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The Accounting Historians NOTEBOOK

Vol. 4, No. 1

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Spring, 1981

KOJIMA DONATION ESTABLISHES ENDOWMENT FUND

A \$2,000 contribution by Professor Osamu Kojima will initiate an Academy Research and Publication Endowment Fund. Professor Kojima, a Trustee of The Academy and former Hourglass Award winner, is an eminent accounting history scholar and has made this gift to commemorate his retirement, on March 31, 1981, from Kwansai Gakuin University, Nishinomiya, Japan.

The endowment fund's principal will be invested and the interest therefrom will be used to support research, publication and recognition of research accomplishments. These objectives will be subject to Trustees' approval at the annual meeting.

With this gift Professor Kojima has suggested a means by which members can support the long-term activities of The Academy. Hopefully, other members will see fit to add to the endowment fund. Donations of any amount, large or small, are welcome. All contributions are tax deductible. Also, it has been suggested that in addition to making cash contributions, some members may wish to remember the Academy in their wills.

Contributions should be sent to the Academy Secretary, Al Roberts, or the Academy Treasurer, Richard Vangermeersch.

PRESIDENT'S MESSAGE

The annual Trustees meeting and business meeting will take place at the Executive House, 71 Wacker Drive, Chicago, on August 6, 1981. The hotel is adjacent to the American Accounting Association convention center at the Hyatt Regency. Ken Elvik did an excellent job making these arrangements. The Trustees' meeting begins at 7:30 a.m. and includes a sumptuous breakfast.

As a result of last year's decision not to affiliate with the AAA, the Academy is no longer provided facilities by the AAA. Consequently, there will not be an "Academy Session" at the meetings. However, Tom Johnson has done a splendid job organizing an accounting history session under AAA auspices.

The financial position of The Academy looks pretty good at this point. Thanks to Dick Vangermeersch, we are not only getting timely reports but we are also investing wisely. Dick put \$10,000 into a CD earlier this year. Al Roberts reports that our demand schedule is reasonably inelastic, i.e., the increase in fees to \$20 did not materially reduce our membership. In addition, we received (or are about to) checks from Arthur Andersen (\$2,000) and Professor Osamu Kojima (\$2,000) to support research projects. At the Trustees' meeting we will discuss the idea of putting part of this money into an endowment fund. All of our cost or profit centers seem to be on target for 1980, and 1981 budgets have been prepared. We have gone to what is essentially cash flow accounting and I am confident that this system will enable us to improve our financial controls.

Other events to report include the planning for the Centenary of the American Association of Public Accountants. Gary Previts agreed to head a working committee which includes Art Wyatt and Phil Pomerantz. On the publication front, Littleton's classic work, *Accounting Evolution to 1900*, has been reprinted and Kohler's anthology, edited by Cooper, Ijiri and Previts, appeared earlier this year. Jim Gaertner has taken over the Monograph Series from Gary Previts, who organized it several year's ago.

We need a volunteer for a project to increase membership. Anyone interested should contact me or Al Roberts. Specifically, I think that if we began to match individual memberships with institutional (library) members we would find that many of our own libraries are not getting *The Accounting Historians Journal*. For example, neither of New York University's business school libraries are subscribers. Does anyone have an interest in marketing?

The Academy, thanks to its Officers; Trustees; Journal Staff; Editors of the *NOTEBOOK*, Working Paper Series, Monograph Series and Classic Reprint Series; and to many others, is now a "going concern." I would like to hear your ideas and suggestions for further improvement.

Richard P. Brief

MANUSCRIPTS AND SHAGGY DOG STORIES

Anyone wishing to submit article manuscripts, short notes, news items, cartoons, shaggy dog stories, letters to the editor, or other filler to *THE ACCOUNTING HISTORIANS NOTEBOOK* should send the material to the editor, Dale L. Flesher, School of Accountancy, University of Mississippi, University, MS 38677.

THE ACCOUNTING HISTORIANS NOTEBOOK

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TOUCHE ROSS FOUNDATION FUNDS VIDEOTAPE SERIES LIBRARY

The Touche Ross Foundation has contributed the funds necessary to make the famous accountants videotape series a reality. The subjects appearing on the tapes include Mautz, Trueblood, Paton, Blough, Chambers, Littleton, Carey, Moonitz, Sprouse, Bevis, Davidson, Horngren, Vatter, and Spacek. Each of the tapes is one hour in length and is suitable for showing in senior and graduate level accounting courses.

Some members of the Academy may already be familiar with the videotape series. The tapes were made during the early and mid 1960's by Michigan State University (under a grant from the Touche Ross Foundation). Unfortunately, the original tapes are of the early two-inch commercial type and can only be played by television stations. Thus, since Michigan State had little call for the tapes, they were donated to the Academy. The Academy, through the efforts of Dale Flesher, applied for and received a grant from Touche Ross to transfer the tapes onto modern ¾ inch videocassette tapes. These videocassettes can be played on equipment available at almost every university campus (in fact, at some schools the equipment is available in

virtually every classroom). The tapes are currently being transcribed by the media center at the University of Mississippi.

The terms of the grant provide that the tapes will be managed as a tape lending library for use by members of the Academy. Members will soon be receiving a brochure describing the contents of each of the eighteen tapes and the procedures for borrowing specific items. There will be no cost to members other than the return postage. Currently, only five tapes are available for loan. They are:

- No. 1: Mautz and Trueblood
- No. 2: Mautz and Trueblood
- No. 3: Blough
- No. 5: Paton
- No. 7: Chambers

Additional tapes will be made available as soon as the Ole Miss media center finishes the work.

Members who wish to borrow any of the above tapes, or who desire additional information, should contact the Academy's Curator of the Tapes:

Dale L. Flesher
School of Accountancy
University of Mississippi
University, Mississippi 38677

... Through the Ages

Academy members were saddened to hear of the death of Carman Blough on March 9, 1981. Carman George Blough, former chief accountant for the Securities and Exchange Commission and director of Research for the American Institute of CPAs, died at a Bridgewater, Virginia, hospital where he had been a patient for about three weeks.

Mr. Blough, 85, was born November 11, 1895, in Johnstown, Pennsylvania. He graduated from Manchester (Indiana) College in 1917 and earned a masters degree from the University of Wisconsin. He did graduate work at Harvard and received honorary doctorates from Bridgewater College and Manchester College. Mr. Blough was the budget director for the State of Wisconsin from 1924-29, then a professor of accounting at the University of North Dakota. He next served four years as the first chief accountant for the SEC.

Carman Blough became a partner in the international accounting firm of Arthur Andersen & Co. and for 27 years was research director for the American Institute of CPAs and an adjunct professor of accounting at Columbia University. He was the author of several books. His wife, whom he married in 1922, survives him.

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ACCOUNTING AND THE INVENTION OF WRITING

by

Kenneth S. Most

Florida International University

In Vol. 3, No. 2 *The Accounting Historians Notebook* (Fall, 1980) Professor Louis Goldberg expressed the wish to know whether the view that accounting antedated writing would now represent a generally accepted attitude among present day archaeologists and prehistorians. An earlier issue of the *Notebook* mentioned the work of Professor Denise Schmandt-Besserat of the University of Texas at Austin, who has made significant discoveries in this field. (See, for example, "Reckoning before Writing", *Archaeology*, Vol. 32, No. 3 (1979), pp. 23-31, and "The Earliest Precursor of Writing", *Scientific American*, Vol. 238, No. 6, (June 1968).

Scholars long believed that writing developed from pictographs which were graphic representations of objects; a sheep, a loaf of bread, and so on. Bone artifacts bearing incized markings have been found, which date from Palaeolithic times 30,000 to 12,000 years ago, and later clay tablets bearing similar representations show the use of such pictographs in the Middle East. These pictographs resemble the earliest cuneiform writing of the Neo-Sumerian and Old Babylonian periods, which has given rise to the theory that there is an identifiable sequence: picture to symbol to letter to writing.

Archaeologists have also discovered large numbers of clay tokens of different shapes in excavations of ancient settlements. These clay tokens were an archaic recording system; the shape and the markings expressed the type and number of objects being represented. Thus, a token representing "sheep" was a disc with an incized cross. It is believed that these tokens were used in keeping track of the contents of silos and storage pits. It is also believed that they were used in trade and that collections of such tokens were transferred by one party to another as evidence of the transfer of ownership of the objects represented.

Another step forward was the invention of the *bullae*, a clay envelope containing a set of clay tokens. The *bullae* became an early form of bill of lading, as its surface could bear the seal of a merchant who chose to authenticate the enclosed message. Because of its opacity, however, the holder of a *bullae* could not know what it contained,

The practice therefore arose of impressing on the surface of the *bullae* pictorial representations of the tokens it contained. A few hundred years later it dawned on the users that the tokens were now dispensable; all that was necessary was to incize their pictures on clay tablets. (The origin of the clay tablet is evidenced by its convex surface). The pictographs thus created, from which cuneiform writing developed, were representations not of the objects but of the clay tokens which were used to account for these objects.

Part of the evidence from which Professor Schmandt-Besserat constructed this theory consisted of *bullae* which were found in their pristine condition; when shaken they proved to contain clay tokens. The question necessarily arises: under what conditions would a *bullae* remain unopened? If used as a bill of lading, or as an instrument of transfer of property rights, the *bullae* would have to be opened at the end of the journey, or by the transferee, to check on the quantity and description of the objects represented by the tokens inside. One possible explanation is that they were prepared incident to a transaction of bailment. A trader about to undertake a long and dangerous journey might prepare such a clay envelope to contain tokens representing the sheep which he was leaving in the care of the bailee, to be handed over to his heirs should the trader not return. Then, as now, some bailees might choose not to respect the contract if news was received that the trader had died in far-off lands; it will be recalled that the Code of Hammurabi contained a clause requiring bailees to account for items entrusted to them. The fraudulent bailee would be more concerned with looking after the sheep than with destroying the *bullae* which could hardly become evidence against him. Another possible theory is that the envelopes were receipts for goods that had been released by temple granaries. They would be kept intact as "vouchers" and only opened in the event of litigation.

Readers are invited to suggest other possibilities. Many will be pleased to find that their lack of comprehension as to how a particular pictograph could have been a pictorial representation of the object to which it refers was indeed well-founded.

ACCOUNTING HISTORY AS A WORTHWHILE STUDY

by
W. T. Baxter
University of London

EDITOR'S NOTE: The following article is a transcription of Professor Baxter's comments at the banquet at the Third International Congress of Accounting Historians held in August, 1980.

Your presence here proves that you look on history as a worthwhile study. But perhaps we should spare a moment to remind ourselves of why it is worthwhile. There are, after all, plenty of intelligent and successful men who dismiss history as a bore, and historical research as time wasted.

So why, then, are you and I such devotees of history? One answer that perhaps springs glibly to the lips is that history is useful. This, as I shall try to show, is a notion that must be treated with profound caution.

Nevertheless, I believe that some aspects of accounting history are indeed useful. Thus the beginner at bookkeeping must surely get a clearer grasp of the rules if he learns something about the origins of double-entry—origins perhaps in triangular credit transfers in an age of barter. He learns a more important lesson if he is taught that accounting was devised to keep track of personal accounts and simple physical objects such as cash, and that the income statement and balance sheet came later as mere by-products. Armed with this knowledge, he will respect his craft for what it can accomplish (a very considerable achievement), and will be cautious about extending its range. He will not be surprised if accounting seems to falter when called on to perform new and different tasks—such as predicting future income, and aiding investors to make decisions. If we have such ambitions for accounting, may we not be like a farmer who demands that his faithful old cart-horse learn the violin?

Those who say that "history is useful" are apt to talk about the "lessons of history". But these lessons are far from clear. Hitler shot himself in the bunker; so the lesson of history is that dictators come to a bad end. Stalin died in his bed; so what has happened to that lesson? The most that can be said for history's lessons, I suspect, is that they make us more alert to chains of cause-and-effects. But these chains are a matter of tendency and

probability. A given cause, in one set of circumstances, leads to result A; in another set, it leads to result Z.

Let us look at some of the lessons that are pertinent to accounting, and ask ourselves whether they are in fact useful or useless, true or false. We shall certainly have to admit that accountants in general either ignore them or dismiss them as untrue.

Perhaps, for instance, ecclesiastical history has a lesson that is suggestive, and might have given us a wiser approach to inflation accounting. For here a major problem is how to cope with capital maintenance; the church in England has been wrestling with this very problem for a millenium or so. Surely we can learn some lessons from the church's experience? Let me remind you of the splendid article on this topic by Professor French. It runs somewhat as follows.

Parish churches were founded by patrons. A pious lord gave land and money for the church, the churchyard, and the parsonage; he gave also glebe lands for the parson's sustenance. But, if the church was to be permanent, the parson had to keep these assets distinct from his own property, and hand them on intact to his successor. Alas, some parsons were careless or wicked. So the authorities had to devise a suitable law of ownership, and to define "intact". The law personified the parson's office as a corporation (a "conduit pipe through which this real property would pass to his successor"); and it obliged him to transmit the assets physically unimpaired. So here we have as to-day, the entity theory hand-in-glove with the doctrine of physical capital maintenance.

The system has endured for centuries. Thus it cannot be wholly ineffective. But its economic faults are disturbing.

Where physical assets are faithfully maintained, they may degenerate into fossils. For example, a London church was bombed during the war, and worship was transferred elsewhere; both worshippers and the Church of England would have gained if the site could have been put to fresh uses, but not even the courts had power to permit

this. Similarly, disused graveyards could not be given a new function. Again, the parson was obliged to live in, repair, and hand on a house that still conformed to its design of several centuries back; today his hard-pressed wife must cope with an unsanitary scullery and eleven bedrooms. He could not reduce the glebe land by sale (but who could stop him from exhausting it by bad farming?). He could not lease it for purposes other than farming, e.g. for much-needed houses. He could not extract its minerals, so they rested underground. He could not fell its trees for sales, so the wood was left to rot.

Businessmen, who are not in the parson's strait-jacket, can freely change physical assets and products to meet every new need. Church history suggests how profound such change may in time become. Attempts to compare the current with the original may be impossibly difficult. Accounting geared to physical assets or products must be suspect. But this basis now gets strong support.

Yet another branch of history throws light on the development and pathology of professional groups. Our accounting societies have many points in common with the guild system (and many of the guilds survived far longer than any of our societies have yet managed to do). The guilds too were set up to foster their members' welfare-e.g. the Mercers; rules were "for the cherishing of unity and good among them, and for the common profit of the mistery". The guilds were better than we at social relations. For instance, members bought a hood and gown to wear at the annual feast, at funerals, "and on other solemn and great occasions".

Guilds, like our societies, might try to win exclusive right for their members. Their declared motives were unimpeachable. Thus London guilds contrived to gain monopoly powers under the Stuarts to guarantee the consumer a supply of sound and serviceable commodities at reasonable rates. Where they won exclusive rights, the long-run results were apt to be bad for both members and public; for instance, it has been suggested that the power of the guilds in German cities led to the latter's stagnation and decline, as innovators were driven outside the walls.

Education was fostered by the guilds. Littleton has suggested that the uniformity of our debit-and-credit rules may stem from the training system of apprentices by banking guilds of medieval Italy.

Like our own bodies, guilds found that their members' interest might diverge in time. Members who were at first fairly equal in status would drift apart into groups of wealthy employers and permanent journeymen; they drifted also in

might give up manufacture for foreign trade. Then malcontents would in protest hive off and form their own sub-group within the guild; and a new body "which at the beginning of the fifteenth century had been a prohibited organization of rebellious journeymen, had before the end of the century been transformed into a recognized but subordinate branch of the livery company". Or there might be a complete secession and the formation of a new body.

History here suggests that the task of a professional society cannot be easy. We are likely to see bitter splits and feuding-maybe between the Big Eight and the rest. Our societies are trying to solve an awkward and perhaps insoluble problem.

Naturally enough, we all tend to exaggerate the significance of our own era. But we surely have some grounds for holding that, when the future historian traces accounting's history, he also will pronounce our period significant. Indeed, will the work "revolution" be too strong? Hitherto, accounting has been pushed forward by forces internal to firms. Obscure people, bent on improving their existing methods or meeting new needs, have continually made minor experiments. If an experiment failed, it was abandoned and forgotten; if it was a success, it was kept and in time copied in other firms. Accounting has thus grown by small steps, and is the creation of countless anonymous innovators. It is a good example of an unplanned evolutionary process that has, by and large, done remarkably well.

Partly because of scandals and public criticism, all this has abruptly changed. The important steps are today prescribed from outside the firm, by paternal bodies acting for us collectively, sometimes backed by an arm of the state (e.g. the SEC). Henceforth, anonymous experiment will largely give place to public debate and directives: progress will be planned by our leaders, who will issue iron-clad guidelines; we shall all march in step. We have for the most part accepted this change readily, even enthusiastically.

History offers some fairly close parallels. Take the scandals of the English cloth trade, from medieval times onwards. The clothiers were guilty of "many subtle sleights and untruths" (I quote from a 1552 Act). Among their "great defects and frauds" was the use of coarser yarn for the middle than the ends of cloth. The cure seemed as obvious then as now. Standards were laid down. The state began this process in the twelfth century, and by the end of the eighteenth there were 311 laws on the wool trade alone. Uniform standards of quality and dimension were prescribed "the minutest rules were framed respecting the nature of materials, the

(Continued from page 6)

finished product." Enforcement was in the hands not only of the state but also of the guilds. Control was "committed to men of gravity" so that "the particular grievances and deceits in every trade might be examined, reformed, and ordered." These men had even the right of search.

So how did the system work? Disappointingly. The well-meant rules tethered production to obsolete methods. They hindered mobility. They hampered response to the "humors" of customers, especially foreign customers. "There are now many laws in force concerning the making of cloth" the government confessed in 1622 "which for their number and contradiction do perplex and entangle the makers of cloth, and make it hard to be discerned what the law is in many particulars." The era of *laissez-faire* put most of the standards into the dustbin; it decided that alert buyers were better than standards as checks on quality.

But, you may object, the analogy is imperfect. Today we are much more efficient at enforcement. And accounting standards are not concerned with physical qualities but with principles.

Well, history has perhaps closer parallels. In 1848, the safety of railway bridges was in doubt. So the government of the day set up a royal commission. Its brief was:

to inquire into the conditions to be observed by engineers in the application of iron to structures exposed to violent concussions and vibration, and to endeavour to ascertain such principles and form such rules as may enable the engineer and mechanic in their respective spheres to apply the metal with confidence.

Our great engineer Brunel looked with disfavour on the commission, which he privately renamed The Commission for Stopping Further Improvement in Bridge Building. So what was he, as a man of principle, to do when the commission asked him to give evidence? He solved the problem admirably. He sent the commission a letter beginning "I regret that the Commissioners should have done me the honour of requesting my opinion"; then he set out his objections to the commission's existence; he forced me to intrude my opinion on the Commissioners . . . having expressed my opinion, I shall attend their summons."

What were his objections? His fear was that authorities would "lay down, or at least suggest, 'rules' and 'conditions to be hereafter observed' in the construction of bridges, or, in other words, embarrass and shackle the progress of improvement

tomorrow by recording and registering as law the prejudices and errors of today." He went on:

Nothing has conduced more to the great advancement of the profession and to our pre-eminence in the real practical application of the science, than the absence of all *regles de l'art*.

A system of binding rules, he affirmed

is contrary to all sould philosophy, and will be productive of great mischief, in tending to check and control the extent and direction of all improvements.

One part of Brunel's letter is even more germane to our current way of thought:

No man, however bold or however high he may stand in his profession, can resist the benumbing effect of rules laid down by authority. Occupied as leading men are, they could not afford the time, or responsibility of constantly fighting against them—they would be compelled to abandon all idea of improving upon them; while incompetent men might commit the greatest blunder provided they followed the rules Devoted as I am to my profession, I see with fear and regret that this tendency to legislate and to rule, which is the fashion of the day, is flowing in our direction. You will, I fear, judge the commissioners to have been men of mean spirit, with none of today's desire to help brethren over difficult styles.

Their long report ends:

Considering the great importance of leaving the genius of scientific men unfettered for the development of a subject as yet so novel and so rapidly progressive as the construction of railways, we are of opinion that any legislative enactment with respect to the forms and proportions of the iron structures employed therein would be highly inexpedient.

History may offer us yet another parallel in the medieval church's promotion of philosophy and science. Wise and saintly leaders revealed where truth lay, and put the stamp of authority on their pronouncements. And, when it came to enforcement of intellectual standards, we may doubt whether today's bodies such as the SEC are as persuasive as was the Inquisition.

We can no doubt argue that twentieth-century accounting's essays in standard-making differ from these earlier ones. Accountants should

(Continued from page 7)

certainly hope that, on this point, the lessons of history are indeed false and useless. If they are not, the disillusionment will be bitter.

However, even if we cannot prove the muse of history to be useful, in the eyes of her devotees (such as you and me) she remains beguiling and beautiful. She can interest us, thrill us, delight us. She can add an extra dimension to our thought. To quote the first professor of history at Cambridge, "I call that man uncivilized who is not connected with the past through the state in which he lives, and sympathy with the great men who have lived in it". Finally, a lively mind is a curious mind, and the muse satisfies our sense of curiosity. This, I suspect, is her chief claim to our affection, the chief jurisdiction for her study. And, with your help, accounting history can become a worthy part of her great narrative.



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REPORT ON TAXONOMY AND BIBLIOGRAPHY

by

The Committee on Taxonomy and Bibliography

Harvey Mann, Chairperson

Concordia University

The Charge to the Committee is as follows:

- (1) To establish a workable and complete taxonomy for the subject of accounting history.
- (2) To determine significant publications that should be included under each of the taxonomic groups.
- (3) To investigate the feasibility of devising a computer program to encompass a continuously up-dated bibliography by taxonomic group
- (4) To periodically attempt to publish such a bibliography.

During the past year the emphasis was on completing Part (1) of the above charge. In attempting to accomplish this aim two questionnaires were mailed to 23 members of the Academy who had expressed interest in the project. The response rate to the questionnaires was approximately 50%.

As can be expected when more than one academic is involved, no clear consensus emerged from the responses. Nevertheless, if progress is to be made, decisions must be taken recommending a six digit code that could be used to classify accounting history publications. This code would give the knowledgeable reader some vital information about the publications. Of course, this would be a reference only and would have to be backed up by more detailed data such as appears on a Library of Congress (L.C.) catalogue card.

The details of the classification scheme follow:

1st digit	Alphabetic	To indicate type of publication, i.e. periodical, monograph, book, etc.
2nd & 3rd digits	Alphabetic (2nd) and Numeric (3rd)	To indicate geographical area (this follows the method used for L.C. cutter number procedure for Class H classification)

4th digit	Alphabetic	Chronological indication-A letter would represent a century or perhaps several centuries. This one digit would therefore give 26 different time intervals.
5th & 6th digits	Alphabetic (5th) and Numeric (6th)	The major topic of the work. This scheme follows the L.C. classification for HF 5601-5686. A reworking of HF 5681 (Special Accounts and Books) and HF 5686 (Business or Activity) would be required.

The number of digits in this code number can be expanded, ad infinitum, to include additional data such as date of publication, author's name, language used, etc., etc., but it is felt that the six digit code is sufficient for anyone to find out whether further investigation is worthwhile.

This report is being submitted in the hope that it will be discussed at the Annual Meeting with some consensus being reached as to its adequacies or deficiencies. The three latter parts of the charge can not be approached until this part is finalized.

EDITOR'S NOTE: Comments concerning this committee report should be addressed either to the editor of the NOTEBOOK or to Professor Harvey Mann at Concordia University prior to this year's annual meeting on August 6.

1981 ACADEMY ANNUAL MEETING

The 1981 annual meeting of the Academy will be held at the Executive House Hotel in Chicago on Thursday, August 6, 1981 from 9:00 a.m. until 10:30 a.m. in the Illinois Room. Prior to the meeting, the trustees of the Academy will meet for a working breakfast in the Wacker Room at 7:30 a.m. The Executive House is located near the Hyatt Regency, the hotel where the American Accounting Association meeting is being held. All members attending the AAA meeting are urged to attend the Academy meeting. Be sure and put the date and time on your calendar *right away*.

AVAILABILITY OF MORE INTERNATIONAL CONGRESS PAPERS

The papers presented at the Third International Congress of Accounting Historians were outstanding. Although the papers were not published in a proceedings format, individual copies of all papers were made available to participants. The Academy, or perhaps even a commercial publisher should probably consider the possibility of publishing a bound collection of the Congress papers. However, until then, members may obtain copies of individual papers in which they are interested. Gary Previts has volunteered to provide copies to interested members. Since Gary has no funds for copying, he cannot provide many free copies. Thus, anyone desiring a paper should send Gary a dollar along with the request. Some of the available papers and their authors are listed below. Others were included in the preceding issue of the NOTEBOOK.

A. Jaruga and K. Brzezina, "Development of Accounting in Centrally Planned Economies: The Polish and Soviet Union Case."

D. T. Bailey, "The Development of Accounting in the USSR Since the October Revolution."

A. Briloff, "Congressional Oversight of the Accounting Profession in the United States."

H. F. Stabler and N. X. Dressel, "May and Paton: Two Giants Revisited."

R. Bloom, "Foundations of the Trueblood Objectives Report in Historical Accounting Literature."

Requests for copies of the above papers should be addressed to Dr. Gary Previts, Division of Accounting, Case Western Reserve University, Cleveland, Ohio 44106.

ACCOUNTING EDUCATION:

L. Goldberg, "The Florescent Decade: Accountancy Education in Australia 1945-1955."

A. M. Hoe, "The Development of Accounting Education in Southern Africa."

J. R. Etor, "Struggle for Recognition: The Story of Edward and Theodore Jones (1767-1881)."

G. J. Previts, "Pedagogical Thoughts About Lessons and Learning in Accounting History."

INFLATION ACCOUNTING:

D. A. Buckmaster, "The Development of Concepts of Monetary Holding Gains and Losses in the U.S.A."

F. L. Clarke, "Inflation Accounting and the Accidents of History."

R. Mattessich, "An Evolutionary Survey and Comparison of the Current Cost and General Purchasing Power Hypotheses and Their Applications."

MISCELLANEOUS:

H. Mann, "Some Canadian Accounting Records, c. 1765."

K. Nishikawa, "A. A. Shand's *Ginko Bokuseiho* Tokyo, 1873."

A. Grandell, "Mediaeval Techniques of Collecting Taxes."

R. W. Gibson, "Episodes in the Australian Tax Accounting Saga."

RECENTLY RELEASED WORKING PAPERS

Four new working papers have recently been released as a part of The Academy of Accounting Historians Working Paper Series. The new papers are: No. 46, "The Evolution of Accounting in Indonesia," by Abd. Fawzy Siddik, Jakarta, and Herbert L. Jensen, University of Houston; No. 47, "On the Evolution of Accounting Objectives," by Robert Bloom, The College of William and Mary; No. 48, "The Pioneer of Accounts Theory in Japan: An Appraisal of the Methodology of Wasaburo Kimura, by Yoshiaki Jinnai, Tokyo Keizai University; and No. 49, "Accounting for Investments in Common Stock in the United States of America from 1900 to the Present," by Edward A. Becker, Bucknell University.

Members of the Academy may obtain copies of the above papers, free of charge, by writing Ashton C. Bishop, Department of Accounting and Finance, James Madison University, Harrisonburg, VA 22807. Nonmembers of the Academy may purchase copies at \$2.00 each.

If any members have history research working papers that they wish to have considered for the Academy Working Papers Series, they should send a copy to Ashton Bishop, who is the editor of the Series.

THE ACCOUNTING ODYSSEY

by

B. G. Harrison

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In the fall 1980 edition of the ACCOUNTING HISTORIANS NOTEBOOK, Professor Louis Goldberg gave an affirmative answer to the question "Did Accounting Antedate Writing?" which had been raised in the Spring issue. He cited the work of Professor V. Gordon Childe to show that the original need for accounting records led to the invention of the earliest system of writing. May I suggest that there is a sequel to this already remarkable discovery, for it appears that accounting also contributed significantly to the development of more sophisticated systems of writing similar to those in use today.

As Mediterranean trade and commerce expanded about 1000 B.C., the need for more numerous and more detailed accounting records stimulated the development of a concise phonetic alphabet and this advance in the art of writing made it possible to set down the traditional poems which had been passed on by word of mouth in earlier ages. A. R. Burn (*The Pelican History of Greece*, Penguin Books 1966, pages 79 and 80) writes-

"... in the commercial world of the Levant, while Greece lay fallow, there had been a whole series of experiments aimed at producing a simpler writing than the old systems, with their syllabic spelling combined with ideograms denoting whole words in Cyprus, men had reduced the 200 signs of Linear B to about forty syllables in which they wrote Greek-though rather clumsily, It was the Phoenicians who produced the best script, with only twenty-two characters . . . and it was this which the Ionians and islanders trading with the Levant . . . took over, at latest before 700.

"The Phoenicians employed their writing for business purposes. So did the Greeks, but they also applied it to poetry. The new letters were so few that anyone could learn them A great step forward was made when some Greeks invented what the Phoenicians

lacked, a set of pure vowels It is quite likely that Homer and Hesiod themselves could write; it may have been the possibilities opened up by writing that stimulated them to their ambitious flights; and it is certain that their works were written down not long after their composition. For this reason, as well as for their merits, their works survived, while all those of the long tradition leading up to them have perished."

Accountants may interpret some passages of Homer himself as acknowledgments of the poet's debt to the original purpose of the written record. In E. V. Rieu's translation of *The Odyssey* (Penguin Books 1945, page 224) there is an inventory of the wealth of Odysseus-

"On the mainland, twelve herds of cattle, as many flocks of sheep, as many droves of pigs and as many scattered herds of goats, all tended by hired labour or his own herdsmen; while here in Ithaca eleven herds of goats graze up and down the coast with reliable men to look after them."

The prizes offered by Achilles to the winners of a chariot race at the funeral games of Patroclus (*The Iliad*, translated by E. V. Rieu, Penguin Books 1950, page 419) are similarly inventorized-

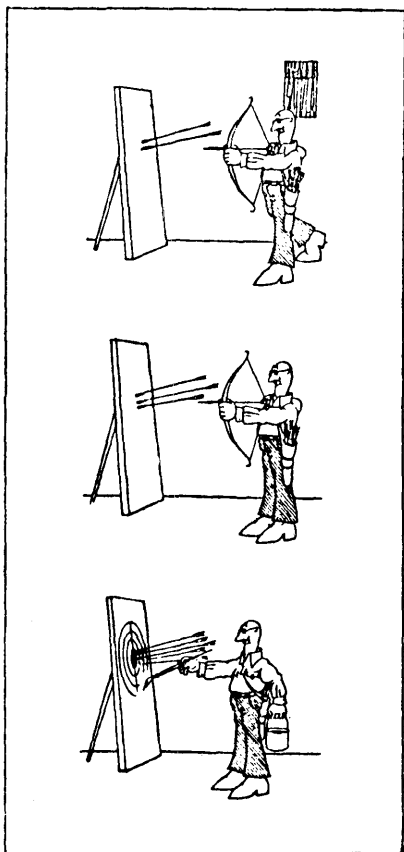
". . . for the winner, a woman skilled in the fine crafts, and a tripod with ear-shaped handles, holding two-and-twenty pints; for the runner-up, a mare six years old and broken in, with a little mule in her womb; for the third man, a fine kettle holding four pints, untarnished by the flames and still as bright as ever; for the fourth, two talents of gold; and for the fifth, a two-handled pan, as yet untouched by fire."

Accounting historians may discover further examples of this kind for themselves by reading or re-reading the Homeric epics. Those who do so will be enjoying one of the advantages which come from an interest in accounting history and which

were recognized by Paul Garner in his introductory article in the first issue of *The Accounting Historian* (Vol. 1 No. 1 January 1974. Reflections on the Uses of Accounting History)-

"The broadly defined student of accounting history will soon find his paths leading to topics and materials in economic history, social and cultural development, semantics, literature, fiction, development of religions"

AN APPROACH TO RESEARCH



Frankfurter Rundschau/Frankfurt

Inventory and Investment Values—One Century Ago

by Kenneth O. Elvik
Iowa State University

At both the beginning and intermediate levels of instruction in accounting, professors typically discuss a number of factors significant to the valuation of inventories. For example: purchase discounts, transportation to the buyer, and obsolescence. Deducting discounts, but adding freight costs is not a particularly recent idea, at least not in the accounting journal literature. Indeed, just one hundred years ago, those notions were put forth most eloquently:

In the valuing stocks of goods their net cost should be set down after taking account of discounts allowed by suppliers. On the other hand, carriage on such stocks from the place of manufacture, etc., to the company's warehouse is a part of the cost, and should be added.¹

The notion of lower of cost or market is not particularly new either, as the same author continues, along with a dash of conservatism:

It is a sound rule to value stocks a little below cost, and uncurrent or unfashionable articles very much below cost.

The recording of an investment in stock at the total price, including a declared dividend subject to subsequent collection, may be compatible with income tax rules, but is not particularly attractive to most accounting professors. This situation, plus a recommended rule to follow, is also identified by our predecessor of the last century. He considers the rights to dividends similar to rights to interest, at least in this context:

Stocks and bonds held often cost a larger sum because when purchased there is a certain amount of dividend accrued on them. This should be severed from the prime cost, and paid out of the first dividend collected, otherwise a door is opened for benefitting revenue at the expense of capital.

All of this century old logic can be concluded with an appropriate quotation:

Confound these thieving ancients for stealing all our modern ideas.²

¹W. A. T., "Audits," *The Accountant*, December 17, 1881, p. 5.

²As quoted by Maurice Moonitz in "Three Contributions to the Development of Accounting Principles Prior to 1930," *Journal of Accounting Research*, Vol. 8, No. 1, Spring, 1970, p. 145.

NEWS RELEASE

FOURTH INTERNATIONAL CONGRESS OF ACCOUNTING HISTORIANS UNIVERSITY OF PISA—AUGUST 1984

On 17 August 1980, during the "Third International Congress of Accounting Historians" held in London at the London Business School, a "Task Committee" met to decide the sites for future international congresses of accounting historians to be held in 1984 and 1988. That committee was composed of professors: Alfred R. Roberts (Georgia State University); Gary J. Previts (Case Western Reserve University); H. Thomas Johnson (Western Washington University); Peter A. Baird (Rutherford College-University of Canterbury); Geoffrey A. Lee (University of Nottingham); Murray C. Wells (University of Sydney); Ernest Stevelinck (Secretary of the "Comite International des Historiens de la Comptabilite," Belgium); Tito Antoni (University of Pisa); and Carlo Antinori (University of Parma). This group represented: The Academy of Accounting Historians (USA); The British Society of Accounting Historians (GB); The Accounting History Society of Australia and New Zealand; and the Societe International des Historiens de la Comptabilite located in Brussels. The committee unanimously designated Pisa (the birth place of Lenardo Fibonacci, author of the famous "Liber Abaci," 1202) to organize the Fourth International Congress of Accounting Historians in 1984. The Fifth Congress is to be held in Sydney, Australia in 1988.

The series of international congresses of accounting historians was initiated with the "Premier Symposium des Historiens de la Comptabilite" which was held in Brussels in October 1970; then the "Second World Congress of Accounting Historians" in Atlanta, Georgia during August 1976; finally the "Third International Congress of Accounting Historians" was held in London last August.

The Pisan Congress will be held during the second half August (from Thursday the 23rd to Monday the 27th) and will commence at the palace of "Sapienza," an historical site.

Recently (the 1st and 29th of last October) there met, at the Instituto di Ricerche Aziendali, several persons interested in the Congress, who formed the "Organization Committee." They are professors: Umberto Bertini, general and applied accounting,

head of the Faculty of Economics and Commerce as President; Tito Antoni, accounting history, as Secretary; Carlo Caramiello, general and applied accounting, as treasurer; Mario Pinna, economic geography and director of the Institute of Economic History, as publicity coordinator; Rosella Franceschi Ferraris, general and applied accounting, as program papers coordinator; Marcello Berti, economic history, as lodging and excursions coordinator; Carlo Antinori, accounting history, as ancient books and artifacts exposition coordinator. Also supporting the Committee will be professors: Cesare Ciano, Faculty of Foreign Languages and Literature; Bruno Casini, Faculty of Political Science; Emilio Cristiani, Faculty of Letters; Furio Diaz, Graduate School of Education; and Mario Nencetti, Director of Administration, University of Pisa.

In General, the program of the Congress will be as follows:

Thursday	23 August 1984, registration by participants
Friday	24th, start of the Congress,
Saturday	25th, continuation of the Congress,
Sunday	26th, a trip to San Sepolcro (AR), the birth place of Luca Pacioli,
Monday	27th, continuation of the Congress and, in the afternoon, close the Fourth Congress. And for those interested, a second excursion will be made to visit the state archives at Firenze.

The papers for the congress must be presented for evaluation to the responsible linguistic group: A. R. Roberts, the United States & Canada; R. Parker, Great Britain; Ernest Stevelinck, France and Belgium; M. Wells, Australia and New Zealand; and Osamu Kojima, Japan.

Prof. Tito Antoni
% Faculty of Economics
University of Pisa
Italy

(Translated from Italian by guess, and by dictionary by Al Roberts)

HONESTY AND THE ACCOUNTING FOR PETTY CASH: FOUR SCORE AND TEN YEARS AGO

by
Paul Garner
University of Alabama

This short human interest item appeared in *The Three Banks Review* (Edinburgh, Scotland) for December, 1979, in an article by R. N. Forbes, entitled ((The Poetry of Banking.' It concerns a poet-banker named Robert W. Service (1874-1958), who joined the staff of the Commercial Bank of Scotland at the age of 14, in the year 1889 (salary 20 pounds per year—about \$96 U.S.). He was soon placed in charge of the office stamp fund—a variety of petty cash. As explained by Mr. Forbes (pages 58-59):

He was soon in touch with officialdom, an experience which might still rouse emotive memories—in his own words—

'One morning I arrived very late at the office to find a strange man there. He gave no greeting but looked up sourly at the clock—"Mr. Sleeth, the Inspector" whispered the Accountant. I suddenly remembered my stamp account. I knew it was about 5/-short (money I had "borrowed" until pay-day) . . . reluctantly at his request I surrendered my stamp box and postage book. It was all up I thought, disgrace, dismissal, ruin. My life blasted and all for a measly five bob. So there I stood waiting for the blow to fall. How slow he was, how careful. Then at last he was finished and laid down book and box. His manner was grimmer than ever. Yet there was no triumph in it. "Is it all right?" asked the Accountant. "No!, its no' all right," said Sleeth, "There's jist a wee matter of . . .," here he paused, looked

at me searchingly for a long moment . . ." a wee matter of tippence . . . over.'" The explanation of the mystery was that Sleeth had made an error. He had calculated the stamps on a number of "acknowledgment" post-cards at a penny each instead of a half-penny. That was a lesson to me, I vowed from then on I would be scrupulously honest.'

In his first year in the bank he took to writing poetry—

'I always carried a book of poems in my pocket and I would read it—even on the toilet seat. Several times I narrowly escaped being run over. As soon as I discovered that rhyming presented no difficulty I began to exploit my gift.'

Postscripts—The "scrupulous honesty" of Mr. Service was subsequently rewarded. He not only progressed in the banking profession, but also earned a superior reputation as a poet and dramatist. "The Shooting of Dan McGrew" is known worldwide (written while he was with a bank in The Yukon).

POETRY FROM PEELE

Academy secretary, Al Roberts, has submitted the following poem taken from James Peele's *Manner and Fourme*, published in 1553. James Peele did on occasion lapse into verse in order to stress a point. The message of this verse may be appropriate today.

An exhortation to learne sciences especially of the
accompt in the trade of merchandise

As lacke of Science caueth povertie,
And dooeth abate mans estimation,
So learning dooeth brynge to prosperitie,
Suche as of goodes have finall possession,

Then muste we counte hym ware, discrete, and wyse,
Whyle tyme dooeth serve, can tyme so well retheyne.
That in good tyme hym tymely can advyse,
Tyme well to spende, and tourne it to his gayne.

For tyme well spent to gayne and not to waste,
The gayne will byde, though tyme dooth passe and runne.
But all to late, yf tyme shall ones [once] bee paste,
For tyme ones [once] loste, can not a gayne bee wonne.

In tyme beganne kyng Dionysius,
Some thyng to learne, and it in tyme to take,
His kyngdome loste in tyme he ganne saye thus,
I wyll take tyme, leas tyme shall me forsake,

The youthe also I will instruct and teache.
Somme thyng to learne, and in tyme to beware,
So maye they rule, thoughte in greate heate and breache,
Fortune shall frowne, and theym would make full bare

Thus dydde I rule, my kyngedome gone and loste,
Whych beeynge kyng, no kyngely power coulede have,
Thus may eche man fynde wealth in towne and coast,
When wealthe is gone, that they moste fayne woulde save.

O woorthy prince, though fortune sought thy ende.
Yet thou in tyme as bookes dooth it recorde,
Dydst make fortune to the(e) bothe boowe and bende,
As bonde to thee, and servile to her lorde.

Sithe knowledge then, is of such price and grace,
And tyme ones [once] loste, will not agayne renewe,
Learne well this booke, while you have time and space,
That you the lacke dooe not lamente and rewe.

J.P.

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HISTORY IN PRINT

An Historical and Contemporary Review of the Development of International Accounting, the proceedings of the Third Charles Waldo Haskins Accounting History Seminar, (Atlanta, Academy of Accounting Historians, 1979).

"British Capital Accounting Practices and Business Finance, 1852-1919: An Exemplification," by J. R. Edwards, *Accounting and Business Research*, 10, No. 38, Spring, 1980, pp. 241-258.

"Continuity in Administration: The Historical Uses of Business Records," by Herman Freudenberger, *Business in the New South: A Historical Perspective* (Sewanee, TN: University of the South Press, 1981).

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"The Making of an Accounting Standard for Extractive Industries," by M. Selig, *Accounting History Newsletter* (Australia), Spring, 1980, pp. 9-30.

"The Promise of Historical Research in Accounting: Some Personal Experiences," by Stephen A. Zeff, *Perspectives on Research* (Madison: University of Wisconsin Graduate School of Business, 1980), pp. 13-25.

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