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The Accounting Historians Notebook

Vol. 12, No. 2

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Fall, 1989

ACCOUNTING GREATS IN THEIR TIME — A PERSONAL DIARY

by

Harry D. Kerrigan
San Diego State University

In this writer's career paths, two centers of accounting education stand out for reminiscing: the bay area California schools at Stanford and Berkeley; and the Chicago area schools at the University of Chicago and Northwestern. Included in each reference are the accounting greats who were active as professional practitioners in the region. This small group of individuals and the places in which they labored must be said to have contributed significantly and selflessly to the status, prestige, and public esteem of accountants and accounting in their time. Like others before, during, and since their time, this group deserves to be included as developers of accounting thought, as expounded and as professionally practiced, to the position it has achieved today, as one of society's great moral and educational forces, that will grow even greater with time. The reminiscing represented here is the years between the two world wars, spilling over for some ten more years beyond.

The California Bay Area

At Berkeley, Henry Rand Hatfield (1866-1945) received the A.B. degree in 1892 and later, the LL.D. degree, from Northwestern, and the Ph.D. degree in 1907 from the University of Chicago. After four years in investment banking (1894-1898), he transferred to academia until retirement in 1937. Hatfield was the first dean of the school of business of the University of Chicago, and after two years moved west in 1904 to the University of California, Berkeley, where he served as professor of accounting, and held two deanships, first as the senior dean with the title of dean of faculties, and then as dean of the college of commerce, including switches between the two deanships in the intervening years. He was Dickenson Lecturer at Harvard in 1942.

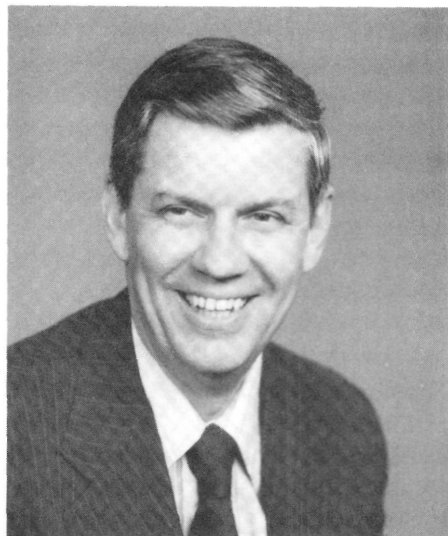
In Berkeley, Hatfield was president of the local Commission of Charities for several years. World War I took him to Washington where he held an important

continued on page 46

As anyone interested in history knows, a year is an extremely short period of time. I am reminded of that fact as I write of my year as president which is fast drawing to a close. I look back at what I had hoped we could accomplish — making the study of accounting history so relevant to the degree that its study became mandatory as a part of the accounting curriculum; encouraging research papers on contemporary accounting history, the uses and limitations of accounting, and the failure of value-based accounting models to displace the historical-cost model; and, finally, to begin to build a bridge between academia and the preparers of accounting data in order to improve the accounting profession and the best financial reporting system in the world — I see that we have only started.

We did initiate and take part in both regional and national seminars on the relevance of history, but I can see now that it is a long, long road from seminars to required courses. It is clear to me now that until the study of accounting history is a requirement for tenure, we will struggle with having it accepted nationwide as a part of every accounting curriculum. The recommended 150-hour program of the AICPA (which doesn't include history) illustrates how difficult a problem we face.

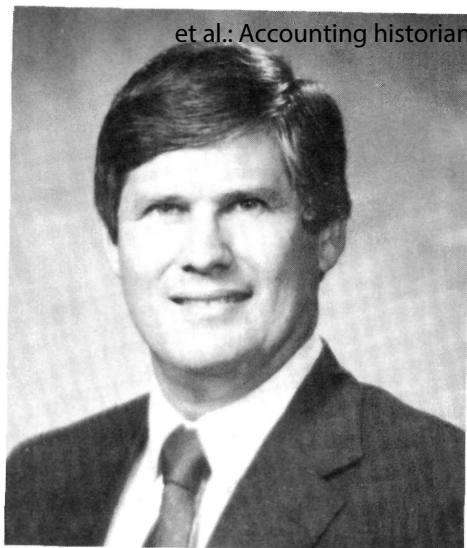
We were successful in launching the Corporate Accounting Policy Seminars as an American Accounting Association sanctioned seminar. Three seminars are currently scheduled beginning in September 1990. It is my hope that these seminars, which for the first time, bring financial accountants and executives from business together with members of academia in a workshop atmosphere dealing with real world problems, will stimulate changes in the accounting curriculum so as to better prepare the accountants of tomorrow.



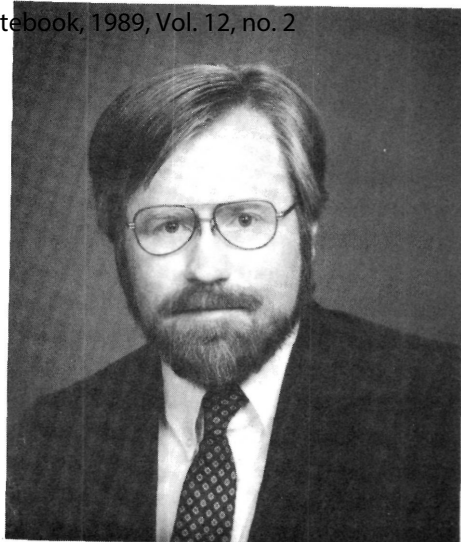
EUGENE FLEGM

Finally, we did accomplish the major restructuring of the Academy recommended by the Board of Trustees. Two new committees — Endowment and Public Relations — were formed as well as a realignment of responsibilities which reflects a stronger hierarchical structure designed to increase the involvement of the vice-presidents in the administration of the Academy.

As the Academy's first non-academic president, I faced my term with some trepidation. It has been a great experience for me. I have learned that change in education comes slowly. However, I look forward to helping Barbara Merino and future presidents of the Academy make the Academy increasingly pro-active in the quest for improving the education of accountants by increasing their sense of history and the perspective thus gained.



DALE FLESHER



WILLIAM SAMSON

NEW JOURNAL EDITORS

Professors Gary Previts (Case Western Reserve University) and Mary S. Stone (University of Alabama) have stepped down after four years as co-editors of *The Accounting Historians Journal*. The new editors are Dale L. Flesher (University of Mississippi) and William D. Samson (University of Alabama). Flesher and Samson took over their new duties on June 1, 1989. The first issue of *The Journal* for which they will be responsible will be the Spring, 1990 issue.

Flesher has served for the past ten years as the editor of *The Accounting Historians*

Notebook. This (Fall, 1989) will be his last issue of *The Notebook*. The new editor of *The Notebook* will be Elliott Slocum of Georgia State University.

Individuals wishing to submit article manuscripts to *The Accounting Historians Journal* should now send them, along with the \$30 submission fee (\$15 for members), to:

Dale L. Flesher, Editor
The Accounting Historians Journal
School of Accountancy
University of Mississippi
University, MS 38677

WHITTRED WINS HOURGLASS AWARD

Professor Greg Whittred of the University of Sydney was the 1989 winner of the Academy's prestigious Hourglass Award. The Hourglass Award is presented annually to a person(s) who has made a significant contribution to the study of accounting history. Whittred won the award for his 1988 book entitled *The Evolution of Consolidated Financial Reporting in Australia*. The book was published by Garland Publishing, Inc. of New York. Whittred is the second professor from the University of Sydney to win the award as Murray Wells was the recipient of the 1979 award. Sydney is the only university to have had two winners.

The book, which was based on Whittred's doctoral dissertation (from the University of New South Wales), investigates the economic incentives of Australian corporations to voluntarily provide consolidated reports. His methodology can likely be used by others to study other financial reporting developments.

Professor Whittred joins an elite group of scholars by winning the Hourglass Award. The previous Hourglass winners, and the publications that won them the award are as follows:

- 1973 — Steve Zeff, *Forging Accounting Principles in Five Countries*.
- 1974 — Michael Chatfield, *A History of Accounting Thought*.
- 1975 — Hanns-Martin W. Schoenfeld, *Cost Terminology and Cost Theory: A Study of its Development and Present State in Central Europe*.
- 1976 — Osamu Kojima and Basil Yamey, for reproduction of Ympyn's *A Notable and Very Excellent Worke (1547)*.
- 1977 — A Van Seventer, for translation of O. Ten Have's: *A History of Accountancy*.
- 1978 — David A. R. Forrester, *Schmalenbach and After*.
- 1979 — Murray Wells, *Accounting for Common Costs*.
- 1980 — Gary John Previts and Barbara D. Merino, *A History of Accounting in America*.
- 1981 — H. Thomas Johnson, for a series of articles on "The Development of Management Accounting."
- 1982 — Williard Stone, for a series of articles on "American Accounting History."
- 1983 — Richard P. Brief, for authoring many books and articles and editing 196 volumes on accounting history subjects.
- 1984 — Esteban Hernandez Esteve, *Contribution to the Study of Spanish Accounting History*.
- 1985 — H. Edgar Jones, *Accountancy and the British Economy, 1840-1980: The Evolution of Ernst & Whinney*.
- 1986 — Leonard Spacek, *The Growth of Arthur Andersen & Co., 1928-1973, an Oral History*.
- 1987 — Ernest Stevelinck, for a half century of work in the study of accounting history and accounting historians.
- 1988 — Peter McMickle and Richard Vangermeersch, *The Origins of a Great Profession*.

LIFE MEMBERSHIP AWARDED TO PROFESSOR LOUIS GOLDBERG

At the August 1989 annual meeting of the Academy of Accounting Historians, Emeritus Professor Louis Goldberg was elected to Life Membership in the Academy. Professor Goldberg, B.Com., M.Com., B.A., Litt.D., is Emeritus Professor of the University of Melbourne. As an internationally respected senior statesman of the academic accounting community he is well known for his impressive list of publications in the financial accounting and accounting history fields.

His career as a full time accounting academic at the University of Melbourne spanned the years 1946 to 1973, the last 15 years of which he was Professor and Head of the Department of Commerce. He was a founding member and is a past president of the AAANZ, a past Divisional Counsellor of the Australian Society of Accountants and a long serving member of the editorial board of *The Ac-*

counting Historians Journal. In 1987 he was awarded the Order of Australia by the Australian Government in recognition of his enormous contribution to accounting education. During his long and distinguished academic career he has published numerous books and articles in the field of accounting. Among his noteworthy texts have been *A Philosophy of Accounting* (1939), *Concepts of Depreciation* (1960), *An Inquiry into the Nature of Accounting* (1965), *The Florescent Decade: Accounting Education in Australia 1945-1955* (1981), *Dynamics of an Entity: The History of the Accounting Association of Australia and New Zealand* (1987).

Other individuals who have previously been awarded life membership status are Paul Garner (Alabama), Basil S. Yamey (London), Ernest Stevelinck (Belgium), Kojiro Nishikawa (Japan), and Osamu Kojima (Japan) (now deceased).

CALL FOR PAPERS: COST ACCOUNTING

The Academy of Accounting Historians invites submissions of papers on the development of cost accounting or related topics for possible inclusion in a refereed monograph honoring Dean Emeritus Paul Garner of the University of Alabama. Papers may vary in length, but should not exceed 12,000 words. Style should follow guidelines of the The Accounting Historians Journal. Submission deadline: March 31, 1990.

*O. Finley Graves, Editor
The Monograph Series of the Academy
of Accounting Historians
School of Accountancy
University of Mississippi
University, MS 38677*

THE HISTORICAL CONTRIBUTIONS OF CHINESE ACCOUNTING (OR R-P = E-B)

by

Guo Daoyang

*Zhongnan University of Finance and Economics
Wuhan, The People's Republic of China*

Translated by:

*Du Jianjun, People's University of China
and*

Richard Vangermeersch, University of Rhode Island

NOTE: This is a revised version of the paper presented by Professor Guo at the Fifth World Congress of Accounting Historians in Sydney in August, 1988.

Going back to prehistorical times, primitive tribes in China created rich and varied symbols of calculation and of record-keeping to meet the needs of production and distribution. Archaeological studies have verified that the engraved symbols of the Jiahu Man about 8000 years ago in the province of Henan were in use much earlier than Egyptian papyrus.¹ Also, numerals were employed 6000 years ago by the Banpo Man in the province of Shaanxi.² It is easy to recognize that the usage of compound symbols indicated that a calculation had occurred. Other examples of record-keeping are notching wood and tying knots. These methods were mentioned in Chinese mythology and clearly reflect an embryonic stage of accounting in China. These primitive accounting activities are major marks of progress in the Chinese culture.

Governmental accounting in China during the Zhou Dynasty (1100-256 B.C.) has attracted the attention of accounting historians throughout the world. Michael Charfield stated "In the procedural areas of internal control, budgeting, and audit, the Chaos (Zhou) probably had no peers in the ancient world."³

A well organized accounting and treasury system was established during the Zhou Dynasty, as reflected in the book of the rites of Zhou.⁴ The Prime Minister (Tianguan) appointed both the Chief Accountant (Sikuai) and the Grand Treasurer (Dafu). The Chief Accountant was in charge of calculating national figures and of his accounting staff, which were responsible for accounting, receiving, and disbursing both money and commodities. The jobs of receiving and disbursing money and commodities were divided into three sections. The three officials in charge were: the Zhinei, in charge of national receipts; the Zhisui, in charge of national expenditures; and the Zhibi, in charge of the surplus. These three divisions checked and examined each other.

The Dafu (Grand Treasurer) was the highest ranking officer in the Treasury organization. He appointed five custodial officers. They were the Neifu, in charge of valuables; Waifu, in charge of receiving and disbursing articles of everyday use; Jiouzheng, in charge of wine; Siquou, in charge of furs; and Zhangpi, in charge of receiving and disbursing leather. In addition, the Court of Zhou established the Quanfu post, in charge of taxes levied on city-states. The national government used the taxes for investment to earn interest by making loans or for price regulation actions in certain markets. The Tianfu post

was established to strengthen the property management function in the Zhou ancestral temple. The Zhijin post was established to control the receipt and disbursing of fines, and these officials the Court of Zhou formed an economic control system.⁵

As already-mentioned, internal control was achieved by these officials cross-checking each other. The Zaifu (Supervisor) post was quite significant in the Zhou Dynasty. The Zaifu was in charge of on-site auditing in the national storehouses (Treasury). If inappropriate expenditures occurred or an inventory of property was inconsistent with the accounts, a report was issued to the Prime Minister (Tianguan), and punishment would follow. Conversely, if one did a good job, he would be rewarded by the Prime Minister because of the report of the Zaifu.

In order to live within its means, the Court of Zhou established a receipts and disbursement system. There were nine revenues (Jioufu); nine types of feudal tributes (Jiougong); and nine types of expenditures (Jioushi).⁶ All the financial and accounting divisions were to follow the basic tenet of "regulating expenditures within the stipulation of Jioushi" in their work. The determination of receipts and expenditures of the different divisions should depend on the relationship between Jioufu (revenue) and Jioushi (expenditures) of the different divisions. Specific types of revenue could be used only for certain types of expenditures. Each division would collect its data in a timely fashion and report to the higher level each 10 days, month, and year. The expenditures of the King were not subject to budgetary control but his expenditures were audited. At year end, the Sikuai (Chief Accountant) would submit an accounting report to the King through the Prime Minister. The King took a personal

interest in financial affairs of the year and rewarded/punished officials based on the results of the budget surplus/deficit. This system became called the Shangji System (Grand Calculation System).⁷ There is no doubt that the Zhou Dynasty had a well developed system of financial and accounting controls well before the Christian era.

The Statute Book, written by Likui during the Warring States Period (475—221 B.C.), was the first book on Law in China. There were some references to accounting in the book. These references had a direct impact on the economic legislation of the Qin Dynasty (221—207 B.C.). The Qin Statutes contained very penetrating and definitive clauses on accounting, probably much more advanced than the Code of Hammurabi in ancient Babylon.

Both the appointments of and the professional ethics of accounting officials were clearly stipulated in the Qin Statutes. Accounting officials were assumed to be honest and any shortcomings caused penalties. If there were a misappropriation of public funds, the rules of corruption would be applied. The Qin Statutes stipulated that incoming accounting officials under the supervision of his superior must carefully check the records of the prior accounting official at the expiration of his term in office. If any loss were found in the audit process, the official would be fined or punished according to the seriousness of the situation. If an excess were found, the accounts must be increased.⁸

In addition, the Qin Statutes also covered: (1) losses and damages in the process of receiving, disbursing, and storing; (2) the formalities and procedures in property expenditures; (3) the planned consumption of each material object; and (4) the presentation of the financial report of the year's transactions. There were some very detailed clauses. For instance, prisoners' garments had time stipulation

as well as the quality of cloth and the quantity to be used for each suit. If there were some garments remaining, they must be sent to the storehouse and noted in the annual report.⁹ Another example was the standards for the salaries of officials. Different items from salary to meals were strictly stipulated and were provided to officials according to their official ranks. A third example was the storage of grain. It was necessary to have the stamp of the official in charge of the storehouse along with the signature of the accounting official for all receipts and disbursements of grain from storehouses. October 1 was the beginning of the fiscal year.

The Shouji System (Reporting and Checking) started in the Zhou Dynasty, developed in the Warring States period, and became perfected in the Han Dynasty (206 B.C.—220 A.D.).” The accounting report was renamed Shangjibu¹⁰ and the receiving and examining the accounts report by the Emperor was renamed Shouji.¹¹

At the end of each year, the report books were carried to the capital by officials from different regions of China. The reports were summarized by the Central financial department and presented to the Emperor. Sometimes the Emperor personally received the accounting reports from the accounting officials and closely questioned them. This gave the Emperor personal insight into the success and failures of these officials and allowed him to reward or punish these officials. For instance, as recorded in the Book of Han, Emperor Hanwudi used this practice quite frequently.

The examination of accounting reports was a serious matter. For example, in 121 B.C., Hao Xian, the governor of the region of Shanggu, was removed from his post because of accounting fraud. To prevent the reporting system from becoming a meaningless ritual, the Emperor authoriz-

ed the Public Prosecutor (Yushi) to examine the accounts.¹² The Yushi had the right to audit and had the authority to deal with the discovered problems. For those of an extremely serious nature, the Yushi had to report the state of affairs to the Emperor for a decision of whether to assign heavier punishment.

The accounting system of the Han Dynasty has continued through almost every subsequent dynasty and has been improved through the centuries. The major tenets of the system of preparing and reporting accounts and of summarizing and examining by the central department have continued to the present. The Han Dynasty surely had a profoundly significant impact on China and Chinese accounting.

Auditing has a long history in China but it was not until the Tang Dynasty (618—907 A.D.) that auditing became mature and perfected. The Bibu, the supervisory ministry in the administrative organization of the Tang Dynasty, exercised authority for auditing. The Bibu was independent from the financial departments. The Bibu performed its audit function by law and, hence, its decisions were judicial in nature. All financial matters of the army and the government could only be approved by the Bibu during the Tang Dynasty and were often audited by it. For such strategically important sections as the Storehouse in the Capital, the audit function was performed quarterly. There was a nation-wide audit of governmental accounting records each year. All accounting reports from the different regions were sent by the Ministry of Revenue (Hubu) to the Bibu to be audited. Only correct expenditures were to be reimbursed to the local officials. If corrupt acts and unlawful practices were found, Bibu reported the cases to Yishitai (the highest-ranking supervisory official) for reexamination. Bibu then reported the cases to the

et al.: Accounting historians notebook, 1989, Vol. 12, no. 2
Emperor for his final decision.¹³

The financial and accounting systems of the Tang Dynasty relied on a double-checking system for these five functions—(1) Statistics and Taxation; (2) Cashier; (3) National Treasury; (4) Storekeeping; and (5) Economic Regulation. This checking function based on financial and accounting methods not only played a key role in consolidating a feudal economy but also had a profound influence on the development of the auditing division and of economic regulation.

It is probably indisputable that China had the most advanced accounting system of any in the ancient world. The Sanzhufa (the Three Column Accounting Method) was used as early as the Zhou Dynasty. The Chinese people had developed the “balance from the last period” concept in the Eastern Han Dynasty (25-220 A.D.). It was in the Tang Dynasty that the Four Column Accounting Method—Beginning Balance, Increase, Decreases, and Ending Balance—was first used.¹⁴ This accounting method became popular in the Song Dynasty (960-1279 A.D.) and later was widely used in both governmental and private accounting in the Ming and Qing Dynasties (1368-1912 A.D.). In the Song Dynasty, the Four Column Difference Formula [Receipts - payments = ending balance - beginning balance] was used for trial balance accounting. The application of this accounting equation in China was several hundred years earlier than in the Western World.¹⁵ The Four Column Method was employed as a main theoretical pillar of a Chinese movement to improve bookkeeping in the 1930's.

In modern times the long continuation of a feudal economy in China caused its accounting to lag behind the West, although some progress was made. At the end of the Ming dynasty and the beginning of the Qing Dynasty in about 1644 A.D., there was increased capitalistic spirit

in China. As social and economic activities became more complicated, Chinese double-entry bookkeeping (Longmen account) developed from the Three-Foot Account.¹⁶ This bookkeeping method used Shou (Receipt) and Fu (Payment) as bookkeeping symbols to record the cause and effect of each transaction. The method classified all economic transactions into four types: Jin (Receipts); Jiao (Payment); Cun (Keeping); and Gai (Owing). There were some subtypes under each type. Each transaction was recorded according to this bookkeeping rule—“every receipt must have a payment and receipt must equal payment.” The closure formula “Jin - Jiao = Cun - Gai” was used periodically to settle the accounts. While this practice was different from the Western style of double entry bookkeeping, the Eastern style was quite functional. Hence, the Longmen accounting was the beginning of the development of Chinese Double-entry bookkeeping.

In the Qing (Ching) Dynasty (1644-1912 A.D.), the Four-foot Account developed from the Longmen Account.¹⁷ The four-foot account was a more perfected bookkeeping system. The principle of the Tian-di-he (Heaven matching with Earth) balancing method was similar to the Western bookkeeping equation and the balance sheet. The four-foot account was an important milestone in the development of Chinese accounting.

The Longmen Account and the Four-foot Account were not widely used in China and were not factors, because of their imperfections, in the development of accounting in the West. Yet, these methods were great inspirations to the Chinese of today. First, as part of Eastern accounting history, they prove the developmental law of history, in that accounting developed from the single entry to the double entry method. Second, they indicate the process of the formation of

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double-entry bookkeeping principles were the same throughout the world.

Chinese accounting has had a long history. In ancient times it was far better developed than accounting in the Western world. The history of Chinese accounting should be known by accounting historians of the West. Both Eastern and Western accounting historians then should search for cross-cultural contacts through the centuries. It may well be that governmental accounting in the West may be improved by the West studying the much longer and much richer heritage of governmental accounting in China.

¹⁶Guo Dao Yang, Chapter 5.

¹⁷Cheng Shengshu, "Antique but Scientific Bookkeeping Methods of Our Country," *China's Economic Issues*, Vol. 3, 1980.

¹⁸National Tiannan Commercial Accounting School, *Bookkeeping and Accounting, Gist of Accounting*, Part One, 1924.



DO YOU BELIEVE THIS?

Footnotes:

¹Engraving Symbols in Lياهو Relics is Older than Oracle Inscription on Bones or Shells, *Xinhua Digest*, Volume 2 (1988), p. 64.

²See the ancient painted pottery or the photos of engraving symbols and colored drawing of the Neolithic Age, stored in the Banpo Museum, Xian, China.

³Michael Chatfield, *A History of Accounting Thought*, Illinois, 1974.

⁴Rites of Zhou, Tianguan (Part 1); or Lin Yi, *Today's Notification and Interpretation on Rite of Zhou* (Volume 1), Booklist and Reference Press, 1985.

⁵Annotation on the Historical Records by Sima Qian, Shanghai Publishing House, 1986.

⁶Ditto with [4].

⁷Guo Daoyang, *Accounting History of China*, Vol 1, China Finance and Economics Press, 1982, Chapter 2.

⁸Bamboo Slips in Qin Tomb at Shuihudi, Xiao Rule, Hubei Museum, 1980.

⁹Ibid., Jinbu Rule.

¹⁰Guo Daoyang, Chapter 4.

¹¹Op. cit.

¹²Op. cit.

¹³Ouyang Xiu, et al (the Song Dynasty), *New History of the Tang Dynasty*, Official Records, Shanghai Publishing House, 1986.

¹⁴Op. cit.

¹⁵Chi Tianwen, *Research on Ancient Accounts of China*, Shanghai Publishing House, 1984.

A Miami accounting student visited a Cuban coffee shop after a lecture which introduced him to the concept of activity costing. The proprietor, as is usual, placed a glass of iced water on the table when he served him an espresso. "Do you realize," the student said, "that if you were to allocate the overhead of this coffee shop using the activities that you perform, you would probably find out that this free glass of water is costing you between one and two cents."

The coffee shop owner looked shocked. Every day that week, as he served the student a glass of water with his cup of coffee, the owner would say to him, "You gave me a problem, eh? I'm a good business man, I'll solve it."

On Friday morning the owner was all smiles. "I solved the problem!" he told the student. "All week I've been worrying about the money I was losing on the glasses of water, but I've found out how to make up for it. I'm putting less water in the espresso now."

MINUTES OF AUGUST TRUSTEE'S MEETING

August 13, 1989, Sea Pearl Room 2, Hilton Hawaiian Village, Honolulu, Hawaii

Present: Abdel M. Agami, Maureen H. Berry, Ashton C. Bishop, Edward N. Coffman, Eugene H. Flegm, Dale L. Flesher, Tonya K. Flesher, Horace R. Givens, O. Finley Graves, Peter L. McMickle, Barbara D. Merino, Patti A. Mills, Thomas J. Nessinger, Lee D. Parker, Alfred R. Roberts, William D. Samson, Mary S. Stone, Richard G. Vangermeersch.

President Flegm opened the meeting at 2:00 and welcomed those present.

Interim reports of officers, committee chairpersons, and directors were distributed to trustees several weeks prior to the meeting. A summary of these reports appear in the August 14, 1989 minutes of the Annual Business Meeting.

The Calendar of Responsibilities and Events prepared by Secretary Bishop was discussed. Suggestions were made to increase its effectiveness. A revised version, which incorporates suggestions arising from the discussion, will be prepared and distributed to trustees, officers, editors, chairpersons, and directors prior to their meeting (Key Member Meeting) in Atlanta on December 1-2.

Edward Coffman presented the Treasurer's report for Ross Tondkar, Treasurer, who was not in attendance. While the current financial condition of the Academy is good, a discussion arose regarding future financial needs. Additional financial resources will be required as the Academy expands its activities through offering more seminars and conferences, funding more research projects, and providing more support to the Accounting History Research Center and the Tax History Research Center. The need for a dues increase naturally arose as a result

of the discussion. It was noted that dues for institutions were increased last year from \$35.00 (US) to \$40.00 (US) while dues for individuals remained unchanged at \$25.00 (US). A motion was made and seconded that dues for individuals be increased to \$30.00 (US) for 1990. After some discussion, the motion passed unanimously.

During the previous discussion, it was noted that universities of members who hold leadership positions have on occasion provided financial support for Academy activities, and there are indications that this support may be limited in the future. It was agreed that a new budget for 1990 should be prepared to reflect full cost (funding). Treasurer Tondkar should work with President-Elect Merino to develop this budget. The budget should be distributed to the participants in the Key Member Meeting prior to their December meeting in Atlanta.

The amount of insurance coverage, if any, on the Accounting History Research Center and the Tax History Research Center is unclear. Al Roberts, Co-Director of the Accounting History Research Center, and Tonya Flesher, Director of the Tax History Research Center, will find out about insurance coverage and make a report at the Key Member Meeting in December.

Finley Graves, Editor of the Monograph Series, indicated that Garland Publishing Co. has approached him about the possibility of publishing the Monograph Series. He will investigate the details and make a report at the December Key Member Meeting.

The Life Membership Committee — consisting of Edward Coffman, Al Roberts, and Gary Previts — nominated Dr. Louis Goldberg (Professor Emeritus, Department of Accounting, University of

Goldberg has made significant contributions to accounting history and to the profession of accounting in general. Please refer to the Minutes of the Annual Business Meeting held on August 14 for specific accomplishments. The nomination was seconded and the Board of Trustees voted unanimously to grant Life Membership to Dr. Goldberg.

President Flegm announced that he and Gary Previts have been working with the American Accounting Association to make possible a series of future symposiums on corporate reporting. He asked for a discussion about sponsorship. A motion was made which proposed that The Academy contribute \$300 (\$100 per year for three years) to help sponsor the series. The motion was seconded and passed unanimously.

Secretary Bishop noted that Edward Coffman's tenure as Chairman of the Board of Trustees ends on December 31. A motion was made nominating Richard Vangermeersch for the position. The motion was seconded and passed unanimously.

The minutes of the April 8, 1989 Trustees' Meeting were discussed. Several corrections were noted. A copy of the corrected minutes are attached.

Since there was no further business, the meeting was adjourned at 5:25 p.m.

Respectfully submitted,

Ashton C. Bishop
Secretary, AAH

Dear Members of the Academy of Accounting Historians:

We ask your help in starting to catalog a list of great books in the field of accounting and a list of books in which accountants are characters. Please send your list of great books to Richard Vangermeersch, 316-B Ballentine Hall, The University of Rhode Island, Kingston, RI 02881. Please send your list of books in which accountants were characters to Vahé Baladouni, Department of Accounting, University of New Orleans, Lake Front, New Orleans, LA 70148. Both of us are interested in both the English and non English literatures.

The need for these lists was evident to us during the course of a panel discussion at the SWAAA in New Orleans on the Teaching of Accounting History. There are many great books in accounting; there are many exciting stories about accountants. What are needed are lists of them so that accounting professors can easily reference them. Please help us. Thanks.

Sincerely,

Vahé Baladouni
Richard Vangermeersch

THE ACCOUNTING HISTORIANS NOTEBOOK

The Academy of Accounting Historians
School of Accounting
James Madison University
Harrisonburg, VA 22807

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University of Mississippi
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MINUTES OF ANNUAL BUSINESS MEETING

August 14, 1989, Hilo Suite, Ilika Hotel, Honolulu, Hawaii, 8:30 a.m.

Approximately 35 members attended the meeting.

President Gene Flegm called the meeting to order at 8:30 a.m. and welcomed those attending. He highlighted progress made thus far during his tenure as the first non-academic president of The Academy. Specific accomplishments include:

(1) working with the American Accounting Association in establishing a series of future symposiums on corporate financial reporting

(2) initiating a more formal budget planning process

(3) strengthening of the organizational structure through adoption of specific resolutions related to the Strategic Plan as presented by the Board of Trustees. (See Minutes of the April Board of Trustees meeting for specifics).

Lastly, President Flegm reaffirmed his commitment to seeking financial support for The Academy; however, he has been disappointed with the low number of funding requests for individual projects.

Secretary Ashton Bishop presented the following statistics for the 1988 membership year:

	Domestic	Non Domestic	Total	%
Individuals	354	127	481	63
Institution affiliates	203	81	284	37
Totals	557	208	765	--
%	73	27		100
Membership, December 31, 1988		765		
Membership, January 1, 1988		729		
Net increase		36		

Net Change:	
Individuals:	
Domestic	3
Non-Domestic	13
Institution affiliates:	
Domestic	19
Non-Domestic	1
Total	36

Bishop reported that the Membership Committee, Chaired by Rita Hull, was active during the year. The committee contacted old members who had not renewed and sought out new academic members (including doctoral students) and institution affiliates. The committee also contacted all 50 CPA state societies seeking individual non-academic members.

Edward Coffman gave the Treasurer's report for Ross Tondkar, Treasurer, who was unable to attend the meeting. Coffman presented a proposal, which had been approved by the Trustees, for a change in the dues structure for 1990 (see minutes of Trustees Meeting for discussion). The proposal was approved unanimously by the membership. The dues for 1990 will be: Individuals, \$30.00; Institution affiliates, \$40.00; and Doctoral students, \$7.50.

Vice-President Lee Parker called for the chairperson of the committees under his direction to present their report.

Lee Parker, Chairman of the Accounting History Research Committee (formerly the Accounting History Research Methodology Committee), indicated that work on METHODOLOGY AND METHOD IN HISTORY: A BIBLIOGRAPHY has been completed, and the book is in the near future. The committee is planning a two- or three-day historical research methodology conference. Their present intention is to hold the conference at the University of Mississippi in early December 1991.

Lee Parker summarized the accomplishments and ongoing activities of

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the Accounting History Education Committee for Chairman, Abdel Agami. They include (1) published the second edition of BIOGRAPHIES OF NOTABLE ACCOUNTANTS, (2) organized panel discussions dealing with ADDING HISTORICAL PERSPECTIVE TO THE ACCOUNTING CURRICULUM at the annual as well as regional meetings of the American Accounting Association, and (3) embarked on a project to develop a list of historical materials that can be used in teaching accounting history.

Lee Parker presented the report of Elliott Slocum and Al Roberts, Co-Directors of the Accounting History Research Center. Donations to the Center included material from:

- (1) Andrew Barr — The Annual Reports of the SEC from 1934 through 1987.
- (2) Paul Garner — Approximately 300 items composed of books, monographs, reports, magazines, and a box of Year-books of the AIA.
- (3) Andrew Braden An original autographed copy of Charles E. Sprague's THE PHILOSOPHY OF ACCOUNTS.

The AHRC continues to receive the records of the Federation of Schools of Accountancy which are being cataloged. The Fourth Charles Waldo Haskins Accounting History Seminar is planning for Atlanta on December 1-2, 1989. The final date for submission of manuscripts is September 15.

Lee Parker presented the Tax History Research Center report for Tonya Flesher, Director of the Tax History Research Center. The Center was officially opened and dedicated at the Tax History Diamond

Jubilee held on the campus of the University of Mississippi on December 2-3, 1988. Grants to support the Center/conference have been received from General Motors Foundation, Deloitte Haskins & Sells Foundation, and Commerce Clearing House. Donation of materials to the Center (especially early textbooks) are encouraged.

Dale Flesher, Director of the Video and Tape Library, reported that demand for the Academy's tapes remained steady over the past year. The tapes are particularly useful as a membership acquisition tool. Expansion of the library (especially through an active plan to conduct videotape interviews of our more accomplished and established members) is needed. One expansion to the library this past year was the acquisition from Arthur Andersen & Co. of additional tapes of Leonard Spacek's fireside chats from the late 1960's.

Lee Parker presented the Archivist's report for Al Roberts. At the Trustees meeting on April 8, 1989, Roberts was appointed the "first official Archivist of the Academy." To aid in writing future histories of the Academy, each committee chairperson should prepare a report that includes (1) the name, the affiliation of each committee member, (2) the committee charge, and (3) an evaluation of how well the committee has complied with the charge. The President-Elect should present a proposal for his/her term of office and upon completion of office submit an evaluation of what he/she feels was accomplished during the term.

Peter McMickle, Display Booth, reported on the upward trend of cost for the display booth at the American Accounting Association meeting. However, the exposure for the Academy is well worth the cost. Visitors to the booth appear to be especially interested in the tape library, which is helpful in membership acquisition.

Horace Givens, Editor of the Working Paper Series, reported that he has received one paper since taking over from Ross Tondkar. Since Working paper No. 100 is scheduled to be published during his tenure, Horace would like for members to assist in deciding on a special paper for this occasion. Volume 4 of the Working Paper Series co-edited by Ross Tondkar and Ed Coffman, which consists of Working Papers 61-80, will be available this Fall.

Finley Graves, Editor of the Monograph Series, reported activities related to three monographs thus far this year. They are in varying stages of the review process.

Gary Previts submitted the following manuscripts report for THE ACCOUNTING HISTORIANS JOURNAL covering the period August 9, 1988 to August 1, 1989:

Accepted	19
New submissions sent to new editorial team	8
Rejected	14
Rejected without review	8
Withdrawn by author	1
Referred to NOTEBOOK	2
Total in process	52

Recap of Activity
Current Editorial Team - Total Term

Manuscripts received	
December 1985 to August 1986	49
August 1986 to August 1987	42
August 1987 to August 1988	33
August 1988 to August 1989	31
Commissioned papers	6

Volume 14 (1987), Volume 15 (1988), and Volume 16 (1989) were the responsibility of the current editorial team. The acceptance rate for the current editorial team was 19% (30/155). All six commissioned papers were independently refereed and accepted. One Accounting History Manuscript Award winning paper was published in 1988 and the other will be published in 1989. Gary Previts and Mary Stone, current Editors of THE ACCOUNTING HISTORIANS JOURNAL, are stepping down after the Fall issue. Dale Flesher and Bill Samson will be the new Editors.

President Flegm presented the 1989 President's Hourglass Award for the most notable contribution to the literature of Accounting History to Greg P. Whittred. Whittred was recognized based on the contribution of his book, THE EVOLUTION OF CONSOLIDATED FINANCIAL REPORTING IN AUSTRALIA. Whittred is a Professor at the University of Sydney.

Gary Previts presented The Academy of Accounting Historians' 1989 Manuscript Award to Sarah A. Reed for her manuscript, "A Historical Analysis of Depreciation Accounting - The United States Steel Experience." The manuscript will be published in the Fall issue of THE ACCOUNTING HISTORIANS JOURNAL. Reed is an Assistant Professor at Texas A&M University.

President Flegm announced that Emeritus Professor Louis Goldberg, University of Melbourne, has been designated as a Life Member by the Board of Trustees. Professor Goldberg was the first full-time accounting professor appointed in Australia. He was a founding member of the Accounting Association of Australia and New Zealand. At 80 years of age, he is still teaching and writing. In the AHJ Spring issue, his recent history of

the Accounting Association of Australia and New Zealand and video interviews with him are reviewed. He is widely regarded as one of the founding Australian contributors to academic work in accounting and accounting history.

Dale Flesher, Chairperson of the Nominations Committee, presented the following nominees for office to the membership:

OFFICERS (one-year term)

- President: Barbara D. Merino (Univ. of N. Texas)
- President-Elect: Lee D. Parker (Flinders University)
- Vice President: Tonya K. Flesher (University of Mississippi)
- Vice President: Peter L. McMickle (Memphis State Univ.)
- Treasurer: Rasoul H. Tondkar (Virginia Commonwealth University)
- Secretary: Ashton C. Bishop (James Madison Univ.)

TRUSTEES (Three-year term — (1990-1992))

- Eugene H. Flegm (General Motors)
- Elliott L. Slocum (Georgia State University)
- Murray C. Wells (University of Sydney)
- Yoshihiro Hirabayashi (Osaka City University)

A motion was made, seconded, and the slate was approved.

President-Elect Barbara Merino presented some of her thoughts on what she intends to accomplish during her year as President. The themes of her administration will be (1) education and (2) research. With respect to education, the focus will be on adding an accounting historical perspective to the accounting curriculum. Regarding research, emphasis will be on creating interaction between positive, critical, and international researchers through seminars, workshops, etc. Merino, in an effort to get more members actively involved in the Academy, will write to the members seeking individuals who want to serve.

Secretary Bishop presented President Flegm with a plaque in recognition of his

leadership and service during his term as President of The Academy.

Since there was no further business, the meeting was adjourned at 9:45 a.m.

Respectfully submitted,

Ashton C. Bishop
Secretary

REPORT OF THE ACCOUNTING HISTORY EDUCATION COMMITTEE

The following is a summary of the accomplishments and ongoing activities of the Accounting History Education Committee to date:

1. The second edition of **BIOGRAPHIES OF NOTABLE ACCOUNTANTS** was published in January, 1989. It contains biographies of eighteen notable accountants.
2. The Committee has organized panels dealing with the issue of **ADDING HISTORICAL PERSPECTIVE TO THE ACCOUNTING CURRICULUM** in the American Accounting Association meeting in Hawaii; the Northeast Region meeting in Albany; the Middle Atlantic Region meeting in Wilmington, Delaware; the Midwest Region meeting in Minneapolis; the Southwest Region meeting in New Orleans; and in the West Region meeting in Las Vegas.
3. The Committee has embarked on a new project which aims to develop a list of accounting history articles, reference materials, and other historical materials that could be used in teaching accounting history. The Committee hopes that, after completion, it will be published by the Academy and distributed to professors who are interested in incorporating accounting history in the various topics they teach.

et al.: Accounting historians notebook, 1989, Vol. 12, no. 2
**THE EVOLUTION OF INFLATION
ACCOUNTING IN THE U.S.**

by
Marilyn A. Waldron
East Carolina University
and
John E. Shaver, Jr.
Louisiana Tech University
and
Charles E. Jordan
University of Southern Mississippi

Statement of Financial Accounting Standards (SFAS) No. 33, *Financial Reporting and Changing Prices* was issued in December 1979 and an experiment with reporting the effects of price-level changes began. Seven years later, in December 1986, the experiment was ended with the issuance of SFAS No. 89. This statement made the provision of supplementary price-level adjusted information voluntary.

SFAS No. 89 was not the result of hasty deliberation. To the contrary, the statement was the result of a continuing process of review by the Financial Accounting Standards Board (FASB). An analysis of the evolutionary process of inflation accounting reveals the cognitive, continuous character of the FASB's attitude toward this problem of accounting for changing prices.

This article presents a discussion of the development of the need for inflation accounting, the history of official pronouncements addressing inflation accounting, and a summary of research studies dealing with reporting the effects of changing prices. Not only does this analysis reveal the continuity, depth, and complexity of the issues facing the FASB, but it also facilitates an understanding of how and why the FASB determined that presentation of supplementary price-level adjusted information should be voluntary.

The Evolution

Early Evolution

The need for inflation accounting was first addressed by Bayer [1919], Paton [1920], Sweeney [1936] and others in the 1920's and 1930's. Inflation was not an accounting problem during this period of U.S. history; therefore, research data were not readily available. Sweeney [1936], the major contributor to the concept of inflation accounting, analyzed the problems of valuation in relation to inflation that existed in Germany in the 1920's.

Sweeney's research findings on accounting for the effects of inflation enabled him to develop "stabilized" accounting procedures for preparing price-level adjusted information. Sweeney recognized a need for price-level adjusted information in two distinct areas. First, he recognized a need for providing information concerning the effects of changes in the general price level. Second, Sweeney recognized an exigency for information concerning realized appreciation in value that is distinct from the increase in the general level of prices. Sweeney concluded that "stabilized" accounting information is important, but not so important that it should replace historical cost information. Sweeney suggested that the presentation of the "stabilized" information be limited to

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presentation in memorandum form only
[Sweeney, 1936].

1938-1958 — Committee on Accounting Procedure

Since inflation was not a problem in the U.S. during the time period that Sweeney developed his theories of inflation accounting, his ideas were not readily accepted. Interest in the problem of accounting for inflation remained dormant until after World War II. Inflation increased during World War II and in the immediate post-war period. The Committee on Accounting Procedure (CAP) concluded in Accounting Research Bulletin (ARB) No. 33, *Depreciation and High Costs* [1947], that no accounting change was needed to reflect the effects of the decline in the purchasing power of the dollar. The CAP stated:

The committee believes, therefore, that consideration of radical changes in accepted accounting procedure should not be undertaken, at least until a stable price level would make it practicable for business as a whole to make the change at the same time [CAP, 1947].

C. Oliver Wellington was the only member who assented with qualification. He felt that inflation was already at a level to require recognition (CAP, 1947). When issued, ARB No. 43 [1953] reaffirmed with a vote of 14-6 that no accounting change was needed at the time.

1959-1972 — Accounting Principles Board

Unexpectedly, however, the prices after World War II continued to rise not only in the following decade but for the following three-and-a-half decades. The rates of inflation (CPI, from the Economic Report of the President, February, 1986) for specific years from 1952 through 1986 are shown in Figure 1 along with the accounting pronouncements related to price-level adjustments.

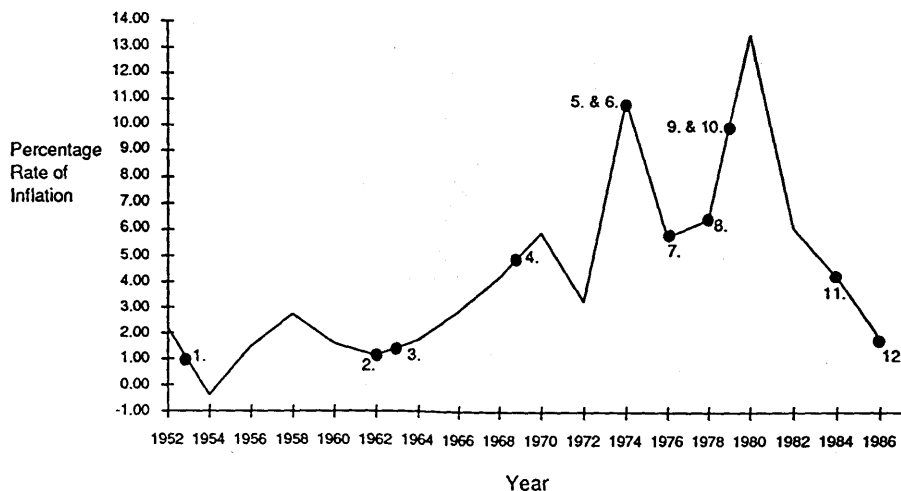
The rate of inflation in 1950 was .98 percent and by 1960 inflation had reached 1.60 percent. It became apparent to the Accounting Principles Board (APB) that inflation would continue to increase. Therefore, in a special 1961 meeting, the APB concluded that ignoring fluctuations in the monetary unit was no longer realistic (Staff of the Accounting Research Division, 1963). In response, a special committee, led by Maurice Moonitz, was formed to address the perennial problem of inflation. Subsequently, the recognition of a need for accounting for the effects of fluctuations in the value of the monetary unit was emphasized in Accounting Research Study (ARS) No. 3, *A Tentative Set of Broad Accounting Principles for Business Enterprises*. Robert T. Sprouse and Maurice Moonitz, the authors of ARS No. 3, commented

...we are in agreement with the Board that the assumption in accounting that fluctuations in the value of the dollar may be ignored is unrealistic... Furthermore, because a separate study is under way to explore the price-level problem, we have not, in this study, given any detailed attention to its impact on accounting [Sprouse and Moonitz, 1962, p. 17].

Carman Blough, a member of the committee which reviewed the work on ARS No. 3, pointed out further that the Board suggested that if any price-level adjustments were to be made they should appear only in supplementary statements, not in the financial statements. Blough's opinion was that the lack of evidence in the application of the 'principles' that would be applied in adjusting for the effects of price-level changes was not sufficient to require a change at that time [Sprouse and Moonitz, 1962].

In 1963, the recognition of the effects of fluctuations on the value of the monetary unit was reemphasized in ARS

Figure 1
Rates of Inflation -- 1950 - 1986



Significant Pronouncements Related to Price-Level Adjustments

1. 1953 ARB No. 43 "Restatement and Revision of ARBs No. 1-42"
2. 1962 ARS No. 3 "A Tentative Set of Broad Accounting Principles for Business Enterprises"
3. 1963 ARS No. 6 "Reporting the Effects of Price-Level Changes"
4. 1969 APB Stmt. No. 3 "Financial Statements Restated for General Price-Level Changes"
5. 1974 FASB DM "Reporting the Effects of General Price-Level Changes in Financial Statements"
6. 1974 FASB ED "Financial Reporting in Units of General Purchasing Power"
7. 1976 SEC ASR No. 190 "Notice of Adoption of Amendments to Regulation S-X Requiring Disclosure of Certain Replacement Cost Data"
8. 1978 FASB ED "Financial Reporting and Changing Prices"
9. 1979 FASB ED "Constant Dollar Accounting"
10. 1979 SFAS No. 33 "Financial Reporting and Changing Prices"
11. 1984 SFAS No. 82 "Financial Reporting and Changing Prices: Current Cost Information"
12. 1986 SFAS No. 89 "Financial Reporting and Changing Prices"

No. 6. ARS No. 6, *Reporting the Effects of Price-Level Changes*, (Staff of the Accounting Research Division, 1963) is a proposition that adjustments for price-level changes make financial statements more accurate and beneficial to users. Incorporated in ARS No. 6 were Sweeney's "stabilized" accounting procedures.

ARS No. 6 presented actual cases and literature which showed the need for financial statements to reflect the effects of price-level changes and also demonstrated that recognition of the effects could be implemented. The 24 companies which actually provided price-level information included Reece Corporation, Philips Industries, Indiana Telephone Corporation, Hercules Powder Company, Eastman Kodak Company, and Iowa-Illinois Gas and Electric Company.

Based on the results of ARS No. 6, the APB issued Statement No. 3, *Financial Statements Restated for General Price-Level Changes*, in June 1969. In this statement, the APB recommended that if entities provide supplementary general price-level information they should apply the Gross National Product (GNP) deflator. The GNP deflator had also been suggested for use in ARS No. 6.

1972-1986—The Financial Accounting Standards Board (FASB)

The rate of inflation continued to increase from 2.86 percent in 1966 to 10.97 percent in 1974. With the occurrence of this continuous, rapidly-increasing inflation, the accounting community became even more concerned with the problem of accounting for the effects of price changes. A major issue was whether APB Statement No. 3's suggestions were an adequate solution to accounting for the effects of inflation. With the rate of inflation increasing, should accounting for inflation be made mandatory?

In February 1974 in response to this question, the FASB issued a discussion

memorandum, *Reporting the Effects of General Price-Level Changes in Financial Statements*, which addressed the problems caused by inflation. As Edwards and Warren [1975] note, the primary issue raised in the memorandum was whether the traditional historical-dollar financial statements should include supplemental information on the effects of price-level changes. Other issues addressed included which entities should be required to present price-level adjusted statements and what restatement techniques should be used. The responses to the memorandum were mixed. Most of the responses from industry indicated opposition to mandatory reporting of price-level restatements. Academicians strongly favored mandatory price-level restatements. Although less emphatic than those in academics, the majority of responses from accounting firms supported mandatory disclosure. One major concern seemed to center around the confusion that might ensue if users misinterpreted general purchasing power as being indicative of current values.

Based on the memorandum and the responses to it, an exposure draft, *Financial Reporting in Units of General Purchasing Power*, was issued in December 1974. The primary conclusion in the exposure draft was that the financial statements of all companies should include a supplementary comprehensive restatement in units of general purchasing power. The FASB arrived at this conclusion for several reasons. First, the Board thought that constant-dollar accounting would enable users to evaluate the changing value of the dollar on individual enterprises. Second, it was believed that constant-dollar accounting would facilitate interperiod comparisons. Third, gains and losses from holding monetary assets and liabilities could be shown. Fourth, it was of the opinion that a required restatement

by the companies was preferable to the potentially misleading restatements that were being attempted by users. Concerning the potential confusion of misinterpreting general purchasing power information as indicative of current value, the FASB stated that this could be avoided if firms exercised care in presenting and explaining the constant dollar information in their financial statements.

The provisions of the 1974 exposure draft were never finalized in the form of an accounting standard. The FASB delayed its work in this area until an in-progress field study dealing with the effects of changing prices was completed and the results analyzed. This field study was completed in May 1977.

Two other factors also slowed the FASB's progress in developing standards for reporting the effects of inflation. First, in March 1976, the Securities and Exchange Commission (SEC) issued *Accounting Series Release (ASR) No. 190*, "Notice of Adoption of Amendments to Regulation S-X Requiring Disclosure of Certain Replacement Cost Data". In this release, the SEC required that certain public companies provide supplementary replacement cost data. The FASB deferred action partially in consideration of the fact that certain large companies were already required to use resources to provide current replacement cost information per ASR No. 190 [FASB, 1979b].

Second, the Board postponed its efforts to solve the problems of reporting the effects of inflation until SFAC No. 1, *Objectives of Financial Reporting by Business Enterprises*, was fully developed. SFAC No. 1 would serve as a guide in formulating solutions concerning accounting for changing price levels [FASB, 1979].

SFAC No. 1 was issued in November 1978, and the FASB rekindled its efforts toward providing guidance on reporting the effects of inflation. The exposure draft,

Financial Reporting and Changing Prices, was issued in December 1978. Subsequently, a second exposure draft, *Constant Dollar Accounting*, was issued in March 1979. Both exposure drafts were proposed guidance in reporting constant dollar information as recommended in the 1974 exposure draft. Some of the more significant changes made to the 1974 proposal included a move away from comprehensive restatement to partial restatement for selected data, and the usage of the Consumer Price Index for all urban consumers (CPI(U)) rather than the GNP deflator.

Following the issuance of the 1978 exposure draft, the FASB established six special industry task groups and held public hearings. The special industry task groups were formed because the FASB recognized that its exposure drafts were general in nature and could not address the problems that would be encountered in measuring the effects of price changes in specific industries. For example, in the forest products industry the Task Group cited one unique implementation problem area—timberlands and standing timber, which is a resource covering a long and indefinite time period. Many of these special problems had already been identified through the attempts to apply ASR No. 190 [Griffin, 1979]. The six industries identified as possessing unique characteristics were banking, insurance, mining, oil and gas, real estate, and forest products.

Communications with the public as well as information provided by the industry task groups were considered by the FASB in reaching the final conclusions concerning the exposure drafts. The FASB's efforts resulted in the issuance of SFAS No. 33, *Financial Reporting and Changing Prices*, in September, 1979. The objectives contained in the statement were based on objectives as set forth in SFAC No. 1. SFAC No. 1 purported that the information pro-

vided in financial statements should be beneficial to users in the assessment of cash flows. As proposed in Sweeney's "stabilized" accounting procedures, two types of provisions were required to increase the usefulness of financial statements. Both general purchasing power changes (i.e., constant dollar data) and specific price changes (i.e., current cost data) were to be reported by certain large companies. Also, in replication of Sweeney's idea to present the price-level adjusted information in memorandum form, the effects of price changes were to be presented as a supplement to historical cost information.

In light of the conflicting opinions received in response to the exposure draft, the FASB decided that the statement should be flexible in nature. In some of the comments from respondents, the importance of reporting the effects of general price changes was emphasized. Other respondents stressed a need for information on changes in specific prices [SFAS No. 33, 1979, para. 110-115]. As a result, the FASB planned a follow-up review of the results of reporting to determine not only if price-level adjusted data are useful, but which of the two methods (current cost or constant dollar) is more useful. Ultimately the review would be utilized to determine if price-level adjusted data should continue to be reported, and if so, which reporting method should be required.

RESEARCH RESULTS—1980-1985

The FASB issued SFAS No. 33 as a unique experiment and committed itself to review the results of this experiment. However, prior to SFAS No. 33, at least 23 studies had been performed which examined the usefulness of price-level adjusted data. Most of these earlier studies found that price-level adjusted data were not considered useful. Of these 23 studies, 15 reported that price-level adjusted in-

formation was not useful, three indicated price-level adjusted information appeared useful, and five reported no definite conclusions.

The research studies performed subsequent to the issuance of SFAS No. 33 were undertaken to provide the FASB with additional evidence on the usefulness of price-level adjusted data. These later studies were particularly important because they examined information prepared according to SFAS No. 33 guidelines. During the six-year period following the issuance of SFAS No. 33, at least 27 studies were conducted to investigate the usefulness of price-level adjusted information. Table 1 summarizes the details and conclusions of these 27 studies.

Almost one-half of the studies performed subsequent to the issuance of SFAS No. 33 reported that financial information adjusted for the effects of changing prices was not useful. About one-fourth of the studies indicated that price-level adjusted information was useful while the remaining studies proved inconclusive.

Twelve of the 27 studies compared the usefulness of both current cost data and constant dollar data. As already mentioned, one of the major purposes of the FASB's review of research was to determine which was more useful—current cost data or constant dollar data. Although the results of these studies were not highly conclusive, the studies appeared to indicate that current cost data were more useful than constant dollar data.

The FASB's Response to the Research Results

During the FASB's examination of the application of SFAS No. 33 requirements, several specific problem areas became apparent. These problems occurred for companies in certain industries, including mining and oil, gas, timberlands and

TABLE 1
RESEARCH STUDIES — 1980-1985

Date	Author(s)	Details of the Study	Price-Adjusted Data Are Useful
CC =	Current Cost,	CD = Constant Dollar, HC = Historical Cost, INCON = Inconclusive	
1980a	Baran et. al.	Capital market study that tested the association of market betas and accounting betas with HC and CD data.	YES
1980b	Baran et. al.	Predicted bond ratings with a discriminant analysis model using HC and CD data.	YES
1980	Beaver et. al.	Capital market study of the reaction of stock prices to CC data.	NO
1980	Cooper	Capital market study of the correlation between CC data and measures of beta	YES
1980	Friedman et. al.	Capital market study of changes in stock prices in relation to CC data.	YES
1980	Gheyara & Boatsman	Capital market study testing for abnormal returns in reaction to ASR 190 data.	NO
1980	Harris	Interview and survey of financial officers, analysts press representatives, academicians, government officials, accountants, and executives concerning their view of CC and CD data.	NO-CD INCON-CC
1980	Kelly-Newton	Behavioral study using content analysis to analyze ASR 190 footnote disclosures.	INCON
1980	Ro	Capital market study examining the reaction of stock prices to ASR 190 data.	NO
1980	Stone	Lab study of students making investment decisions with either HC or CC data.	NO
1981	Beaver et. al.	Capital market study that measured security returns in relation to two measures of income, HC income and CC income.	NO
1981	Casey & Sandretto	Survey of controllers to determine the usefulness of CD data in making decisions.	INCON
1981	Grossman et. al.	Tested the reactions of the market to ASR 190 data. Partitioned data according to the decrease in income resulting from an adjustment from HC data to CC data.	YES
1981	Noreen & Sepe	Capital market study of 3 events related to the FASB's proposed adoption of CD disclosure.	YES
1981	Schwarzbach & Swanson	Survey of controllers concerning providing CC information to managers.	INCON
1982	Beaver & Landsman	Capital market study of the relationship between stock prices and CC and CD income.	NO

Year	Author(s)	Description	Findings
1983	Bar-Yosef & Lev	Capital market study that examined the relationship between dividends and measures of earnings, including CC and CD earnings.	INCON
1983	Bartley & Boardman	Examined the relationships between CC and CD data and investment takeover targets.	NO
1983	Berliner	Survey of financial officers' views concerning SFAS No. 33 data.	NO-CD INCON-CC
1983	Brown	Survey of financial analysts concerning the usefulness of CC and CD data.	NO-CD INCON-CC
1983	Flesher & Soroosh	Survey of CFAs and controllers concerning the reliability and usefulness of CD and CC data.	NO
1983	Freeman	Capital market study of the relationship between security returns and CC data.	NO
1983	Norby	Survey of financial analysts and managers concerning their use of CC and CD data.	NO-CD INCON-CC
1983	Perry & Searfoss	Survey of managers concerning the usefulness of CC and CD data for making decisions.	NO-CD YES-CC
1983	Vasarhelyi	Examined the relationships between CC and CD data and shareholder value.	NO
1984	McDonald & Morris	Cross-sectional market study of the relationship between security returns and SFAS 33 data.	NO
1985	Rosenzweig	Survey of controllers' use and reporting of CC and CD data. Uses included adjustment of insurance coverage, capital investment decisions, product pricing, sales decisions, make-or-buy decisions, and determining cash dividends.	NO

growing timber, income-producing real estate, motion picture films, and investment companies. These special problems were quickly addressed by the FASB in SFAS No.s 39 [1980], 40 [1980], 41 [1980], 46 [1981], 54 [1982], 69 [1982], and 70 [1982]. These standards were very specific in nature and are, therefore, not discussed in detail.

The next standard which produced far-reaching results was SFAS No. 82. SFAS No. 82 *Financial Reporting and Changing Prices: Elimination of Certain Disclosures* was the FASB's response to the research that had shown that current cost data appeared more useful. This statement eliminated the requirement for constant dollar information if the companies provided disclosure of current cost information. SFAS No. 82 was issued in November 1984, five years after the experiment with SFAS No. 33 had begun.

In December 1984, the FASB took another step in addressing the problems of reporting the effects of changing prices by issuing an exposure draft, *Financial Reporting and Changing Prices: Current Cost Information*. This exposure draft proposed consolidating all of the previously issued statements related to financial reporting and changing prices and was intended to be the culminating step in the saga of reporting the effects of price changes. However, due to unfavorable public response, the provisions of this exposure draft were never finalized into an accounting standard. Some comments from the public indicated that reported information adjusted for changing prices was not used by the institutional investment community, bankers, or investors. Other comments emphasized that the information was not understandable. The most frequently cited comment was that price-adjusted data was not cost-effective [FASB, 1986]. The price-level adjusted information had been evaluated by the

public and was found lacking in the characteristics suggested by SFAC No. 1 (i.e., usefulness, understandability, and benefits exceeding costs). Since the price-level adjusted information lacked the desired characteristics, the FASB decided not to issue the new statement, but instead to move in a new direction as described below.

Although a large number of studies concluded that reporting the effects of changing prices was not useful, the FASB firmly believed that price-level adjusted information was useful, could be understandable, and could be presented in a cost-beneficial manner. The FASB thought the significance of price-level adjusted information would be apparent if alternate, improved methods of reporting the effects of changing prices could be developed. Consequently, a new project was started to formulate more effective and useful disclosures of price-level adjusted data [FASB, 1986a]. However, the project ended prematurely. An examination of inflation during the 1980's reveals that it decreased from 13.52 percent in 1980, to 6.13 percent in 1982, and further to 1.90 percent in 1986. With a significantly reduced rate of inflation, the FASB decided that solving the reporting problems caused by changing prices should no longer consume its limited time and resources [FASB, 1986b].

In September 1986, the Board ratified this conclusion by issuing an exposure draft. In it they proposed elimination of the requirement that companies provide supplementary information adjusted for the effects of changing prices. This exposure draft was approved and finalized in December 1986. The result was SFAS No. 89, *Financial Reporting and Changing Prices*.

With the issuance of SFAS No. 89, presentation of financial information adjusted for price changes became voluntary.

The FASB statements dealing with financial reporting and changing prices were superceded by the issuance of this statement. These statements include SFAS Nos. 33, 39, 40, 41, 46, 54, 69, 70 and 82. Although supplementary disclosure of the effects of changing prices is not required by SFAS No. 89, the FASB does encourage enterprises to disclose this information. Measurement and presentation guidelines for disclosure are provided in SFAS No. 89. The FASB believes that the SFAS No. 33 provisions are the best methods designed to date; consequently, the guidelines presented in SFAS No. 89 are based on SFAS No. 33 provisions as amended. However, enterprises are also allowed to experiment with other forms of disclosure.

Conclusion

The promulgation of authoritative pronouncements on reporting the effects of price changes appears to be directly related to the rate of inflation. SFAS No. 89 concludes the current chapter in the ongoing saga of accounting for the effects of price changes. However, if and when inflation becomes a significant problem again, future chapters will undoubtedly follow.

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ACCOUNTING FOR THE OPERATIONS OF A TURN-OF-THE-CENTURY SCHOOL DISTRICT

by

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For a number of years I have been interested in the local history of the state of Rhode Island. Over that time I have collected many books, pamphlets, and other sources of information. Upon browsing one day in a used bookstore, I came upon some papers. To my surprise and delight, this material included several reports by the Trustee of School District Number Fifteen in the town of Johnston, Rhode Island. The reports, which I purchased at a reasonable price, were for the fiscal years ended April 29, 1891, 1892, and 1895. I also remembered that I had, at one time or another, purchased a school manual used by officers of the public schools of the state of Rhode Island. I thought that it would be interesting to review the duties of the trustee and observe, through his annual report to the town committee, how he discharged these duties.

Duties of the Trustee

The duties of the trustee of a school district were many and varied. The trustee was responsible for hiring teachers and assuring that each teacher kept proper records of attendance. These records were required by state law and the information was used to determine the amount of money to apportion to each school district. The trustee also required teachers to provide him with other items of information as necessary to prepare his report for the town committee.

The trustee was authorized to assess taxes in his district for the purpose of funding its educational needs. Each year he

received funds from the town treasurer and was empowered to expend these funds for teachers' salaries, fuel, janitors' services, books for indigent pupils, repairs and maintenance to school property, and other miscellaneous expenses.

Periodically the trustee was required to take an inventory of all school property owned by the district.

In order to carry out his responsibilities, the trustee was required by state law to visit each school at least twice during the school year. This was considered to be one of his most important duties.

Report of the Trustee

As previously mentioned, the trustee was required to file an annual report with the town committee. I have chosen for review the report dated April 29, 1892. The following excerpts from that report will illustrate how the trustee carried out the duties outlined above.

Annual Report of the Trustee of
School District #15
Town of Johnston, R. I.
(April 29, 1892)

Mr. Moderator and Gentlemen:

School District No. 15 has experienced another year of rapid growth. The number of pupils applying for admission constantly increases and the existing accommodations have been outgrown. There has been a consequent increase in the number of teachers required. Two new rooms have been hired and at least one more room will be needed next September. Exterior

and interior painting, new fences, curbing, and other improvements have involved additional expenditures. The necessary repairs have cost a little more than usual. A limited number of pupils have been permitted to attend the schools upon payment of tuition. The average has been about one in each room. After the new High School was opened last fall the school committee appreciating the crowded condition of the schools in this district, created the Town Grammar Room and transferred the class taught by Mr. Steere to that building. The committee allowed the District \$100 to be paid to Mr. Steere for his services as principal of these schools, and he has rendered faithful and efficient service in that capacity. With his assistance the courses of study have been revised and made more definite to the great advantage of the teachers and pupils. There have been some changes among the teachers, owing to reasons beyond my control. At times during the year it has been difficult to secure teachers of such standing as was desirable, because the City schools (in Providence, R.I.) offer so much better remuneration. At present, however, the teachers are doing satisfactory work, and some of them excellent work. I believe it will be an economy for the town to appropriate a little more for teachers' salaries so that efficient teachers may be retained. If that is done this district will cease to be a training school for untried teachers.

It will be remembered that the District purchased a tract of land on Johnston and Concord streets last summer. The present condition of the schools will justify the erection of a new building in that location. It is difficult to find any more buildings in the District that can be hired. In accordance with a vote of the District, seats were purchased and a room equipped in V.F. Horton's building last May. For the past three weeks a primary room

has been conducted at the Pettis Avenue Chapel. One or two additional teachers will be needed next September. The prosperity and future growth of the District will depend to no small extent upon its school facilities. If we fail at this point people will be less likely to come here to seek a residence. There is no occasion to go backward. The future promises well. A reasonable preparation should be made for the prospective growth of the school population.

I now wish to call to your attention more in detail the needs of the District, and give you a summary of the receipts and expenditures for the year.

Receipts and Expenditures

As Trustee I have received from the town on the order of the school committee \$5,480.05. Of that sum, \$4,712.15 was expended for teachers wages; \$413 for janitor work; \$353.95 for coal and wood; and 95 cents for books for indigent children.

Of the District funds I have drawn orders amounting to \$1,740.63, divided as follows:

Interest on notes	\$285.50
Pawtuxet water	20.00
Curbing and taxes	169.11
Desk books, maps & other apparatus	71.15
Chalk, Ink and ordinary supplies	58.52
Repairs on blackboards	80.28
Whitewashing, cleaning etc.	23.45
Painting Rose St. building inside	87.00
Painting Brown St. building outside	90.00
Concreting (Rye Street)	153.20
New fences (Rye Street)	117.26
Lowering fences, repairs on outbuildings etc.	70.65
Cleaning windows, floors, paint etc.	32.25
Miscellaneous repairs	98.46
Rent for V.F. Horton's room	150.00
Desks for Horton's room	193.30

insurance	33.00
Rebate	<u>7.50</u>
Total.....	\$1740.63

For tuition I have received \$55.30, and for apparatus I have received from the State \$20, a total of \$75.30 which I have paid over to the District Treasurer.

Number of Scholars in the District

In regard to the number of children in the District it may be stated that during the year 731 different scholars have been registered. In the Town Grammar room there are 25 scholars who belong in the District. At the Brown street building 47 have been registered in the highest room, 46 in the next highest; 123 in the lowest, and 60 in next to the lowest. At Horton's, 58 different pupils have been registered. This makes 359 attending in the places mentioned. At Rose Street the number registered has been as follows:

Highest room	58
Next room	66
Next room	53
Next room	56
Next room	55
Next room	<u>84</u>
	372
	<u>359</u>
	731
Deduct 11 belong- ing in other Districts	<u>11</u>
	720

Deduct 12 who are over school age and there are 708 who actually have been in- to the schools for whom the District is bound to provide.

I have paid the teachers in 10 in- stallments. I have made 204 visits and calls

Numerous repairs and improvements have been attended to, and there has been other incidental work during the year.

Recommendations

1st. I wish to recommend in view of the crowded condition of the schools that a new eight room building, four rooms on a floor, of wood or brick, be erected on the lots on Concord and Johnston streets. At least four rooms should be furnished. A committee should be appointed with authority to proceed with the work.

2nd. I would recommend that the Trustee be authorized to hire and equip what rooms are necessary until a new building is ready for occupancy.

3rd. I would recommend the passage of a resolution authorizing the Treasurer to pay or to renew all outstanding notes; to hire a sufficient sum to furnish and equip rooms and pay for other ordered improvements.

4th. I would recommend that the Treasurer be authorized to have all the fences painted; to provide store windows at Brown street and make any improve- ment to warm that building better; to provide a bell at Brown street; and to provide a new furnace if necessary at Rose street.

5th. I would recommend that some step be taken towards paying the District debt, a little each year. If this was done the in- terest account would soon be much reduc- ed. A tax of 10 cents for that purpose an- nually would put us on a better business basis.

6th. I should also recommend a tax suffi- cient to pay the annual interest account, running expenses, repairs and improvements.

I believe this report covers all points to which it is my duty to refer at this time, and I hope that the recommendations will

be considered and acted upon favorably at this meeting.

Respectfully submitted,

Nathan M. Wright, Trustee
(April 29, 1892)

Conclusion

The trustee's duties included a number of accounting considerations. For example, the trustee was authorized to execute transactions. He satisfied the reporting function through issuance of an annual report to the town committee. The report included financial data, information relating to the hiring of personnel, building and equipment needs, and changes in student population. Also included in the report was a list of recommendations which placed the trustee in the role of management accountant.

The trustee had to objectively account for school property through periodic inventories. He also was responsible for tax assessment based on the latest property valuation.

Finally, it is interesting to observe that the trustee's responsibilities violated the segregation of duties principle. He performed the authorization, recording, custodianship, and operations functions.



CONTRIBUTIONS TO TAX HISTORY CENTER

The holdings of the Academy's Tax History Research Center at the University of Mississippi have increased during the past few months with several donations of material from members of the Academy. Contributors of material have included:

Joe Black, CPA, Water Valley, MS
Howard Davidson, Booneville, MS
Dale Flesher, University of

Mississippi

Paul Garner, University of Alabama
Deloris Heniser, Public Accountant,
Albany, IN

Thomas Hodge, Doctoral Student,
University of Mississippi

Ronald Huefner, SUNY — Buffalo
Alfred R. Roberts, Georgia State
University

Frank Stabler, Georgia State
University

Dwight Young, CPA, Oxford, MS

The Academy appreciates these donations. Other individuals who have old tax books that they wish to donate should send the material to Dr. Tonya Flesher, School of Accountancy, University of Mississippi, University, MS 38677. Especially needed are pre-1970 tax textbooks, old copies of the IRS Package X, and back issues of tax journals. The Center would also like to acquire the personal papers of noted tax authorities.

THREE HUNDRETH ANNIVERSARY OF "RIGISCHES RECHENBUCH" BY JOHANN WOLCK

by

*Anna Szychita and Alicja Jaruga
University of Lodz*

The birth and development of merchant accounting in Poland took place in feudalism like in other European countries and was closely connected with general economic development and with the development of trade and trade capital. In Poland in the second half of the fifteenth century and in the sixteenth century the full bloom of cultural, political and economic life took place. Large cities like Cracow, Gdansk and Torun flourished thanks to the trade carried out by merchant enterprises.

In Poland, in the first stage of merchant bookkeeping development, Gdansk played a significant part. In the period of the thirteenth through fifteenth centuries, the Baltic and the North Sea were the second (after the Mediterranean Sea) important center of world trade, and after the collapse of trade in the Mediterranean countries their role increased. In the sixteenth century, after Nurnberg and Antwerp, Gdansk achieved the third position as a trading city in North Europe.

In Poland, and especially in Gdansk, the majority of merchants who had big enterprises were of German origin, thus the Italian way of bookkeeping was not used directly until the second half of the seventeenth century and it was based on German bookkeeping. The greater part of merchant books was based on single entry bookkeeping even in the sixteenth century when the handbooks with double entry accounting appeared.

Erhart von Ellenbogen, Sebastian

Gamersfelder, Wolfgang Sartorius, Ambrose Leriche, Paul Hermling and Johann Gotfryd Martzen were citizens of Gdansk and authors of books on bookkeeping written in German in the period of the sixteenth through eighteenth centuries. The handbook written by Gamersfelder entitled "Buchhalten durch zwei Bücher nach italienischer Art und Weise" edited in Gdansk in 1570 is of the greatest didactic value among others edited up to the end of the nineteenth century.

Despite the handbooks on accounting and merchant arithmetics edited in Gdansk, many manuals in this field of foreign origin were used. One of them was a book by Johann Wolck entitled "Rigisches Rechenbuch worinnen nach der neusten und besten Art..." (the real principles of accounting as a noble art of bookkeeping) edited in George Matthias Nöller's printing house in Riga in 1687.

Johann Wolck was a penman and bookkeeper in St. Peter's School in Riga. His book of the pocket format (15.5 x 10 centimeters) was dedicated for his "dear pupils". The author expected that his work would be favorably utilized in his hometown and neighboring others.

Its first 367 pages encompass dedication, introduction and the lecture of merchant arithmetics. The next 16 pages constitute the vocabulary of Latin and Italian words which were frequently used in trade. In the last 14 pages the basic body of the knowledge of bookkeeping without exemplifying records has been presented.

Wolck dedicated his "brief and useful accounting book" to the Municipal Council of Riga while sending regards and thanks to 24 members of the Council.

Following the dedication, brief statements on an accounting science and approval from four professors (M. J. Breverus, M. Wittel, M. G. Müller, G. Guntesen) encompass four pages. Further pages encompass an introduction in which the author underlines the necessity of writing a book which should be helpful in gaining the merchant abilities. He advises this book as a manual of commercial arithmetic and bookkeeping.

In the part of the book in which the problems of merchant arithmetic are discussed, Wolck teaches how to compare Arabic and Roman numerals, how to use multiplication tables to 100, how to sum up by means of an abacus, how to solve mathematical problems based on fractions, and how to arrange relations. Next he considers the problems connected closely with trade and shows how to reduce coins, measure different units, calculate profit or loss, and settle taxes and discounts.

Johann Wolck seems to have treated the problems of merchant bookkeeping rules incidentally while presenting these rules very briefly in the chapter entitled "Kurtzer Unterricht des rechten italiänischen Buchhaltens" which can be translated as "The Brief Lecture of Real Italian Bookkeeping."

The author must have found other comprehensive papers in this field. He is not unlikely to learn from Gamersfelder's or Sartorius' books. These two authors had the purpose to transform Luca Pacioli's science to Poland. We can conclude that the aim of the author was to write a book in which the knowledge of bookkeeping was enclosed and which would be useful for the merchant and would be helpful for him in summing up for example the

payables or in recording any event in commercial books. It was not the intention of the author to produce a treatise. In the beginning of the chapter the author writes: "Everybody who intends to manage in trade rationally must have and use three books as follows:

1. Memorial or Kladda,
2. General Journal,
3. Capital or Ledger."

He indicates that besides these books the auxiliary books are: the book of invoices, costs, cash balance, and costing. Before opening ledger accounts, he advises making up an inventory, a list of money, commodities, debts and liabilities, but he does not indicate how to do it.

He teaches "The main book, in which every debtor and creditor has his own account, is on its left called Debit and on its right Credit. Whom I grant a loan is my debtor (Debitor). Who lends me money is my creditor (Creditor)."

The rules of how to enter the process of purchase or sale in the ledger are described at the beginning. The cases of purchase or sale with a profit or discount were also considered.

Next the author teaches how to use a bill of exchange. The bill of exchange in question is not a promissory note but a draft.

Another item stressed by Wolck was commission trade. A brief description of trade documents in commission trade and the way of recording in the commission system has been enclosed. Moreover, some indication of how to record an agent's commission or acceptance of a postponed loan is enclosed. Further records refer to the bookkeeping of purchase and sale events made by a broker.

The author took into consideration the problems of insurance of goods sent to other towns. It was very important because of the possibility of destruction, damage or theft during transportation. Especially

dangerous was shipping transport because of frequent piracy. bookkeeping should be the entering of final balance into the general balance.

The merchants started to establish partnerships to diminish the risk connected with the dispatched goods. The older and most famous was a family partnership. The partnerships of merchants living even in different countries were known. These partnerships were based on the commission sale. A few merchants delivered the common commodities to their confidential agent who acted for them. Such agent dealt not only with commodities but with working capital as well. The agent bought commodities at his discretion and after selling them the profit was divided among partners.

Johann Wolck pays much attention to how the economic events should be correctly recorded in the framework of trade partnerships. He separately discusses the problem of a country's partnerships and partnerships with foreign capital. He shows the problem of bookkeeping in foreign companies dependent on:

1. whether we head this partnership, or
2. we are the member of a partnership headed by another person.

The understanding of bookkeeping rules in partnerships is difficult for contemporary readers because of the brief characteristic of these events and abbreviations which are not explained.

The description of the balancing of accounts and entry of final balance to the balance sheet follows the practice of double entry bookkeeping. All profits and losses should be recorded on the account called "profits and losses". On this account the final profit and loss as a result of trading activity should be stipulated and next should be carried to the account called "Capital" on its credit side in the case of a profit or on a debit side in the case of a loss. "Capital" is the last account in which the balance can be observed. The final merchant's activity connected with

Summary

Johann Wolck's lecture on bookkeeping differs in its form from older ones. The author has not applied any examples of how to keep the bookkeeping documents (Memorial, General Journal, Auxiliary Books), but he has concentrated his attention to the description of account correspondence in a ledger referring to the economic activities connected with trade.

The short description and Wolck's way of bookkeeping demanded the general knowledge of trade transactions from the reader. He has not provided for the examples of transactions but he has used only the category of the groups of economic events.

The way to introduction of problems regarding merchant bookkeeping which differs from others is rather a merit than fault because the author managed to structure economic events and present in a brief form the bookkeeping principles of classified transactions. He achieved it by discussing the rules of bookkeeping as they pertain to liabilities to the supplier.

Wolck's book is not of as great didactic value as earlier books of Gdansk's accountants, but is an evidence of great interest among merchants who wanted to learn the proper Italian methods which were in demand. It is evident that the merchants in the seventeenth century dealt with very complicated trade events, so the broad knowledge in the field of finance and bookkeeping was necessary for them.

WORKING PAPERS ISSUED

Working papers on research in accounting history are published on an irregular basis by the Academy. A complimentary copy of each working paper issued during a fiscal year is available to members upon request during the year the working paper is printed. The most recent working papers issued are:

No. 77, "Accounting Firms and NYSE Listed Clients: A History of Growth in 'Big Eight' Dominance," by Charles W. Wootton, Eastern Illinois University, and Carel M. Wolk, Southwest Missouri State.

No. 78, "An Historical Development of Statement of Financial Accounting Standard Number 95: A New Era of Solvency Reporting," by David O'Bryan, University of Missouri-Columbia.

No. 79, "An Historical Analysis of Selected Aspects of Antitrust Legislation as it Pertains to the Accounting Profession," by Billie M. Cunningham, Collin County Community College.

No. 80, "Toward A Theory of Accounting History," by Horace R. Givens, University of Maine.

Copies of working papers produced in prior years are available to members at a nominal cost of \$2.

Four bound volumes containing the first 80 working papers published by the Academy are also available. Volume I contains the first 20 papers, Volume II contains papers 21-40, Volume III contains papers 41-60, and the recently published Volume IV contains papers 61-80. These volumes are available to members at \$7.50 each. The price to nonmembers is \$15 per volume. In addition to your order, be sure to ask your library to place an order. Order from: The Academy of Accounting Historians, School of Accounting, James Madison University, Harrisonburg, VA 22807 USA.

PUBLISHERS ISSUE HISTORICAL CALENDARS

McGraw-Hill Company, a publisher of accounting textbooks, has issued a 1990 calendar which emphasizes accounting history. Rather than use photos of scantily clad bathing beauties (a term that may include males as well as females), McGraw-Hill has chosen to illustrate its calendar with a subject we all prefer—namely accounting history photos and stories. Much of the material which appears in the calendar was previously published in *The Accounting Historians Notebook* and *The Accounting Historians Journal*. The calendar was researched and written by Susan Taussig. Individuals who have not received a copy may ask their local McGraw-Hill representative, or write to McGraw-Hill, Marketing Manager—Accounting, 43rd Floor, 1221 Avenue of the Americas, New York, NY 10020.

Another interesting calendar is one published by Becker CPA Review (15760 Ventura Blvd. Suite 1101, Encino, CA 91436) which is entitled "Evolution in Finance." This calendar contains color photographs of coins, paper money, old financial newspapers, antique stock certificates, and turn-of-the-century ledgers. If you would like a copy, write to Keith A. Hancock, Senior Vice President, at the above address.

Another textbook publisher, South-Western Publishing Company of Cincinnati, has issued a beautiful accounting history poster with the inscription "The Classic Accounting Tool." Although numerous old machines and documents are pictured, you are supposed to think of South-Western's principles textbook as the classic accounting tool. Ask your local South-Western representative for a copy if you have not already received one.

HISTORY IN PRINT

The following writings on accounting history have appeared in non-Academy publications during the past few months. The articles and books are listed here to make members aware of the material being published and the publication outlets available. Readers are urged to keep the editor of *The Notebook* alerted to publications which should be listed in this column. Readers in Asia and Australia may send their suggestions to Dr. Robert Gibson, School of Management, Deakin University, Victoria 3217 AUSTRALIA.

Bloom, Robert and Marilyn Collins, "Motivating Students with a Historical Perspective in Financial Accounting Courses," *Journal of Accounting Education*, Vol. 6, (1988), pp. 103-115.

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**REPORT FROM ACCOUNTING
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Tucker, James J., "An Early Contribution of Kenneth W. Stringer: Development and Dissemination of the Audit Risk Model," *Accounting Horizons*, (June 1989), pp. 28-37.

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The Academy's research center at Georgia State University has increased its activity during the past year. During the period from August 1988 through August 1989 donations of material have been received as follows:

From Andrew Barr — The Annual Reports of the SEC from 1934 through 1987.

Paul Garner — Approximately 300 items composed of books, monographs, reports, magazines, and a box of Year-books of the AIA.

Andrew Braden — An original, autographed copy of Charles E. Sprague's *The Philosophy of Accounts*.

There will be an attempt to publicize more fully the holdings of the AHRC during the next year.

In March a "Call For Papers" was sent to all members of The Academy in anticipation of holding "The Fourth Charles Waldo Haskins Accounting History Seminar" in Atlanta on December 1-2, 1989.

The AHRC continues to receive the records of the Federation of Schools of Accountancy which are being cataloged.

Submitted by Al Roberts
and Elliott Slocum

Accounting Historians Notebook, Vol. 12 [1989], No. 2, Art. 19

DR. SAMUEL JOHNSON AND ACCOUNTING

by
Peter G. Boys
University of Kent at Canterbury

Dr. Samuel Johnson (1709-1784), lexicographer and professional writer, is one of the most quotable of writers. Although much has been written about Johnson, including his opinions on economics, nothing has been written specifically about Johnson's published works and papers, particularly his diaries and letters, together with Boswell's *Life of Johnson* and other sources, provides some interesting and informative material of particular interest to accounting historians. These publications show that Johnson was something of an economist and an accountant; his philosophy of accounting seems to be in accord with modern writers although his practice of keeping personal accounts leaves a lot to be desired.

THE IMPORTANCE OF ARITHMETICK

Johnson's knowledge of, and interest in, accounting may well have stemmed from his high regard for arithmetic. In several letters to Hester Maria Thrale and Sophia Thrale (daughters of Henry Thrale, Brewer and M.P. for Southwark), Johnson emphasized the importance of this subject. Many of the letters were repetitive, but the following extracts from April and July 1783, when Hester and Sophia were 18 and 12 years old respectively, present the flavor of his views.

"You have done very wisely in taking a master for arithmetick, a science of which I would not have you soon think that you have enough. It will seem at first difficult, but you will soon find its usefulness so great that you will disregard the difficulty; and the

progress will be easier than the beginning. Do not be content with what a single master dictates, but procure books: different authors exhibit the same thing in different views, and what is obscure in one, may be clear in another. When you can readily apply numbers on emergent occasions, you will find yourself to think with so much clearness and certainty that the pleasure of arithmetick will attract you almost as much as the use." (Chapman, 1952, number 836.1, to Hester Maria Thrale, 26th April, 1783)

"Your proficience in arithmetick is not only to be commended, but admired. ...Never think, my Sweet, that you have arithmetick enough; when you have exhausted your master, buy books. Nothing amuses more harmlessly than computation, and nothing is oftener applicable to real business or speculative enquiries. A thousand stories which the ignorant tell, and believe, die away at once, when the computist takes them in his gripe. I hope you will cultivate in yourself a disposition to numerical enquiries; they will give you entertainment in solitude by the practice, and reputation in publick by the effect." (Chapman, 1952, number 870, to Sophia Thrale, 24th July, 1783).

In addition to the comments in his letters, there is further evidence of his interest in arithmetic; for example, Mrs.

Thrale relates the following: "Useful and what we call every-day knowledge had the most of his just praise. 'Let your boy learn arithmetic, dear Madam,' was his advice to the mother of a rich young heir: 'he will not then be a prey to every rascal which this town swarms with: teach him the value of money, and how to reckon it...'" (Roberts, 1925, p. 127 and Hill, 1897, vol.i, p. 281) The rich young heir was Sir John Lade, the nephew of Mr. Henry Thrale.

Indeed, his high regard for arithmetic was such that he thought it should have more prominence than literature in education: "Let the people learn necessary knowledge; let them learn to count their fingers, and to count their money, before they are caring for the classics...'" (Roberts, 1925, p. 141 and Hill, 1897, vol.i, p. 295)

Johnson liked the precision afforded by numbers; Boswell reports him as saying "That, Sir, is the good of counting. It brings every thing to a certainty, which before floated in the mind indefinitely.'" (Hill, 1934 & 1950, vol. iv, p. 204, 18th April, 1783) Commenting that people often exaggerated stories by not counting but by estimating, he is reported as having said "Round numbers are always false.'" (Hill, 1934 & 1950, vol. iii, p. 226, n.4)

JOHNSON AS AN ACCOUNTANT

On September 18, 1764, the date of his fifty-fifth birthday, Johnson wrote in his diary that he resolved "To keep a journal both of employment and of expenses. To keep accounts." (McAdam, 1958, pp. 81-2) This is the first extant record of Johnson making such a resolution. His resolve was not strong, since the nearest thing to a set of accounts appears in September and October 1776, twelve years after his resolution; from time to time during those twelve years he had noted various amounts of income and ex-

penditure in his diary.

Johnson was perhaps influenced by his father when it came to not keeping accounts. Writing of his childhood, Johnson had this to say of his parents:

"Neither of them ever tried to calculate the profits of trade [bookseller], or the expenses of living. My mother concluded that we were poor, because we lost by some of our trades; but the truth was, that my father, having in the early part of his life contracted debts, never had trade sufficient to enable him to pay them, and maintain his family; he got something but not enough. It was not till about 1768, that I thought to calculate the returns of my father's trade, and by that estimate his probable profits.

This, I believe, my parents never did." (McAdam, 1958, pp. 7-8)

This extract from his Annals of 1710-1711, probably written in about 1772, shows that Johnson thought himself well able to keep and draw up a set of accounts, and also to calculate profit. However, no record of such a calculation of his father's profits exists. There is evidence to suggest that such a calculation had not been carried out by 18th August, 1774, since a note in Johnson's diary on that date states: "To note down my Father's stock, expenses, and profit." (McAdam, 1958, p. 201)

The accounts which Johnson did keep for September and October 1776 were as follows:

"MONEY RECEIVED

Sept. 22	I borrowed of Mr. T.	3-3-0
	27 I borrowed of Mr. T.	3-3-0
Oct. 28	I borrowed of Mr. T.	1-1-0
		7-7-0

EXPENDED

Paid to Mrs. Thrale	
Miss Owen &c	1-15-0

Given away at Tunbr. & c at	0-4-0	6 weeks To Francis	2 2 0
Brighthelmston	1-3-0	To Desmoulins	1 1 0
Booksellers and Rooms	1-14-0	4 weeks To White	1 11 6
Given Away	0-7-4	Stockens &c	0 10 0
Sam: Bill	0-3-0		
neglected at the beginning	0-2-0		
Purloined by Mr. T.	_____		
	5-8-4	Oct. 8 in Pocket Gold	13130
	1-19-0	Silver	0 16 6

In my pocket 1-19-0	7-7-4"		19140"

(McAdam, 1958, p. 261 and Hill, 1934 & 1950, vol. iv, p. 511)

There are several more small accounts contained in his diary, particularly at the end of 1777 and the beginning of 1778. These accounts are mostly lists of expenditure with totals. In 1782 there are slightly fuller accounts since his diary was written in *The Gentleman's New Memorandum Book improv'd: or, The Merchant's and Tradesman's Daily Pocket Journal for the Year 1765*, (the dates and days of the week for 1765 and 1782 correspond) (McAdam, 1958, p. xx); the right-hand page was designated for the week's account and the left-hand page for memorandum entries. Unfortunately, the editors of Johnson's dairies thought that they would be easier to understand if the weekly accounts were dispersed to the specific days of the week to which they referred, thus giving a complete chronological sequence of events, income and expenditure. The following is the only published example of a right-hand page and is for the period September/October 1782 (McAdam, 1958, plate facing p. 336):

"SEPTEMBER 1765

WEEK'S ACCOUNT.	Received.	Paid.
To White		1 1 0
From Straham	4 4 0	
To Frank for wages		2 10 0
To White		0 5 0
For Coals		3 9

These examples give a clear picture of how Johnson actually kept his accounts. Although there are no arithmetical errors in the two examples cited above, strangely, given Johnson's views on arithmetic, several of the columns in his accounts are miscast. This indicates that either Johnson's arithmetic was not very good or he was particularly careless. From the accounts for 1776 it can be seen that they do not balance, expenses being greater than receipts by 4d. Similarly, the accounts for 1782 do not balance, this time being out by much more.

Several reasons can be put forward for this lack of accuracy. One possibility is that Johnson simply forgot to note down some of his expenditure; entries were not always made at the same time as the events occurred (Hill, 1934 & 1950, vol. iv, p. 505) and he often wrote "I think" by an entry, which led one author (Fleeman, 1975, p. 228) to conclude that such a curious remark "probably signifies nothing more than that Johnson was an inattentive accountant". There are other instances where an entry is made but the amount paid is totally omitted; for example, in August 1777 there is an entry "Money given to strangers" but with no amount (McAdam, 1958, pp. 274-5). Johnson was a very generous man who gave away much of his money, as is witnessed by the exhibited accounts for 1776 and by the remark made by the Rev. Dr. Maxwell to Boswell: "He frequently gave all the silver

in his pocket to the poor, who watched him, between his house and the tavern where he dined.' " (Hill, 1934 & 1950, vol. ii, p. 119) It is no wonder that he could not account for all his transactions and was thus unable to make his books balance.

More likely though, especially from the specimen of his 1782 accounts, the reason why the accounts do not balance is the omission of an opening balance in hand. Fleeman (1975, p. 223) comments on Johnson's diary for 1782 as follows: this "contains several instances of weak accounting: errors in simple addition, misplacing of figures in cash columns, approximations, and large omissions".

It would seem that Johnson was not concerned about the accuracy of his accounts, nor did he use them as a method of control over his financial resources; rather the records were kept simply as a matter of interest.

JOHNSON'S THOUGHTS ON ACCOUNTING

Although Johnson may not have been a very good accountant in practice, he certainly was in spirit. Boswell provides some evidence of Johnson's views on the usefulness of keeping accounts when he writes:

"I praised the accuracy of an account-book of a lady whom I mentioned. JOHNSON. 'Keeping accounts, Sir, is of no use when a man is spending his own money, and has nobody to whom he is to account. You won't eat less beef to-day, because you have written down what it cost yesterday.' I mentioned another lady who thought as he did, so that her husband could not get her to keep an account of the expence of the family, as she thought it enough that she never exceeded the sum allowed her.

JOHNSON. 'Sir, it is fit she should keep an account, because her husband

wishes it; but I do not see its use.' I maintained that keeping an account has this advantage, that it satisfies a man that his money has not been lost or stolen, which he might sometimes be apt to imagine, were there no written state of his expence; and besides, a calculation of economy so as not to exceed one's income, cannot be made without a view of the different articles in figures, that one may see how to retrench in some particulars less necessary than others. This he did not attempt to answer." (Hill, 1934 & 1950, vol. iv, pp. 177-8)

As a matter of interest, and for the sake of completeness, the lady who kept accounts was the Hon. Mrs. Stuart (the wife of Lieut.-Col. the Hon. James Archibald Stuart, and Boswell's wife's dearest friend) and the lady who would not keep accounts was Boswell's wife (Hill, 1934 & 1950, vol. iv, p. 511).

This reported dialogue between Johnson and Boswell, two intelligent men of their time, succinctly puts the arguments for and against the use of historical cost accounting. Both arguments have some validity; historical cost accounting is not useful for economic decision making, whereas it does serve a useful purpose as a method of financial control.

Johnson was a cautious man, a trait often ascribed to accountants. His philosophy of domestic economy is shown in a letter to Boswell in 1783 (Hill, 1934 & 1950, vol. iv, p. 163): " 'Make an impartial estimate of your revenue, and whatever it is, live upon less.' " A further example of Johnson's cautious nature in money matters is demonstrated in a copy of *The Rambler*, a literary journal, published twice weekly. In all, there were 208 issues, all but a few written entirely by Johnson himself. Issue number 57, published on Tuesday, 2nd October, 1750, over 30 years before Johnson's let-

ter to Boswell quoted above, was devoted to the subject of frugality.

"It may, however, be laid down as a rule never to be broken, that 'a man's voluntary expence should not exceed his revenue.'

...Another precept arising from the former, and indeed included in it, is yet necessary to be distinctly impressed upon the warm, the fanciful, and the brave; 'Let no man anticipate uncertain profits.' Let no man presume to spend upon hopes, to trust his own abilities for means of deliverance from penury, to give a loose to his present desires, and leave the reckoning to fortune or to virtue." (Bate & Strauss, 1969, vol. iii, p. 308)

Johnson's second rule certainly is very much in line with current accounting practice.

Johnson presents us with something of a contradiction with his views on accounting and the usefulness of accounts. In 1764, Johnson resolves to keep accounts, but at a later date, sometime before 1783, he is telling Boswell that he sees no use in keeping accounts and in 1784 when he was writing to his great friend Mr. Langton, he made the following comment having been asked for certain information: "I am a little angry at you for not keeping minutes of your own *acceptum et expensum*, and think a little time might be spared from Aristophanes, for the *res familiares*" (Chapman, 1952, number 999, 26th August, 1784 and Hill, 1934 & 1950, iv, p. 362).

Although the above examples are concerned with personal accounts, Johnson also knew the importance of merchants keeping accounts of their transactions. In his preface to Rolt's Dictionary, (1756) he wrote:

"The first of the means of trade is a proper education, which may confer a competent skill in numbers; to be

afterwards completed in the counting-house, by observation of the manner of stating accounts, and regulating books, which is one of the few arts which having been studied in proportion to its importance, is carried as far as use can require. The counting-house of an accomplished merchant is a school of method, where the great science may be learned of ranging particulars under generals, of bringing the different parts of a transaction together, and of shewing at one view a long series of dealing and exchange. Let no man venture into large business while he is ignorant of the method of regulating books; never let him imagine that any degree of natural abilities will enable him to supply this deficiency, or preserve multiplicity of affairs from inextricable confusion. This is the study, without which all other studies will be of little avail... ." (Johnson, 1804, vol. i, pp. 236-7)

It should be remembered that middleclass educated men in the eighteenth century were more aware of and able to keep accounts than their modern-day counterparts as is evidenced by the number of references to accounting in the eighteenth century literary journal *The Spectator* (Bond, 1965). Accounting (or more precisely bookkeeping) formed part of the curriculum of the writing schools. A writing school was where a boy: "received what use to be called a plain English education, fitting him for a place in a merchant's counting-house, or giving him abundant information to make him competent to learn any business as an apprentice" and "where he was qualified for commercial pursuits" (Scargill, 1829, p. 46).

Johnson should perhaps be regarded more as an economist than as an accountant; the following shows that he

understood the idea of economic value: "when the sale of Thrale's brewery was going forward, Johnson appeared bustling about, with an ink-horn and pen in his button-hole, like an excise-man; and on being asked what he really considered to be the value of the property which was to be disposed of, answered, 'We are not here to sell a parcel of boilers and vats, but the potentially of growing rich, beyond the dreams of avarice.'" (Hill, 1934 & 1950, vol. iv, p. 87)

Johnson appreciated that the brewery would be sold as a going concern; the individual value of the assets was unimportant - what was important were the future cash flows to be reaped from the use of those assets.

Henry Thrale died on 4th April, 1781. However, Mrs. Thrale in her diary of 3rd June, 1781, writes that Johnson was

"something unwilling - but not much at last - to give up a Trade by which in some Years 15 or 16000£ had undoubtedly been got, but by which in some Years it's Professor had suffered Agonies of Terror, & totter'd twice upon the Verge of Bankruptcy".

She continues:

"Johnson was hardest to gain over to my Intentions of quitting, but the small quantity of Cash, the immensity of the Capital, the Consciousness that the Risques we run were ours, the Profits - if Profits - were not to be ours - frightened & convinced him..." (Balderston, 1951, vol. i, p. 499).

The brewery was sold on 31st May, 1781, for £135,000 (Hill, 1934 & 1950, vol. iv, p. 86, n.2)

JOHNSON AS A COMMENTATOR ON CONTEMPORARY BUSINESS

Although his diaries and Boswell's *Life of Johnson* show Johnson's views and practice of accounting, it is his letters which provide a commentary on business and

economics in the eighteenth century. Some of the most interesting comments from the viewpoint of an accounting or business historian are in letters between 1771 and 1783, as follows:

"Nothing very memorable has happened since your departure from London, except the failure of Fordyce, who has drawn upon him a larger ruin than any former Bankrupt. Such a general distrust and timidity has been diffused through the whole commercial system, that credit has been almost extinguished and commerce suspended. There has not since the year of the South Sea been, I believe, such extensive distress or so frightful an alarm. It can however be little more than a panick terrour from which when they recover, many will wonder why they were frightened." (Chapman, 1952, number 275.1, to John Taylor, 15th August, 1772)

Alexander Fordyce was a banker who suffered heavy losses on stocks at the beginning of 1771 as a result of the dispute between the British Government and the Spanish over the Falkland Islands. He managed to soothe his partner's worries by "the simple expedient of showing them a pile of bank notes which he had borrowed for the purpose for a few hours" (Stephen & Lee, 1959-60, vol. vii, p. 431). However, his losses continued and the bank stopped payment on 10th June, 1772. The deficiency amounted to about £100,000.

"The state of the Stocks I take to be this. When in the late exigencies, the Ministry gave so high a price for money, all the money that could be disengaged from trade, was lent to the publick. The stocks sunk because nobody bought them. They have not risen since, because the money being already lent out, nobody has money to lay out upon them, till commerce shall

by the help of peace bring a new supply. If they cannot rise they will sometimes fall, for their essence seems to be fluctuation," (Chapman, 1952, number 891, to Mrs. Thrale, 6th October, 1783)

Johnson's comments not only provide a description of business and economic events in the latter half of the eighteenth century, but he is also able to provide economic analysis of such events; once again showing that he had a sound grasp of economics. For further views of Johnson's on economics, reference should be made to Middendorf (1965), Mathias (1978) and O'Brien (1925), who deal *inter alia* with such subjects as agriculture, wealth, scarcity, poverty, population and production.

CONCLUSION

The writings of Dr. Johnson and those of his biographers provide information about Johnson's views on, and practice of, accounting. His views are all the more interesting because they are not those of a businessman but those of an eminent literary figure. Johnson, no doubt, is not unique; his practices and opinions may well be similar to those of other well-educated men of the eighteenth century.

Historical accounting texts, such as those in the Scottish and English Institute collections, together with extant accounting business records, provide valuable source material for the accounting historian, but the personal reminiscences and contemporary comments of writers are just as important, and offer refreshing insights into attitudes towards accounting in days gone by.

It is appropriate to conclude with an apposite quotation from Johnson for contributors to this journal: "No man but a blockhead ever wrote, except for money." (Hill, 1934 & 1950, vol. iii, p. 19, 5th April, 1776)

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REPORT OF THE ACCOUNTING HISTORY RESEARCH METHODOLOGY COMMITTEE

I have pleasure in presenting to the Trustees and the Annual General Meeting of the Academy, my Committee's report on progress during 1988-89.

We have now completed the additional work involved in securing outstanding publisher permissions for some annotated sections of the bibliography of published references on historical methodology and historical method. The resulting text entitled *Methodology and Method in*

History: A Bibliography is now in the hands of the publisher, Garland Publications Inc. We are therefore expecting publication of this text in the near future.

A number of the committee members were able to meet in person at the International Historians Congress in Sydney in 1988 and began to draw up plans for a research methodology conference which we considered to be a logical follow-on exercise to the text. We are pleased to report that we have set a target of mounting a two or three day historical research methodology conference in 1991. Our present intention is to mount the conference at the University of Mississippi in early December 1991. In due course, the committee will be calling for papers for that conference and we will be encouraging the maximum possible attendance from Academy members and other academic accountants with an interest in historical accounting research.

We are treating the proposed conference as a major second step in our undertaking to both provide a methodological resource base for our membership as well as encouraging the development of a greater degree of sophistication in historical methods employed by accounting history researchers.

We commend our report to your attention and we look to all Trustees and members for their support in both purchasing and using the methodology text and in planning to present papers and participate in our 1991 conference.

Lee Parker, Chairman

directorship in the War Industries Board and Advisory Tax Board. Back in civilian life, he was one of the early presidents of the American Accounting Association (1918), and a vice president of the American Economic Association. As a member of Phi Beta Kappa, he held offices in the organization both locally in Berkeley and nationally. His club memberships included the Berkeley Club and the Commercial Club of San Francisco.

Publications began with his pioneering textbook, *Modern Accounting* in 1908, followed by a successor edition in 1927. Both editions displayed a generous discussion of the contemporary views of other authors, which provided a good sampling of thinking of other important authorities of his time. The editions also were noted for their delicacy of touch, humor, and keen knowledge of a field struggling to establish itself for all to see and evaluate.

Hatfield also wrote in collaboration with others. He wrote, with T. H. Sanders and Underwood Moore, the first attempt at stating basic accounting principles for the attention of the accounting profession and accounting educators, in 1938. His other works included a textbook for the field (with T. H. Sanders and N. L. Burton) in 1940, and a short study entitled *Surplus and Dividends*, the latter addressed to the kinds of surplus logically or legally available for dividends in cash or issuer's shares.

Hatfield was the most important single academician to read accounting literature in the original German language and discuss it in his seminars and let it influence his thinking in his early writings.

In San Francisco, John F. Forbes (1876 - 1965) devoted his entire career to public accounting, with a strong attachment to the University of California,

Forbes was a member of the California Bar, one of the state's early CPA's, and a recipient of the LL.D. from the Berkeley institution in 1964. The central point of his energies was as partner of Haskins and Sells, 1910 to 1931, and later as senior partner of the firm bearing his name. He resisted moving to Haskins and Sells' headquarters in New York City, preferring to fly back and forth from San Francisco. Forbe's public accounting career was rewarded with his election to the presidency of the AICPA.

With the heavy responsibility of high offices in the accounting profession, notwithstanding, Forbes found time and interest in additional activities from time to time, such as vice president and director of the First National Bank of San Rafael, as a director of Green Investment Company, Newhall Land & Farming Company, White Investment Company, Cypress Abbey Company, and president and director of Grant Company. He also held directorships in the following: California, Inc., Union Square Garage, Stanford Research Institute, Grant Estate, Golden Gate International, San Francisco Symphony Association, Mechanics Institute, Children's Hospital, San Francisco Boys Club, and others.

His club memberships reflected an abiding devotion to extracurricular public programs represented by Pacific Union, Bohemian, San Francisco Golf and Country, Olympics, Meadow; Sierra, Stock Exchange, Tamalpais, and Broad Street (N.Y.)

At Stanford, John Bennett Canning (1884 - 1962) suggested, like Hatfield before him, that *valuation* is the central question to resolve in defining the domain of accounting theory. It was not until a generation later that historical cost was accepted as the valuation basis for opera-

tional assets used to account for historical product or perform a service. Canning's 1929 book, *The Economics of Accountancy*, was preoccupied with this problem. Except for short stints of teaching at other institutions, Canning's entire academic career was spent at Stanford. He received his first degree from the University of Chicago in 1913, and the Ph.D. from the university later, in 1929, long after he began teaching. At Stanford, he initiated a group of courses in accounting through the Division of Accounting with the Department of Economics. The arrangement continued throughout Canning's tenure at Stanford. The founding of Stanford's Graduate School of Business in 1929 did not affect Canning's program, and the two organizational units operated independently of each other. This writer was a student assistant of Canning while working for the MBA degree a few hundred feet away in the Stanford Business School.

Canning's interests besides teaching took him into a great variety of experiences, first as an associate of the famed Stanford Food Research Institute, and later into other fields. During the second world war and after, he served the federal government in the War Food Administration of the Department of Agriculture, and also as deputy chief of the Food and Agricultural Branch of the U.S. Military Government in Germany.

His published articles appeared in *Econometrics*, in the *Journal of the American Statistical Association*, in the *American Economic Review*, in the *Accounting Review*, and in various scholarly Proceedings and Encyclopedias. His activity in public affairs included advisor in drafting legislation for California's health insurance, as examiner for the California State Board of Accountancy (1921 to 1929), and as president of the Pacific Coast Economic Association in 1937. Canning had the distinction of serving in both

the U.S. Army, he saw overseas duty in the infantry in France until the war ended.

At Stanford, J. Hugh Jackson (1891 to 1962) was the second Dean of the Graduate School of Business. He became Dean in 1931, only a few years after the School was founded, and continued as Dean until his retirement in 1956. In an innovation not used elsewhere, Jackson named his part-time faculty consulting professors, followed by the teaching field in each case, in order to provide a closer relationship with practicing professionals in San Francisco and other business centers. The concept continued for an extended period of years.

He received the A.B. degree in 1912 and the LL.D. degree in 1930 from Simpson College, and the MBA degree (with distinction) in 1920 from the Harvard Business School, where he taught most of the time as a full professor until he transferred to Stanford in 1926. At Stanford, he served as the university's comptroller and business manager, 1937 to 1940, at the same time that he was also Dean. He was among the finalists to become president of the university from time to time as vacancies occurred, and served for several years as professor of business administration at nearby University of Santa Clara, following retirement from Stanford. Among his distinguished professor lectureships were the Vawter Foundation lecture at Northwestern University, and the Dickenson lecture at Harvard Business School.

Jackson also served in other capacities, as a director of the Palo Alto Mutual Savings and Loan Association, North American Investment Corp., Teachers Insurance and Annuity Association of New York, College Retirement Equities Fund, among others. He was president of the American Accounting Association in 1929, the National Association of Cost

Accountants in 1938, and the American Notebooks, 1925-1939, No. 2, World War I, and afterwards to 1960.

Association of Collegiate Schools of Business in 1940. In the Kiwanus club, his activity led to the following offices: governor of the California-Nevada District, in 1942; international trustee, in 1946; international treasurer, in 1948; and international president, in 1949.

His writing and publishing record extended over several decades. The titles included *The Comptroller Functions and Organization*, 1948, and *Accounting Principles*, 1951.

The Chicago Area

In Chicago the accounting greats in this group lived and worked in a more or less state of ambivalence, meaning in a state of conflicting feelings of whether they should be teaching or writing or being practicing CPA's in public accounting. Each permitted an intensity of interest in writing or public accounting in preference over teaching, but apparently were never quite satisfied with foregoing teaching.

Harry Anson Finney (1886-1966) received the degree of Ph.B. in 1913 from the University of Chicago, and the CPA certificate from the State of Illinois in 1917. In college, he majored in business english (communication) and business mathematics, which were to refine his native gifts of teaching and writing in his chosen field of accounting. From the earliest time of his adult life, he became associated with Seymour Walton, the able head of a proprietary accountancy training school bearing his name: The Walton School of Commerce in Chicago. Finney's experience as a student at Walton, and as staff writer of accounting texts for use in Walton's classes and in the affiliated nationally operating correspondence courses, prepared him for publishing accounting textbooks for the mass markets in English and several foreign languages. His achievement was second to none in the

Surprisingly, Finney's intermediate and advanced volumes appeared before the elementary volume, which was not published until 1932, compared with the two-volume work published in 1923. The reason for the delay as explained by those who knew him, is that the intermediate and advanced volumes had the benefits of his work with the Walton texts earlier, while the elementary text was written from the ground up, and with innovations original with him. These books went through multi-editions, with the help of Herbert E. Miller, as co-author in later editions.

Finney's teaching after the Walton years was limited to Northwestern University, in full-time and part-time roles, for several decades beginning with the 1920's. In other interests, he served for some time as partner in the CPA firm of Baumann, Finney & Company; as editor of the Prentice-Hall Accounting Series; and as editor of the students' department of the *Journal of Accountancy* from 1920-1929, famed for unofficial answers to the semi-annual CPA examination set by the AICPA. He also wrote a popular accounting text for high school students in 1924, and earlier wrote *Modern Business Arithmetic* with J. C. Brown and *Introduction to Actuarial Science*, with Seymour Walton, both for the high school field and working adults.

Finney found time for one country club, the Shawnee. And although a member, he almost never attended the annual meetings of the American Accounting Association, probably because he felt out of touch with the teaching profession, although the latter held him in high esteem for creating such teachable textbooks that so many of them used. The one professional office that he held was as president of the Illinois Society of

CPA's. He was basically a private person, limiting his after hours to the immediate circle of his professional associates.

Arthur Andersen (1885-1947) earned the B.B.A. degree in 1917 at Northwestern University, by taking evening classes, while also working in accounting during the day. Earlier, he received the CPA certificate from the State of Illinois in 1908, preparing for it through evening classes at Northwestern and self-study. In later years, he was showered with the LL.D. degree from Luther College, Northwestern, St. Olaf College, and Grinnel College, in that order. His working life began in 1907 as a member of the staff in the Milwaukee office of Price Waterhouse, which continued for four years. After being comptroller of Uihlein Company in Milwaukee for one year, he moved to Chicago and in 1913, opened the office bearing his name, and as senior partner spent the rest of his life with the firm. In an unusual situation, Andersen served Northwestern in various capacities, some of them overlapping, as student, faculty member, and accounting department chairman, from 1912 to 1923, and in a later year, as the president of the university's board of trustees.

He was a trustee of the Century of Progress (Chicago's world fair) in 1933 and 1934, and the Chicago Sunday Evening Club, and a Commander of the Royal Order of St. Olav, Norway. His memberships included the Society of Industrial Engineers; U. S. Chamber of Commerce; the Chicago Art Institute; Norwegian-American Historical Association; and Illinois State Historical Association. His clubs were: Chicago, University, the Attic, and the Commercial, in Chicago, and the Broad Street, in New York. To these must be added several country club memberships, though it is not known how much time he had for them.

His interest in writing is found in a

number of published papers, some of which were extensive enough to be booklets: *Overhead Construction Costs in Public Utilities* (1917), *Financial and Industrial Investigations* (1924), which was expanded in later years by others at Northwestern University into a full textbook and used for a time, *Major Problem Created by the Machine Age* (1931), *Duties and Responsibilities of the Comptroller* (1934), *The Future of Our Economic System* (1934), and the *Presentation and Interpretation of Financial Statements* (1935). In addition to these discussions, he also contributed several articles for publication in technical journals. That he made time for professional writing in addition to everything else reveals the degree of devotion that made up the Andersen character in discussing management concepts and problems in broad contexts. He advocated the free flow of ideas by other professionals, and directed his firm to furnish grant money if their publication was not otherwise possible.

Eric L. Kohler (1892-1976) was a graduate of the University of Michigan, in 1914, with the A.B., degree, and of Northwestern University, in 1915 with the M.A., degree. He received the C.P.A. certificate from the state of Illinois in 1916, and was elected to the Accounting Hall of Fame in 1962.

Kohler's professorial services began in the 1910's at Northwestern University and continued for several years as a full professor. In subsequent years he held several visiting professorships: at Ohio State University, 1955 - 1960; and for shorter periods afterwards, at the University of Minnesota, University of Chicago, and University of Illinois. All the while, he was engaged part-time or full-time in public accounting for several decades: with Arthur Andersen & Co., during 1915 - 1917, 1919 - 1920, and 1933 - 1937; as partner

in the firm of Kohler, Pettingill & Co. and later in the firm of E. L. Kohler & Co., in association with his brother, also a CPA, as co-partner. Those who knew him recall that clients were drawn to his firm more by seeing his tax and accounting books on display in book stores, than other ways. However, he preferred to continue his firm as a relatively small organization in Chicago, in order to allow him more time for writing and consulting on accounting standards in public accounting and also in government accounting and auditing.

Kohler's additional activities included: member, Illinois State Board of CPA Examiners, 1928 - 1931; comptroller, Tennessee Valley Authority, 1938 - 1941; consultant, Office of Emergency Management, and also War Production Board, 1941 - 1942; executive officer, Petroleum Administration for War, 1942 - 1944; comptroller, Economic Development Administration, 1946 - 1949; and member, Excess Profits Tax Council, Department of the Treasury. He was young enough to serve in the first world war, as captain in the U.S. Army, and not too busy, it seems, to be a trustee of Roosevelt University in Chicago, for many years beginning in 1950.

Writing and editing persevered throughout the life he lived, and he authored the following, among others: *Accounting Principles Underlying Federal Income Taxes*, which went through three editions in the 1920's; *Accounting for Business Executives*, 1927; *Advanced Accounting Problems*, which had three editions, 1939, 1947, and 1959; *Principles of Auditing*, with editions in 1947, 1954, and 1963; *A Dictionary for Accountants*, 1952, and later editions reflecting a long-time interest in terminology in the field; *Accounting in the Federal Government*, 1956; and *Accounting for Management*, 1965. His editorship of the *Accounting*

Review covered the years 1938 - 1944.

Kohler served as president of the American Accounting Association in 1936 and again in 1946. He was the only president to serve two terms. He was a member of the City Club in Chicago, and was its president in 1934, and an accomplished pianist, a hobby that he claimed kept him from getting to know too much about accounting.

Clarence Rufus Rorem (1894 - 1988) was a unique member of this group, in that his appetite for scholarship saw it developed in a single field, the management of public health care in hospitals, though he did not make this career as exclusive as it sounds.

Rorem received the A.B. degree cum laude, from Oberlin College in 1916; the certificate of CPA from the state of Indiana in 1923; the degrees of A.M., in 1925, and the Ph.D., in 1929 from the University of Chicago. In 1935, he received the LL.D., from Yankton (South Dakota) College. His working life began with one year with Goodyear Tire in 1916, three years, 1919 to 1922, as assistant professor and dean of men at Earlham College in Indiana; followed by teaching at the University of Chicago in various ranks to associate professor to 1929, when he also received the Ph.D., degree from that institution.

Rorem entered his years of practice as an economist and accountant in the field of costs, cost behavior, and cost management, initially with the Commission on Cost of Medical Care, in Washington, D. C., from 1929 to 1931. His interests in the field continued with the Julius Rosenwald Fund in Chicago from 1931 to 1936. Then followed a ten-year period with the American Hospital Association, to 1946, as its director of the Commission on Hospital Service; a one-year period as consultant to the Blue Cross Commission; and from 1947 to 1960 as the director of

the Hospital Council of Philadelphia. As it is recalled, Rorem was credited with inventing the emblem, Blue Cross, growing out of his travels to the Scandinavian countries after the first world war.

Conventional retirement age did not prevent Rorem from accepting subsequent appointments: executive director, Hospital Planning Association of Allegheny County; also as consultant to various government and private organizations regarding public health care management, until he reached a ripe old age, actually living until age 94. Earlier, he saw military service in World War I, rising to the rank of second lieutenant in the U. S. Army. His memberships included Phi Beta Kappa.

His publications were numerous, especially papers read before conventions in the public health field, and book length writings on problems in management and financing of health care institutions, always including accounting classifications in recording and reporting balance sheets and operating statements, as controllership standards. Related to these problems he designed uniform classifications of accounts for adoption. His book on modern accounting principles was published by the University of Chicago Press in 1928 and 1930 editions; later, a successor book was published in 1942 by McGraw-Hill, with the collaboration of this writer. The book carried the same title in all of its editions, *Accounting Method*, as a contrast to statistical method in another discipline.

Howard W. Bordner was born in 1900, and it was his lot to serve in both world wars in the American army and navy. He received the B.S. degree with a major in accounting from Northwestern University in 1922, followed shortly with the CPA certificate from the State of Illinois in 1924. He joined the staff of Arthur Andersen & Co., upon graduation from

Northwestern, and rose to the position of a manager before joining the navy at the beginning of the second world war. His navy career was spent in war contract renegotiation, which examined the financial statements of war contractors to determine if excessive profits were made by them in terms of the federal law passed to recapture the profits.

Bordner never returned to public accounting, preferring to go into federal service, first as deputy director of auditing in the General Accounting Office (GAO), in Washington for a few years, and afterwards as a deputy comptroller of the Department of Defense, responsible for accounting, finance, and audit policy, until his retirement in 1962.

Like Rufus Rorem in the public health care field, Bordner devoted all of his energies to a single field, once he entered it, and again like Rorem, achieved enormous knowledge of his chosen field, the federal financial system of budgeting/accounting. Unlike the experience of Rorem, he faced the obstacles of political forces in attempting to implement the concepts and procedures necessary for improvements of the financial system of the national defense establishment. His 16-year service in the Department of Defense produced a record of indefatigable effort in organizing and directing the staff provided for him. He personally got involved in writing several book-length texts on major operating areas of the Department. One of these books addressed the area of military construction, and another dealt with the area of operation and maintenance. Both were published by the U.S. Government Printing Office, and several others on procurement, personnel, and medical services, and the like, were well along in the planning and writing stages, when he retired.

Bordner turned to publishing the concepts that guided him in his pragmatic

endeavors, trusting that the effort would pass on the torch of the accounting art to future comptrollers in government. The scope of these writings is fully displayed in the following:

- Organization of the Executive Branch of the Federal Government, 1948, (a)
- Financial and Accounting Administration of the Federal Government, 1949, (a)
- Accountants Guide to Procurement in the Department of Defense, 1950, (a)
- Aspects of Pricing Negotiated Government Contracts, 1951, (c)
- Federal Government Accounting Principles, 1954, (d)
- Defense Department Policy on Accelerated Amortization as a Contract cost, 1953, (b)
- Defense Department Views on the Cost Basis of Government Contracts, 1955, (d)
- Appropriations and Funds, 1957, (b)
- Defense Department Program for Improvement of Operation and Maintenance Financial Management, 1960, (d)
- Fund Concepts as Accounting Postulates, 1961, (b)
- Impact of Regulation 100 on Accounting in the Federal Government, 1962, (d)
- Structure of Accounts for Appropriated Funds, 1963, (d)
- Consolidated Financial Statements of the Federal Government - What Does it Mean?, 1977 (d)
- Improving Financial Reporting to the Public in Local Governments, 1982, (d)

(a) Accounting Review; (b) Journal of Accountancy; (c) AICPA; (d) Government Accountants Journal

He founded and was the first editor of the *Federal Accountant*, which later was renamed *The Government Accountants Journal*. Earlier, he was an officer of the American Society of Military Comptrollers, and was for several years editor of its magazine.

Howard C. Greer (1894 - 1984), like Rorem and Bordner, chose comptroller-ship for a career, and like them, rose to eminence as a practitioner and writer. Greer received the A.B. degree from Northwestern in 1915, the CPA certificate from the state of Illinois in 1920, and was elected to Phi Beta Kappa while a student at Northwestern.

His earliest affiliation was with Arthur Young & Co., as a staff accountant in the Chicago office, 1919 - 1922. This was followed as an accounting professor at Ohio State University, 1922 - 1927, and at the University of Chicago, 1929 - 1938. His teaching years did not prevent him from finding time as an accounting practitioner, and the after-years saw him in comptrollership positions, and other activities, until retirement.

Greer's achievements include the research he did and published as an executive of the American Meat Institute in Chicago, 1927 - 1939, involving cost management, profitability problems in the meat packing industry, and the broader aspects of the economics of this industry. He became vice president and general manager of the meat packing firm of Kingan & Co., 1939 - 1949, located in Indianapolis, and a member of its board of directors, 1940 - 1950. Other affiliations included treasurer of the Chemstrand Corporation, and a director of the Chicago and Indianapolis Coal Company, each for a number of overlapping periods of years.

He was president of the American Accounting Association in 1932, and a director of the National Association of Cost Ac-

et al.: Accounting historians notebook, 1989, Vol. 12, no. 2
countants, 1945 - 1948. As busy as he was in his active years, he published the following books: *Chain Store Accounting*, 1924; *Accounting for Retail Furniture Stores*, 1926; *How To Understand Accounting*, 1928; *Cost Accounting Problems* (with R. S. Wilcox), 1931; and *Accounting for a Meat Packing Business* (with Dudley Smith), 1943. Ever a willing speaker when asked, Greer was a spellbinder of an orator whose skills made live material of dry subjects.

This concludes my reminiscing. Hopefully these thoughts will interest others in the lives of the great men who developed our profession in the early part of this century.

**MEMORIAL
THE LATE EMERITUS PROFESSOR
KOJIMA (1912-1989)**

Osamu Kojima, Emeritus Professor of Kwansai Gakuin University (Kobe, Japan), died on February 21, 1989, at the age of 76, at Osaka University Hospital. Last June he suffered a heart attack from which he appeared to have recovered, but he passed away after another attack. May he rest in peace.

In keeping with Professor Kojima's desire to have an accounting history course offered in many Japanese universities, he founded the Accounting History Association (AHA). He was the first president of the AHA and set the direction for the organization to follow.

Professor Kojima dreamed of participating in the Sixth World Congress of Accounting Historians in Kyoto in 1992. To our regret, he died before his dream could come true. His colleagues will attempt to carry out his plans.

One of Professor Kojima's major contributions was to examine accounting

history in Europe by studying original materials and documents. His methodology was unique; most researchers based their work on copies of materials available in Japan.

Most historical studies of accounting were based on investigation of bookkeeping in Italy. Professor Kojima, however, studied the influences of Italian bookkeeping in other countries, including England and Scotland, as a bridge to the history of modern accounting.

In addition, Professor Kojima emphasized the socioeconomical background in his study of accounting history. For example, he provided evidence to support the theory that the emergence of a bookkeeping procedure depends on socioeconomic conditions of the society. From his reading of secondary materials, he noted how merchants in early times managed their work.

Professor Kojima was also interested in the development of bookkeeping systems. He believed that because the development of accounting, divisions, and generalization of journals and ledgers have not yet been completely traced, the current structure of bookkeeping and its essential function cannot be explicitly understood.

At the time of his death, Professor Kojima's interest was accounting history in America in the 19th and 20th centuries.

Submitted by: Yoshihiro Hirabayashi

Osaka City University
(He will be the host of the 1992 World Congress of Accounting Historians)

A FABLE OF EFFICIENCY

by
Ernest Stevelinck

The more time that one has to do something, then the longer it takes to do it. The person who is most busy is precisely the person who has the most free time. The lack of activity does not necessarily indicate idleness, nor does idleness necessarily indicate lack of work.

So, an idle older person can devote the whole day to writing a post card to a niece on vacation at the shore. This simple project can involve an hour in finding the card, an hour to search for reading glasses, half an hour to look for the niece's address, an hour and a quarter to think and to write the card, and twenty minutes to decide whether to take an umbrella to the mailbox. The task of writing the same card requires only three minutes for a busy person.

Assuming that the more time devoted to work, the more engrossing it becomes, particularly for clerical work, there is little, if any, difference between the amount of work to do and the strength of the clerical staff to accomplish that work. A task becomes exaggerated in importance and complexity; its importance is directly related to the amount of time devoted to it. This fact is commonly admitted, but little attention, especially in public administration, has been given to it.

Politicians and taxpayers have always assumed that the effectiveness of civil servants is indicated by their increasing volume of work. Some persons have suggested that the increased number of such employees must mean that some people are not working as much as they once did or that the number of work hours for the entire staff has been reduced. In fact, however, there is no relationship between the number of persons working and the

quantity of work to be done. The number of clerical staff and the amount of work to be done is determined by Parkinson's Law, which states that work is a constant, whether the volume increases, decreases, or is reduced to nothing. It is also accepted that officials and civil employees create work for one another and that they prefer to increase their subordinates rather than their competition.

Imagine an overworked official named Albert. Three options are available to solve the problem of his work overload, be it real or imaginary: (1) he can give up or resign, (2) he can ask that a colleague share the work, or (3) he can ask subordinates to assist him with the work.

Albert will undoubtedly choose the third option. Resigning would cause him to lose his retirement. Sharing the work with a co-worker would put the co-worker on his level, thus creating a future rival when it is absolutely necessary to name a replacement for Albert's supervisor when he finally retires.

Albert would obviously prefer to share the work with subordinates, which would clearly add to his prestige. Sharing the work with two people (Bernard and Bertrand) will allow him to have a comprehensive and general view of the work load. However, Bernard and Bertrand are inseparable. Appointing only Bertrand would be impossible because he actually should have shared the work with Albert and should have held a position similar to Albert's. The number of subordinates must therefore increase by two or more, or the one not sharing the work will fear the other will receive a promotion.

When Bernard, in turn, complains of being overworked, Albert will recommend

that Bernard and Bertrand, who speak to each other. help with his work. To avoid the risk of a disagreement between Bernard and Bertrand, Albert will also recommend that Bertrand, who holds a position similar to Bernard's also be given two assistants. Thus, with the appointment of Charles, Christophe, Désiré, and Didier, Albert's seniority and future promotion are almost assured.

Seven persons are now doing what one person alone was doing, but those seven are accomplishing such a great amount of work (or a portion of the work) that they have no time to waste, and Albert has more work than ever. For example, an incoming document must pass all hands; Christophe, decides that it must go to Désiré, who sends it to Bertrand for a reply. He studies the project from all aspects before asking Bernard's advice. Bernard, in turn, asks Charles to handle the matter.

Charles, meanwhile, leaves for vacation and sends the file to Didier, who writes a letter, which Bertrand signs and passes to Bernard, who revises it and then gives it to Albert to approve.

What does Albert do now? He will have ample excuses if he signs the letter without reading it. After all, he is concerned with many other matters. Knowing that he will be promoted next year, Albert must decide whether Bernard or Bertrand is more qualified to take his current position. And he approved the vacation for Charles, who should not be taking a vacation now. Albert worries about Christophe. Perhaps he should be on sick leave; he seems ill a times, and he does have family problems. Albert knows that there will be a problem with the large raise that Désiré received during the Conference, and with Didier's request for a transfer because of retirement fund considerations.

Albert has heard that Bernard is involved with a married typist and that Charles

Albert should, therefore, be tempted to sign the letter and think no more about it. But Albert is a conscientious man. He is bothered by the problems of his colleagues, problems created by the fact that they have been hired. So Albert reads the letter, omits the ambiguous paragraphs that Bernard and Bertrand added, ending up with the letter that Désiré, who knows his work well but is bad tempered, had written in the beginning.

Albert corrects the grammatical and syntactical mistakes — all of these young men are ignorant of grammar — and then revises the letter exactly as he would have written it himself if his subordinates had never seen it.

Thus, seven persons have been required to produce the same results that Albert could have accomplished alone. No one has idled away any time, and each person has improved upon the preceding person's work.

And, late in the evening, Albert can finally leave his desk for his home in the suburbs. The lights of the other offices fade in the evening twilight, marking the end of another work day. Round-shouldered Albert, with a bitter smile on his face as he thinks of the gray hairs and the late hours that are the price of success, is the last to leave the office.

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THE ACADEMY OF ACCOUNTING HISTORIANS 1990 ACCOUNTING HISTORY MANUSCRIPT AWARD

The Academy of Accounting Historians has established an annual manuscript award to encourage young academic scholars to pursue historical research. Any historical manuscript on any aspect of the field of accounting, broadly defined, is appropriate for submission.

Eligibility and Guidelines for Submissions

Any accounting faculty member, who received his/her doctorate within seven years, is eligible for this award. Manuscripts must conform to the style and length requirements of the *Accounting Historians Journal*. Manuscripts must be the work of one author and previously published manuscripts or manuscripts under review are not eligible for consideration.

Six copies of each manuscript should be submitted by April 30, 1990 to: Prof. Maureen Berry, University of Illinois, 296 Commerce West, 1206 South 6th St., Champaign, IL 61820. A cover letter, indicating the author's mailing address, date doctoral degree awarded, and a statement that the manuscript has not been published or is not being currently considered should be included in the submission packet.

Review Process and Award

The Academy's Manuscript Award Committee will review submitted manuscripts and select one recipient each year. The author will receive a \$500 stipend and a certificate to recognize his/her outstanding achievement in historical research. The manuscript will be publish-

ed in the *Accounting Historians Journal* after any revisions deemed necessary by the manuscript editor of the *Journal*. The award will be given annually unless the manuscript award committee determines that no submission has been received that warrants recognition as an outstanding manuscript. The award will be presented at the business meeting of the Academy in Toronto in August 1990.

MORAL CONSEQUENCES OF BOOK-KEEPING

A perpetual clear insight into the actual state of one's affairs, whether practicable by a Statistical mode of recording transactions, is of the highest importance in a moral point of view.

It will have a natural tendency of keeping in order a sanguine temperament during an ephemeral prosperity, and sometimes prevent it from running riot in reckless extravagance or wild speculation. On the other hand it will often save much unnecessary fretting and, at times, even severe mental distress. It will tranquilize a desponding mind in adversity and sometimes enable a struggling Merchant to extricate himself from, perhaps, only temporary difficulties.

In general, such an insight will greatly contribute, with some natures at least, towards preserving a certain equanimity, a philosophic imperturbability, amidst the most extensive and intricate affairs, and all the ups and downs of a commercial life.

From: *Statistical Book-Keeping*,
by Frederick Charles Krepp, 1858