counterparts in the management sciences (such as operations research) involved liaisons by the likes of William Cooper, Abraham Charnes, Ernest Weinwurm with their management science and accounting contemporaries. Accounting scholars were directed to unraveling the *fundamental principles* (postulates) of the discipline, discarding the trendy metaphoric bases of accounting practices — stewardship and conservatism. The focus then switched to the *function of accounting, decision usefulness, financial attributes and the measurement* of them. In such an age of discovery for accounting, foremost through-

out was a focus on the history and development of ideas, their mutation and, often, their misuse. In that environment the contagion of Chambers' enthusiasm, his example and pursuit of academic excellence and breadth of scholarship nurtured the Sydney School, to rival the other main schools of accounting — at the London School of Economics and the University of Chicago.² The former was known for reconciling concepts of accounting and economic income, specifically advocating deprival value — a variant of replacement cost accounting; the latter for its advocacy of 'market' solutions rather than government intervention.

Uppermost in Chambers' explorations was a search for a definitive function of accounting. He adopted a 'balance sheet' viewpoint in the calculation of income, but with the recognition of the need to *articulate* definitions of asset, liability, revenue and expense, distributions and contributions. In this regard he anticipated what is now widely

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² While other institutions including UCLA, UC at Berkeley, Stanford, the University of Michigan and Ann Arbor had many leading accounting academics such as Moonitz and Paton, they were not known for any unifying school of thought.

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known as the ‘conceptual framework’ of accounting, grounded in the business environment within which accounting provides a service function.

Members of the Sydney School followed Chambers in pursuing the exposure of false doctrines, fastidiously scrutinizing conventional practice and schooling students to prosecute reform so that accounting might provide serviceable financial information to the public at large, in an orderly commercial environment. The school sought to enhance accounting’s recognition as an equal amongst the accepted university disciplines. To that end other visions were also pursued — particularly Chambers’ desire for, and pursuit of, general public awareness that there could be a better corporate reporting system — a system based not on custom and dogma, but one that was scientifically based. This entailed the need for greater recourse to research, to theoretical explorations, to the history of its underpinning ideas, and to empirical findings and the testing of reform proposals.

Several characteristics differentiated Sydney from other accounting schools in Australia and elsewhere, and continue to do so. Of particular note is its consistent missionary-like zeal to reform

conventional accounting by eliminating observed deficiencies in accounting practice.³ That zeal led to students within the School being introduced to methods of systematic enquiry; rote learning of accepted practices and doctrines was replaced by inculcating scientific methods, the principles of measurement, the use and abuse of language as a means of communication and the gathering of evidence to underpin reasoned thinking. Proposals for reform resulted — many relating to the law of company accounts, predicated on auditing and accounting being integrally connected.

As an example, and as most subtitles of the following books imply, the serviceability of the current accounting for corporate groups is contestable — from Chambers’ *Accounting in Disarray: Reform of the Law of Corporate Accounts* (1973, 1980) and Walker’s *Consolidated Statements: A History and Analysis* (1978) to, more recently, Clarke, Dean and Oliver’s *Corporate Collapse: Accounting, Regulatory and Ethical Failure* (1997, 2003), and Clarke and Dean’s *Indecent Disclosure: Gilding the Corporate Lily* (2007). These books have a

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³ See Chambers, ‘Observation as a Method of Inquiry’, *Abacus*, December 1973.

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common theme, proposing a fully worked, alternative method for group accounting and reporting.

Having settled on a function of accounting in *Accounting, Evaluation and Economic Behavior* (1966, p. 4), ‘to provide detailed and aggregate financial information as a guide to future action in markets’, Chambers identified the need for accounting to satisfy a ‘decision usefulness’ criterion. This was developed into the logically rigorous system which has become widely known as ‘CoCoA’ (Continuously Contemporary Accounting). It conflicted with the current conventions, yet was consistent with a large body of economics literature on money, prices, price levels and price structures, the tenets of measurement theory and the common sense rules of financial calculation. It requires that a business’s wealth be measured by the unencumbered current general purchasing power it commands; income is the increase in the entity’s net wealth; and loss, the decrease. Net wealth is the aggregate of the face values of its cash and other liquid assets plus the cash equivalent of its physical assets, less the contractual amount of its liabilities. The cash equivalent of separable physical assets is taken to be best indicated by their

respective current selling prices. Transactions are accounted for in a manner consistent with traditional double entry processes and the matching principle is used systematically. Income for a period under CoCoA has three components: first, net revenues — all receipts less all payments made in the course of business; second, a price variation adjustment — the net amount of all changes in the cash equivalents of physical assets; and third, the capital maintenance adjustment — the scale adjustment necessary to restate net wealth at the period’s commencement in terms of the general purchasing power of the currency at the end of the period.⁴ This prescription has enabled those following Chambers to examine rigorously, through higher degrees and subsequent publications, other issues in accounting, particularly — accounting education (Birkett), allocation of overheads and the use of transfer prices (Wells), ethics and governance (Perera), the principles of auditing (Wolnizer), creative accounting and company failures (Clarke and Dean), creative accounting generally and public sector accounting more

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⁴ In *The Sydney School of Accounting* (2010) we recount additional differentiating characteristics — especially in Chapter 2.

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specifically (Walker), philosophy and critical accounting (Gaffikin), statistical inference (Johnstone), sociology of the accounting profession (Poullaos), international accounting (Gray) and international accounting standards setting (Rahman and Islam).

Central to the Chambers' legacy, and a continuing feature of the Sydney School, has been the journal *Abacus*, one of the leading international journals in accounting. Launched by Chambers in 1965 after a difficult birth, the journal was edited continuously by Sydney School members for nearly 45 years — Chambers (1965–74), Wells (1975–94), Dean (1995–2009; and assistant editor from 1987–95), with Brooker and Clarke associate editors (1967–68 and 1983–86, respectively). *Abacus* was originally published by Sydney University Press, but in a show of support from practitioners and alumni, it has been 'owned' by the Accounting Foundation within the University of Sydney since 1988.

That kind of support is a further differentiating feature of the Sydney School. There has been an enduring engagement with the accounting profession for over fifty years. The 1950s saw the seed sown for a closer relationship with practice, in the form

of a proposed Town and Gown Society — the Pacioli Society. It endures as the only accounting town and gown society in Australia. Chambers and his intellectual school forged further connections through their involvement in conferences sponsored by bodies including the University Extension Board, the Public Accountants Registration Board and the Australian Institute of Management; through company-sponsored seminars run by leading companies; as well as lectures by Chambers and his colleagues to business organizations like Rotary and Probus. That ongoing relationship is evidenced by Sydney School members serving in senior roles in professional and academic bodies. Examples include: Chambers — president of the (then) Australian Society of Accountants (now, CPA Australia); Wells served on National Council and as President of the N.S.W. Division of the Society; Dean, Gaffikin, Wells and Wolnizer — chaired the National Education and Membership Committee; Chambers and Craswell — presidents of the Association of University Teachers of Accounting (now the Accounting and Finance Association of Australia and New Zealand); Wells and Gray — presidents of the International Association for Accounting

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Education and Research; Chambers and Wells — International Distinguished Visiting Lecturers of the American Accounting Association; Chambers, Dean and Clarke (twice) were Visiting Erskine Fellows at the University of Canterbury (New Zealand) and, following Chambers' example, Sydney School members have published widely, with Chambers, Clarke, Dean, Gray, Walker and Wells ranking strongly in Heck's (2009)⁵ list of top accounting academic publishers over the fifty years 1959–2008. Further, like Chambers before them, Walker, Dean and Clarke continue to address contemporary accounting matters in the business media.

In the late 1960s and throughout the 1970s leading practitioners provided strong support for Chambers' moves to develop a strong town-and-gown relationship. Consider the following extract from a letter dated 29 September 1958, from the president of the Institute of Chartered Accountants, R.A. Irish, who opined presciently to Chambers: 'As you know, there are many in our profession who are pleased to see a closer relationship develop-

ing between the University and the Institute, and perhaps the time is not far distant when the academic training for our profession will become a wholly a University function'. Tangible evidence of this relationship was provided by Wells' Chair being named the Arthur Young Professor of Accounting in 1985.

The achievements of the Sydney School were celebrated on 11 November 2010 at a formal dinner in the University of Sydney's Great Hall as part of the Discipline's golden jubilee. A monograph providing some anecdotes and notes of interest about the first four decades of the Department of Accounting was launched — *The Sydney School of Accounting: The Chambers Years*.⁶ Most importantly, the dinner was an opportunity for those present to celebrate and honour the distinguished achievements, professional leadership and contributions of many Sydney accounting alumni.

Concluding proceedings at the dinner, the Dean of the Faculty of Economics and Business, Professor Peter Wolnizer (a Sydney School member himself) observed, 'On this Golden Jubilee of

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⁵ J. Heck, *Most Prolific Authors in the Accounting Literature Over the Past Half-Century: 1959–2008*, Working Paper, 2009.

⁶ To see photos from the event go to: http://ws.econ.usyd.edu.au/accounting/photo_gallery/.

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Accounting scholarship at the University of Sydney we are celebrating an Australian success story. From modest beginnings fifty years ago, the Department of Accounting at Sydney became recognized and respected internationally as the Sydney School of Accounting.'

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