A STORY OF ROBERT GIARDINELLI

BY ANDRÉ SMITH

At the request of Richard Vangermeersch, André M. Smith recently sent to me a historical article entitled, "Robert Giardinelli (1914–1996): Four Decades of Excellence in New York," which he had written and published in International Trumpet Guild Journal, Vol. 21, No. 2, December, 1996. In this article, Mr. Smith, not only traces the life and success of Robert Giardinelli, but provides an interesting historical review of brass instruments in music in New York beginning at the end of the eighteenth century. The focus of the article is Robert Giardinelli, who established his first music shop in the low rent district of the Bronx in 1946, and in less than ten years grew into what Smith describes as “the most expansive combination of brass mouthpiece manufactory, discount retail music store, and custom repair shop for wind instruments that had ever been created.” But this is also a story of Robert Giardinelli, who was also a chartered accountant and used his accounting knowledge for success in business.

Robert (Roberto Antonio) Giardinelli was born in Catania, Sicily on January 23, 1914. His father was a music instrument repairman, and Robert displayed a natural aptitude while working as an apprentice. However, his father, being pragmatic, insisted that Robert prepare for a livelihood that was more stable than music instrument repair. Thus, as a result of many family discussions, Robert attended the regional school of accounting in Catania, the Istituto di Felice (Royal Technical Institute “Carlo Gemmellaro”) from 1936 to 1939. Although Robert was “neither happy with nor much interested in accounting,” he graduated in 1939.

With his diploma at the age of 25, Robert recognized that opportunities for music repair or accounting as a career were limited in Sicily. Giardinelli left Sicily in 1939 for New York. There he obtained a job at Penzel & Muller, a woodwind manufacturer, as an assembler and finisher of clarinets. Smith points out that Giardinelli used this experience as a means of learning about American manufacturing, repairing, advertising, wholesaling, retailing, and maintenance of staff and facilities. He was inducted into the army in 1942. Robert had already served three years in the Italian army, 1932–1935.

With his discharge from the army and with only a few dollars, Giardinelli opened his first music shop. Smith reports that Giardinelli’s training in accounting provided the tools to “accurately assess his current financial status and make realistic forecasts based on the financial condition of his business and an astute understanding of his likely market.” He was a gifted teacher and excellent judge of people.

Smith traces the history of modern production of high quality brass mouthpieces leading to the work of Joseph J. Shepley, in GIARDINELLI...continued on page 19.
MESSAGE FROM THE PRESIDENT

It has been an honor and privilege to serve you as President of the Academy of Accounting Historians. The 1997 Committees that were established last Fall have been actively working toward fulfilling their established charges. I would like to express my sincere appreciation to all officers, committee members, and the membership for their hard work and support.

In order to better serve our international members and enhance the Academy's international focus, the International Relations Committee and the Strategic Action Committee, are in the process of establishing international area coordinators. The Membership Committee, chaired by Jean Harris, has been very active and has contacted approximately 200 individuals and libraries, encouraging them to join the Academy. As a result, our membership is on the rise. The Public Relations Committee, chaired by Jeanette Sanfilippo, has contacted our library members to offer them a complimentary copy of the bound volume containing volumes 1–3 of the Accounting Historians Journal. Thus far, 50 such library members have requested their complimentary copies of the volume. Furthermore, as in the past, Jeanette staffed the Academy’s booth at the recent National Meeting of the American Accounting Association (AAA) in Dallas, Texas. The booth has provided tremendous exposure for the Academy and Jeanette informs me that 28 individuals joined the Academy during their visit to the booth at the recent AAA meeting. The Education Committee, chaired by Gloria Vollmers, is updating the “Guide to Integrating Accounting History into the Accounting Curriculum” which was first developed a few years ago. Gloria will distribute the finished product to all members and it is hoped that this information would be helpful to our members in integrating accounting history into the curriculum.

On another matter, a front page article on Bill Samson and the Academy was published in the Wall Street Journal (July 16). This article provided tremendous exposure for the Academy and our Secretary, Bill Samson. Bill has informed me that he has received numerous inquiries on how one might join the Academy.

Another highlight for the year is the Academy’s 1997 Research Conference. This year’s conference, which focuses on a broad theme of “The Past, Present, and Future of Accounting History as it Relates to Methodology, Education, Technology, and International Organizations,” will be held in Richmond, Virginia during December 5–6, (Friday and Saturday). A pre-conference reception will be held on Thursday, December 4, from 7:30–9:00 p.m. Additional details concerning the conference, conference registration, and hotel reservation appear in this issue of The Notebook. The Richard G. Vangermeersch Manuscript Award and the Hourglass Award will be presented at this conference. A great program is planned, and I hope that each of you will attend the conference.

A meeting of trustees, officers, and key members of the Academy was held on August 17, from 1:00–5:00 p.m. at the annual meeting of the American Accounting Association, in Dallas, Texas. This meeting was very productive. Additionally, the Academy hosted a reception from 8:00–10:00 p.m. on August 17, and many members and others attended the reception.

Once again, it has been a pleasure to serve as President of the Academy of Accounting Historians.

Rasoul H. Tondkar

https://egrove.olemiss.edu/aah_notebook/vol20/iss2/14
### SCHEDULE OF ACADEMY FUNCTIONS

Academy activities are briefly listed below, including a tentative schedule of activities for 1998. The Academy encourages you to attend and participate.

- **1997 Annual Research Conference**
  - Annual Business Meeting
  - Silent Auction
    - December 4–6, 1997
    - Omni Hotel
    - Richmond, Virginia
  - Officers and Trustees' Meeting
    - April 18, 1998
    - Radisson Marque Hotel
    - Winston-Salem, North Carolina
  - In conjunction with the AAA Southeast Regional Meeting
  - Officers and Trustees' Meeting
  - Past Presidents' Dinner
  - Membership Reception
    - August 19, 1998
    - New Orleans, Louisiana
  - In conjunction with the AAA National Meeting.
  - Academy officers have suggested that the Academy provide a session(s) on accounting history to be held parallel with the AAA meeting.

- **1998 Annual Research Conference**
  - Annual Business Meeting
  - Silent Auction
    - November 12–14, 1998
    - Hilton Hotel
    - Atlanta, Georgia

### THE ACCOUNTING HISTORIANS NOTEBOOK

- Co-Editors: Elliott L. Slocum
  - Kumar N. Sivakumar
  - School of Accountancy
  - Georgia State University
  - P.O. Box 4050
  - Atlanta, Georgia 30302
  - Phone: (404) 651-4452 or 4486
  - FAX: (404) 651-1033
  - Email: eslocum@gsu.edu
  - ksivakumar@gsu.edu

- Secretary: William D. Samson
  - The Academy of Accounting Historians Culverhouse School of Accountancy
  - The University of Alabama
  - Box 870220
  - Tuscaloosa, Alabama 35487-0220
  - Phone: (205) 348-2903
  - FAX: (205) 348-8453

- HOME PAGE
  - [http://weatherhead.cwru.edu/Accounting](http://weatherhead.cwru.edu/Accounting)
  - Webmaster: Gary J. Previts
  - Case Western Reserve University

### A CLASSIC PUBLICATION AVAILABLE ON THE WEB

*The Evolution of Cost Accounting to 1925* by S. Paul Garner is now on the World Wide Web. This classic historical study is the first book which addresses the discipline of accounting and its history to be published and available in full length on the Web. Providing free of charge such an important work on the Web is a pioneering step. This is another first for S. Paul Garner, Dean Emeritus, University of Alabama, in his long tradition of being a pioneer of global accounting matters.

Accounting students and historians can access and download this famous classic at:

- [http://weatherhead.cwru.edu/Accounting/pub/garner](http://weatherhead.cwru.edu/Accounting/pub/garner)
The Academy of Accounting Historians will hold its 1997 Research Conference at the Omni Hotel in Richmond, Virginia on December 4–6, 1997. The plenary sessions and concurrent sessions are planned for Friday (December 5) and Saturday (December 6) and will be on such topics as: Research Methodology, Accounting History and Education, Role of Technology in Communicating Accounting History, and International Organizations. A pre-conference reception is planned from 7:30–9:30 p.m. on Thursday, December 4. Additional details concerning conference registration and hotel reservation appear on the inserts placed in this issue of The Notebook. For further information please contact:

Edward N. Coffman
Chair, Program Committee
School of Business
Virginia Commonwealth University
Richmond, Virginia 23284-4000 USA
Phone: (804) 828-7193
Fax: (804) 828-8884
E-Mail: ecoffman@busnet.bus.vcu.edu

or

Ross H. Tondkar
President, Academy of Accounting Historians
School of Business
Virginia Commonwealth University
Richmond, Virginia 23284-4000 USA
Phone: (804) 828-7156
Fax: (804) 828-8884
E-Mail: rtondkar@busnet.bus.vcu.edu

MISSING THE ACCOUNTING HISTORIANS JOURNAL?

The Academy apologizes for the recent mailing problems which have resulted in some members of The Academy not receiving the June 1996 or December 1996 issue of The Accounting Historians Journal. We regret the inconvenience this has caused you and ask your continued patience. The Editors have had additional copies printed and responded to numerous requests for missing issues during the past months. Measures have been taken to eliminate possible future mailing problems.

If you have not received your copy of the June 1996 or December 1996 issue of The Journal, please contact Barbara D. Merino at the address or fax below:

Professor Barbara D. Merino
Department of Accounting
College of Business Administration
University of North Texas
Denton, TX 76203-6677
Fax: (817) 565-3803

Something to think about...

"I well recall that...in the great depression...we nearly lost our home due to a mortgage coming due only one time in 1931. Back at that time, most home mortgages were not paid on the installment. Rather, the interest was paid each month or each year only and it was expected that the principal would be renewed."

—Dean, Paul Garner, from a letter recalling the difficult times of the "great depression" and how mortgages were established regarding interest and principal.
MCMILLAN RECEIVES VANGERMEERSCH AWARD

Keith P. McMillan, S.J. has been selected as the recipient of the 1997 Vangermeersch Manuscript Award. His manuscript entitled, “The Science of Accounts: Bookkeeping Rooted in the Ideal of Science,” was chosen by the awards committee from the several manuscripts submitted. The award will be officially made at the Academy’s research conference, December 4–6, 1997, in Richmond, Virginia.

Keith is an Assistant Professor at Rockhurst College in Kansas City, Missouri. His research interests include financial accounting theory, its social and institutional construction; business ethics, regarding values implicit in social construction of accounting standards; and accounting history, particularly the interaction of accounting theory and professional development. He is a Roman Catholic Priest in the Society of Jesus (the Jesuits), as well as, a CPA in Texas.

Keith's academic background is indeed impressive. He has completed work for a PhD in Accounting at London School of Economics and Political Science and will take his oral examination in the Fall. Additionally, he has received the Masters of Theology from Weston School of Theology, Cambridge, Massachusetts; Bachelor in Divinity from Heythrop College, University of London; Masters in Accounting Science from University of Illinois, Champaign-Urbana; and Bachelor of Science in Business Administration from St. Louis University. In addition to teaching at the University of Illinois and St. Louis University, Keith has worked as a financial analyst for Exxon Coal in Illinois and Texas.

TAX HISTORY RESEARCH CENTER FELLOWSHIPS

The Tax History Research Center (THRC), which is sponsored by the Academy of Accounting Historians and housed at The University of Mississippi, is offering research fellowships of up to $1,000 for individuals wishing to conduct research at the THRC. The grant can be used only for lodging at the Alumni House Motel at The University of Mississippi during the time the researcher is working at the THRC. Based on current room rates the grant would pay for about four weeks of lodging at Ole Miss. Applications should be submitted at least two months in advance of the projected visit. Applications should include a cover letter and an approximately one page proposal explaining how the resources of the THRC would be useful in the applicant’s research.

Both predoctoral and postdoctoral fellowships will be considered. Fellowships would be particularly suitable for those on sabbatical or Summer leave.

The THRC has an extensive collection of tax services, congressional committee reports, books, journals, and other publications dating back to 1909, dealing with the federal income tax. Some state materials, primarily theoretical or policy oriented, are also available.

Fellowship applications should be sent to:
Dr. Tonya K. Flesher, Director
Tax History Research Center
School of Accountancy
The University of Mississippi
University, MS 38677

For more information call Dr. Flesher at (601) 232-5731 or (601) 234-3969.
The Academy of Accounting Historians will present its 1998 Research Conference on November 12-14, 1998 in Atlanta, Georgia at the Atlanta Hilton. The research theme is The Evolution of Business Disclosure. The conference will seek to identify and analyze the developments of business disclosure as illustrated in the origins of financial statements and the progression to financial reporting and to business reporting. The theme is not limited to the evolution of business disclosure in the United States, and encourages papers regarding such evolution in other countries. This broadly stated theme permits subjects ranging from technical to philosophical issues in various national and international settings, including but not limited to:

Origins and Purposes of Reporting and Disclosures
- Stewardship
- Performance Analysis
- Resource Allocation

Financial Statements (Balance Sheet, Income, Funds)
- Structure
- Content
- Disclosure
- Terminology

Social, Economic, and Political Influences and Issues
- Regulatory Legislation, Agencies, and Policy
- Standard Setting Agencies

Completed papers should be submitted by June 1, 1998. Four copies of the double spaced completed paper and an abstract/synopsis of approximately 1,000 words should be sent to:

Dr. Kumar N. Sivakumar OR Dr. Ram S. Sriram
Co–Chair, Program Phone: 404-651-4464
E-Mail: ksivakumar@gsu.edu rsriram@gsu.edu
Fax: 404-651-1033

School of Accountancy
College of Business Administration
Georgia State University
P.O. Box 4050
Atlanta, Georgia 30302-4050

All papers will be double-blind reviewed. Authors will be notified of the status of their papers by September 1, 1998. Papers accepted for the conference are not precluded from submission for publication to refereed journals at a later date; however, the abstracts/synopses of accepted papers will be published in the special Twenty–Fifth Anniversary Proceedings of the conference and on the Academy’s Home Page.
PAUL GRAFY AND HIS CONTRIBUTIONS TO ACCOUNTING AND AUDITING

by

Rafik Z. Elias, Cameron University
John E. Shaver, Sr., Louisiana Tech University

INTRODUCTION

The accounting profession has had many leaders throughout its history. These leaders have significantly influenced accounting thought due to their exceptional education, experience, and insight about controversial topics. Their influence extended after their death and continues to be the subject of discussion.

Paul Franklin Grady (1900-1984) was one of those leaders whose contributions to accounting will remain the subject of intensive study for future guidance. The purpose of this paper is to examine Paul Grady's significant contributions to accounting and auditing and to take the reader into Grady's mind as he was writing his most influential works. Grady strongly believed that in order for accounting to gain respect in society, it must be based on solid principles. His works showed this conviction.

After this introduction, Paul Grady's accounting development, including education, experience, and positions held are examined. This is followed by a study of his major ideas, contributions and their significance in the fields of accounting and auditing. The paper ends with a conclusion.

PAUL GRAFY'S PROFESSIONAL DEVELOPMENT

Examining Grady's professional development, we find a strong background of academic and professional experience. Soon after graduating from the University of Illinois, he joined the staff of Arthur Andersen & Co., a major public accounting firm. After spending about twenty years with Arthur Andersen (1923-1942), he joined the staff of Price Waterhouse in 1943. His success in his new firm became evident when he became partner after only six months. In addition, he was named the firm's representative in the American Institute of Accountants (AIA), the American Institute of Certified Public Accountants (AICPA) today. He served as chairman of a committee on auditing for four years and chaired the committee on relations with the SEC from 1954 to 1957. In 1963, he served as the Institute's director of research and a year later, he became a member of the Special Committee on Opinions of the Accounting Principles Board (APB). Grady's contributions were not restricted to standard-setting bodies but also to the Florida Board of Accountancy, on which he served from 1968 to 1972.

In addition to accounting related positions, he headed the Navy's cost-inspection service during WWII. He was also a part of the Hoover commission on the organization of the executive branch of the U.S. government.

Grady's background demonstrated a wide variety of posts in accounting, auditing and other fields. This variety undoubtedly contributed to his accounting thoughts and development.

GRADY'S CONTRIBUTIONS TO ACCOUNTING

Origin of "Inventory of GAAP":

Probably the most influential work of Paul Grady is Accounting Research Studies (ARS) No. 7: "Inventory of Generally Accepted Accounting Principles." This extensive study remains one of the most important accounting research studies in the U.S. Before detailing its content, it is interesting to study the events leading to its accomplishment as well as Grady's motivation for doing it.

An article in May 1962 entitled: "The Quest for Accounting Principles" centered around Grady's idea to develop the inventory. He noted:

The quest for GAAP is largely one of identification of the principles
on which there is general agreement and of developing a useful pattern of arrangement or classification.

Grady was motivated to undertake this study by the numerous criticisms against ARS Nos. 1 & 3, among which was that the standards were too radical and unacceptable for the time, in addition to not representing existing GAAP. Grady, therefore, noted that it was imperative to undertake a study of current GAAP before making any changes that would be rejected like those of ARS 1 & 3. He had this opportunity while working on the Special Committee on the Opinions of the APB, undertaking his landmark study that took two years to complete.

Contents of “Inventory of GAAP”:

The study started with a definition of accounting and an acknowledgment that the greatest concern to an accountant was the fair representation of income. In the second chapter, Grady presented a discussion of the basic concepts underlying the financial statements. He stated that principles were rules derived by man to control business entities. He also stated that his work was based heavily on the work of Paton, Littleton and May. Grady identified ten concepts underlying the development of accounting principles. They were: society and government structure, business entity, going concern, monetary expression in the accounts, consistency between periods for the same entity, diversity in accounting among business entities, conservatism, dependability of data, materiality, and timeliness. Studying these concepts, we see the resemblance between them and current concepts. An interesting comparison involves consistency and diversity. Concerning consistency, Grady’s definition still stands today and is an important part of the framework. As to diversity, Grady argued against rigid uniformity and for finite uniformity. He argued that companies should follow GAAP but that they should choose among alternatives that fit their specific industry characteristics. This argument is alive and well today and in fact, the FASB has sometimes allowed specific industries to choose among alternatives. Because of his extensive experience in practicing accounting, Grady’s study was geared toward the practicing accountant to serve as a reference. This feature was one of the strengths of the study and was lacking in many contemporary writings.

ARS No. 7 was published in 1965 and was welcomed by the profession. Since that time, over 300,000 copies have been sold, and it has been translated into Japanese and Spanish.

GRADY’S CONTRIBUTIONS TO AUDITING

Grady and the CAuP:

Paul Grady also made significant contributions to auditing. In 1943, he was appointed to the Committee on Auditing Procedures (CAuP), formed a few years earlier. Grady was appointed because of his thorough experience in auditing for over 20 years with major firms. Grady was also recognized as an expert in developing auditing procedures based on his experience with Arthur Andersen. During that time, he developed a manual entitled “Auditing Procedures: An Outline for Staff Training.” This manual has been used by Arthur Andersen and Price Waterhouse in the U.S. and abroad. During Grady’s term as chairman, the committee had the difficult task of defining auditing standards, internal control, and developing case studies in auditing. This task was accomplished three years later.

Generally Accepted Auditing Standards:

Grady characterized the committee’s endeavors in developing GAAS as a “screening process to separate the ‘shells’ of standards from the ‘sands’ of procedures and to arrange the standards in a useful pattern.” (King, 1989) In 1947, the committee published “A Tentative Statement of Auditing Standards: Their Generally Accepted Significance and Scope.” It contained general field work and reporting standards and one year later, the standards were adopted by the Institute as GAAS. Grady has accomplished a very important task to be used in the future by all auditors.

GRADY...continued on page 20
LIFE MEMBERSHIP AWARDED TO COOK

With the deepest sense of gratitude, the Academy of Accounting Historians awards life membership to Dr. Doris M. Cook, president of the Academy, 1996. Doris has served the Academy and contributed to accounting history in many ways. She led the Academy during 1996 in the celebration of the Certified Public Accountant Examination's centennial year. She has extensively published and encouraged research in accounting history.

Doris retired from the University of Arkansas in June, 1997, after 50 years of meritorious service. The faculty and students will miss their famous "woman in red." She is recognized for her deep concern for students. In April, the Department of Accounting's annual Accounting Recognition Day Banquet celebrated Doris' 50th anniversary, and Arkansas Senator David Malone presented her with a Senate Resolution honoring her extraordinary service to the University.

Doris completed her BSBA in accounting in 1946 and began to teach at Arkansas in 1947 while working on her Master's degree. She received the Ph.D from the University of Texas, Austin in 1968. Doris was promoted to professor in 1969, becoming the first woman to achieve such rank in the Department of Accounting; the beginning of many firsts.

Doris was the first woman CPA in Arkansas, the first woman member of the Arkansas Society of CPAs, the first woman to serve on the National Council of Beta Alpha Psi, the first woman to serve as national president of Beta Alpha Psi, the first woman at the University of Arkansas to hold an endowed lectureship or chair, the first woman and person in the Department of Accounting to hold the rank of University Professor, first recipient of the Baum Faculty Teaching Award for Teaching Excellence, and the first woman named Distinguished Professor Emerita. She served on the Arkansas State Board of Public Accountancy, was an active member of the Arkansas Society of CPAs, and has received numerous teaching and service awards during her career. As a legacy, contributions are being sought to establish and endow a Doris M. Cook Lectureship at the University of Arkansas.

SPECIAL SUBSCRIPTION OFFER

Accounting Business and Financial History (ABFH), edited by J. R. Edwards of Cardiff Business School is offering a special reduced subscription price to members of the Academy of Accounting Historians. AAH members can now subscribe at the special rate of 25 (English) pounds or $42.50 USA/Canada, which is half the normal subscription fee. ABFH provides a valuable forum for investigating interdependence of the fields of accounting, business, and financial history.

In the US and Canada, contact Subscriptions Department, ITP Journals, 409 Market Street, Suite 750, Philadelphia, PA 19106, USA or call 1-215-574-2300. Elsewhere contact Subscriptions Dept., ITPS Ltd., Cheriton House, North Way, Andover Hants SP10 5BE, UK or call 44 (0) 1264-342713. E-mail is stmsubs@itps.co.uk.
Baskerville Receives Award

Dr. Donna Street presented the 1996 Vangermeersch Manuscript Award to Dr. Rachel Baskerville on August 17, at the Academy membership reception in Dallas. The award was given for her article, “The Telling Power of CCA-A New Zealand Oral History.” Dr. Baskerville is a lecturer at Victoria University in Wellington, New Zealand and was not able to visit the United States and receive the award until now. The Academy congratulates Rachel on her contribution to accounting history literature. Also, the Academy greatly appreciates the fine work of Donna, chair, and the members of the manuscript committee.

Sanfilippo Wins Teaching Awards

Jeanette Sanfilippo, Assistant Professor at Maryville University—St. Louis and chair of the Academy’s public relations committee for the past four years, has received the Governor’s Award for Excellence in Teaching. The award will be presented in October at the 1997 Governor’s Conference on Higher Education. In May 1997, Professor Sanfilippo also received Maryville University’s President’s Award for Exemplary Teaching. Both awards are presented annually to a faculty member in recognition and honor of outstanding teaching service. Jeanette began her association with the Academy during her graduate studies at The University of Mississippi in the mid-1980’s. She has contributed much to the success of the Academy’s activities.

Doris Receives Awards

Doris M. Cook, Academy President, 1996, is the first recipient of the Charles and Nadine Baum Faculty Excellence in Teaching Award for 1997. The announcement was made at the May, 1997, College of Business Graduation at the University of Arkansas. This top teaching honor was given to Doris in recognition of her superior teaching as she retires from full-time teaching at the University after 50 years of service.

As of July 18, 1997, the board of directors of the Arkansas Society of Certified Public Accountants presented to Doris a Certificate of Life Membership in recognition of her distinguished service. Doris is a very active member of the State Society and was the first woman CPA in Arkansas and first woman member of the Arkansas Society of Certified Public Accountants. She has also served on the Arkansas State Board of Public Accountancy.

Membership Directory: A Reminder

The Academy’s Membership Directory will be placed on the Web as part of the Academy’s Home Page. As a result, the Academy will not mail out the printed copy of the Membership Directory as in previous years unless such a copy is specifically requested. The updated membership listing was placed on the Web in June, 1997, and will be periodically updated for new members. The academy hopes this will provide ready access to the most current listing of members from which one could also print hard copy if desired. The Web address is http://weatherhead.cwru.edu/Accounting.

For those without Internet access, a limited number of printed Membership Directories will be available upon request. If you need a printed copy of the Mem-
bership Directory, please contact the Secretary, William Samson at: The Academy of Accounting Historians, Culverhouse School of Accountancy, The University of Alabama, Box 870220, Tuscaloosa, Alabama 35487-0220.

Congratulations, Bill

The Academy congratulates Bill Samson, secretary of the Academy, for his participation in The Wall Street Journal article of Wednesday, July 16, 1997. Your comments made for an interesting article and one of value for encouraging interest in accounting history. However, you certainly don’t look 50 years old, and Don Quixote’s beard was different. Only a tax accountant can get away with airing President Clinton’s skivvies in public. Clearly we agree with you, Bill, that “accounting history makes it all fascinating” because one cannot understand today without a sense of the past.

Thank You, Jeanette

Jeanette Sanfilippo, chair of the public relations committee, has again successfully hosted the Academy of Accounting Historians’ Booth at the Annual American Accounting Association meeting. During the meeting in Dallas, Jeanette and her group of volunteers passed out Academy brochures and materials, sold Pacioli T-shirts, and solicited new members to the Academy. It was reported that 28 new memberships were received at the booth due to their efforts. Thank you Jeanette for being such a great ambassador for the Academy.

An Early Call For Nominations

The Academy presents annually the President’s Hourglass Award to an author or authors of a particular publication deemed especially noteworthy in the field of accounting history or for a lifetime of research and contributions to the literature in accounting history. Members of the Academy are invited to submit nominations for this prestigious award for 1998. The 1998 Hourglass Award will be presented at the Academy’s annual research conference in Atlanta, Georgia, November 12–14, 1998. Nominations should be sent to Dr. Elliott Slocum, School of Accountancy, P.O. Box 4050, Atlanta, GA 30302-4050 before September 1, 1998. The letter of nomination should include sufficient evidence to support the nomination and include current address, telephone and FAX numbers of the nominee(s).

The Notebook Changes Dates

You probably noticed that Volume 20, Number 1, of The Notebook, was dated April, 1997. This issue, Volume 20, Number 2, is dated October, 1997, and hopefully it has been received during either October or November. The Editors plan that future issues should be mailed during the months of April and October. The Editors decided to make this change in 1997 rather than in 1998. Please be aware that postal delivery in the U.S. can take as much as four weeks, and destinations outside the U.S. can take as much as six weeks for delivery. We expect to begin to experiment with placing The Notebook, or a substantial part of it, on the Web in the near future.

Jeanette Sanfilippo

The Accounting Historians Notebook, October, 1997
Published by eGrove, 1997
A CALL FOR PAPERS

1998 VANGERMEERSCH MANUSCRIPT AWARD

The Academy of Accounting Historians seeks to encourage young faculty to engage in historical accounting research. Thus, each year the Academy administers the Vangermeersch Manuscript Award. Any accounting faculty member holding a full-time appointment and having received the masters or doctorate degrees within seven years prior to date of submission is eligible to be considered for this award. The manuscript submitted must be the work of one author, not have been previously published or under review for publication, and conform to the style and length requirement of The Accounting Historians Journal. The author selected to receive the award by the award committee will receive a $500 stipend, a certificate of achievement, and the manuscript will be published in The Accounting Historians Journal after an appropriate review. Six copies of each manuscript should be submitted by June 15, 1998, to Dr. Donna L. Street, James Madison University, School of Accounting, MSC 0203, Harrisonburg, VA 22807, USA. For further information please contact Dr. Street at (540) 568-3089 or at streetdl@jmu.edu.

ACCOUNTING HISTORY PAPERS PRESENTED AT REGIONAL AAA MEETINGS

MID-ATLANTIC
“The Development of Bookkeeping and Accounting in China,” Dennis B. K. Hwang, Bloomsburg University
“The Forgotten Accounting Association: The Institute of Accountants,” George Romeo, Rowan College of New Jersey; Larissa Kyj, Rowan College of New Jersey
“The First CPA Examination: A Review of the State of Accounting in 1896,” Richard A. Baker, Bloomsburg University; Kent Weiss, Bloomsburg University

NORTHEAST
“A Historical Examination of the Legal Response to the Introduction of Loose Leaf Accounting, 1885–1935,” Mary Virginia Moore, Southeast Missouri State University; Charles W. Wooton, Eastern Illinois University
“Accountability and Cost Efficiency: Accounting for Labour at the Commonwealth Clothing Factory,” Thomas N. Tyson, St. John Fisher College
“Accounting Clerks and Quartermasters in the Civil War: Their Duties, Reports, and Internal Controls Utilized,” Darwin L. King, St. Bonaventure University
“A. C. Littleton: The Personal Portrait of a Scholar,” Lorraine I. Gilbert, Case Western Reserve University

OHIO
“The Ledger of the Champagne Fairs of the Ugolini Company,” Alvaro Martinelli, Appalachian State University

SOUTHEAST
“Mr. Haskins and Mr. Sells: Contrasting the Two Partners,” Dale L. Flesher, University of Mississippi; Tonya K. Flesher, University of Mississippi; Gary John Previts, Case Western Reserve University
“Pirates: Buccaneers or Accountants,” William D. Cooper, North Carolina A&T State University; Michael F. Cornick, University of North Carolina at Charlotte
“A 20-Year Retrospective on the IIA’s SAC Projects,” Tommie Singleton, University of North Alabama; Dale L. Flesher, University of Mississippi
Paul Grady's professional career spanned a period (1923-1968) in which accountancy possessed many leaders; men of ability, ambition, and vision. He worked with these men from public accounting, industry, government, and academics and earned his own place of prominence. As Previts (1986) said: "We have all been influenced by his work and students entering accounting classes are touched by his reasoning and his writings continually if indirectly." (p. 10)

Paul Grady's involvement in the development of accounting principles is examined in this paper with emphasis placed on the events during the period of 1955 to 1965 which led to the establishment of the Accounting Principles Board (APB, Board) and the Research Division and the publishing of Accounting Research Study, No. 7, Inventory of Generally Accepted Accounting Principles for Business Enterprises (Inventory, ARS No. 7). This paper is not a study of the contents or a critical evaluation of ARS No. 7 or of The Basic Postulates of Accounting (ARS No. 1) and A Tentative Set of Broad Accounting Principles for Business Enterprises (ARS No. 3).

Evolution of Principles

The phrase "generally accepted accounting principles" evolved during the work of the Institute's committee on cooperation with stock exchanges with the New York Stock Exchange to formulate a new audit certificate in which Grady had been involved. Grady said that it was a cooperating committee of the Controllers Institute of America, on which he served as a consultant, that suggested that the phrase "accounting practices" in the auditor's report be changed to "accounting principles." (Zimmerman, 1978)

After the establishment of the SEC, government intervention became a serious consideration. Initial congenial relationships between the SEC and the profession were frayed by 1936. Chief Accountant, Carmen Blough clearly indicated in a series of speeches that the SEC would not wait long for action on the part of the profession to deal with problems in financial reporting. (Carey, 1970)

The publication in 1936 of "A Tentative Statement of Accounting Principles" by the American Accounting Association (AAA) appeared to suggest a concept of a uniform code of accounting principles which had been formally rejected by the Institute. The profession responded with the publication of "A Statement of Accounting Principles," by Sanders, Hatfield, and Moore which had been commissioned by the Haskins and Sells Foundation to survey existing practice and to develop a "definitive statement of the best practice." The publication was criticized as an attempt by the profession to perpetuate existing practice. Some practitioners did use the study as a justification of current practices although the Executive Committee's approval of its issuance did not commit the Institute to the principles. (Previts, 1979) Far from enthusiastically received, it was the first relatively complete statement of principles based on practice and constituted the first major building block in the structure of accounting principles and determined to a great extend the form of the structure. (Storey, 1964)

The committee on accounting procedure (CAP) was expanded in 1938, and its research activities improved. The desirability of preparing a comprehensive statement of accounting principles was briefly discussed.
The CAP quickly rejected the approach because such an effort would take a long time to prepare and obtain agreement. "...it seemed doubtful whether it would be feasible to prepare a statement of accounting principles that would be sufficiently comprehensive to afford a practical guide to settling any very large number of accounting problems. Accordingly, the committee decided to deal with specific areas of difference." ("History of the Accounting Procedure Committee—from the Final Report," November, 1959, p. 70) The Institute's executive committee urged the CAP to attempt a comprehensive statement of accounting principles in 1956, but without success. ("Accounting Research and Accounting Principles," December, 1958)

A Profession in Turmoil

Shortly after World War II, accountancy again experienced growth, a more complex business environment, aggressive governmental agencies, and increased concern by the general public about the quality of financial reporting. By the 1950s, accountancy was deeply concerned by criticism of financial reporting from within the profession and from leaders in business, government, and academics. Some believed that accounting practices such as the "cost principle" and "conservatism" overstated profits and misled the public. Others feared that public accounting failed in its social responsibility and believed that the public accountant should be a protector of public interest by reducing the many alternative methods and agreeing on a statement of accounting principles. (Storey, 1964)

Much of the criticism was directly or indirectly based on the perceived lack or inadequacy of generally accepted accounting principles. For example, Leonard Spacek (December, 1958) said: "Sometimes I am tempted to feel that the public accounting profession is acting the part of this small boy in trying to avoid or delay facing up to the inevitable necessity of defining generally accepted principles of accounting." (p. 40)

Representatives from industry emphasized that lack of leadership on the part of the accounting profession would have serious consequences. They made it clear that many aspects of corporate financial reporting were in disarray. (Phillippe, December, 1963) Many were concerned that the establishing of accounting principles in the private sector would be replaced by government intervention. Some openly discussed whether the SEC's traditional constraint was in the public interest of investors. ("SEC Commissioner Seeks More Uniformity in Accounting Practice," March, 1963)

The New Approach

The Accounting Research Bulletins (ARB) were generally accepted as authoritative and approved by the SEC as a guide to practice. ("The Accounting Procedure Committee," September, 1959) The ARBs partially achieved the goal of narrowing the diversity of accounting practice. However, the piece-meal approach used by the committee was recognized as unsatisfactory, and the part-time status of the research efforts was inadequate. The CAP was also criticized because it failed to involve industry spokesmen and to provide for experimentation with new ideas.

The Special Committee on Research

Institute leadership knew that action was needed. Alvin R. Jennings, President of the Institute, proposed to the Institute in October, 1957, that the research program be restudied and made a number of recommendations regarding establishment of accounting principles. (Jennings, January, 1958)

The executive committee, in December, 1957, approved the appointment of a special committee composed of Weldon Powell, Chairman, Andrew Barr, Carman G. Blough, Dudley E. Browne, Arthur M. Cannon, Paul Grady, R. K. Mautz, Leonard Spacek, and William W. Werntz. ("Special Committee on Accounting Research Program," August, 1958) The distinguished nature of the special committee indicated the seriousness attributed to the criticisms of the profession. The special committee was charged to...
"...consider a new approach to the means whereby accounting research should be undertaken, accounting principles should be promulgated, and adherence to them should be secured." ("Report to Council of the Special Committee on Research Program," December, 1958, p. 62)

The special committee established the following foundation on which to achieve its objectives: (1) the general purpose of the Institute should be to advance the written expression of what constitutes generally accepted accounting principles, for the guidance of its members and of others, (2) the established generally accepted principles should be something more than a survey of existing practice, (3) the achievement of the objectives requires a continuing effort to determine appropriate practice and to narrow the areas of difference and inconsistency in practice is needed, (4) authority of the pronouncements should rely on persuasion rather than on compulsion, (5) the Institute can and should take definite steps to lead in thinking on unsettled and controversial issues." ("Report to Council of the Special Committee on Research Program," December, 1958) The recommendations of the special committee generally agreed with Jennings' proposals in October except in regard to the adjunct organization, funding, and binding authority of the pronouncements.

A structure for financial accounting was established that involved four levels: postulates, principles, and rules or other guides, and research. Postulates were to be few in number, basic assumptions on which principles rest, and derived from the economic and political environment and modes of thought and customs of business. A statement of broad accounting principles similar in scope to that issued by the American Accounting Association was to be formulated on the basis of the postulates. The principles and postulates would serve as a framework of reference to solve detailed problems. Rules and guidelines which were flexible and comparable to the current ARBs would be developed in relation to the postulates and principles. Pronouncements should be based on adequate research which is independent and gives consideration to all points of views. The research component was expected to produce a series of accounting research studies and a series of statements on generally accepted accounting principles. Statements would be issued by the APB and would be regarded as authoritative written expression of generally accepted principles. Only rarely should a pronouncement be adopted by the Council or the membership of the Institute because acceptance by professional accountants in advising clients and use in financial reporting was believed to be the best method of enforcement. ("Report to Council of the Special Committee on Research Program," December, 1958) The new research program had three distinctive features: (1) deduction was used to aid in the discovery of principles, (2) the reasons underlying the APB's position were to be made available, and (3) a serious attempt was made to unite practical experience and academic research potential and logical methods. (Storey, June, 1964)

As a member of the special committee on research, Grady participated in the development of recommendations which led to the establishment of the APB and the Research Division. Grady (May, 1962) believed that the Research Division should provide a useful medium for focusing the views and wisdom of the profession, in general, and particularly, the APB in the process of reaching conclusions regarding the accounting subjects studied. He recommended caution on the part of the APB in promulgating principles and encouraged a thorough consideration of the work of the Research Division before reaching a conclusion.

Postulates and Principles

Dr. Maurice Moonitz, University of California, was appointed as director of the Research Division, and Weldon Powell was appointed as chairman of the Accounting Principles Board. The Research Division CONTRIBU...continued on page 24

1. The meeting was called to order by Ross Tondkar, President, at 1:00 p.m.

2. Bill Samson, Secretary, distributed the minutes of the Officers' and Trustees' Meeting (Cleveland) of December 7, 1996. These minutes were approved.

3. The interim membership report was distributed by Secretary Samson. It was noted that institutional membership seems to be growing while individual membership has declined slightly since April, 1996. Some of this growth in institutional membership may be individuals joining via subscription (institutional membership) services.

4. Sarah Holmes, Treasurer, presented the Treasurer's Report which included, for the first time, accrual based revenues and expenses. The 1996 financial statements were distributed, and the 1997 budget was discussed.

5. As a measure of cost savings, Gary Previts proposed that the 1997 Membership Directory be made available primarily via the Academy's web site. Members will be able to request a paper copy from Secretary Samson. This proposal was discussed. A motion was made that the 1997 Directory be provided to members via the Internet, with hard copies mailed upon request. This proposal was agreed to.

6. Ed Coffman and Ross Tondkar described their progress for the 1997 Research Conference in Richmond, VA. Hotel rooms have been set aside for the conference and a third announcement calling for papers and describing the meeting has been mailed.

7. Barbara Merino gave the AHJ Editor's Report. The transition of editorship to Dick Fleischman (1998) is proceeding and papers are being channeled to him. Discussion about the recent distribution problems (primarily June 1996 issue of AHJ) took place. Various controls to reduce the chance of the problem recurring were described. The Financial Advisory Committee's (chaired by Kathy Sinning) proposal as to steps that should occur to pay printing bills was discussed. A motion was made to adopt this proposal. The motion was seconded and passed.

8. Elliott Slocum, editor, discussed moving the Accounting Historians Notebook publication cycle to March and September from June and December. This idea was discussed and a consensus was reached.

9. Elliott Slocum reported that the Academy's Research Center at Georgia State was continuing its cataloguing efforts. The Garner Center at The University of Alabama had received and is displaying Paul Garner's plaques and awards. Paul's papers are being processed by the Special Collections group at the UA Library. The possibility of utilizing UA's Bruno Library to house Academy's annual report material was raised. Tom Lee will inquire about this possibility.

10. A proposal for an international book auction was presented and discussed. The Trustees felt that the proposed arrangement was too complex and beyond the scope of what was currently envisioned. It was recommended that...
the proposal be revised.

11. Interim reports from committees were distributed. Discussion centered on the international relations and how coordination with accounting history societies could be developed. There was also discussion about the possibility of holding a history research and teaching conference in the future that would be in the same city and time as the AAA meeting in lieu of the Fall research conference. There was support for this concept.

12. In recognition of her long accomplishments and tireless effort of service to the Academy and accounting history, Doris Cook was confirmed as the Academy’s 13th Life Member.

13. The meeting was adjourned at 5 p.m. by President Ross Tondkar.

CALL FOR MANUSCRIPTS
THE ACCOUNTING HISTORIANS JOURNAL

The Accounting Historians Journal encourages you to submit papers on subject matter related to the development of accounting thought and practice. Papers on biographical subjects and on historical method are also acceptable. Guidelines on research and a guide for submitting manuscripts may be found in The Journal or may be obtained from the Editors.

Manuscripts must be in English and of acceptable style and organization for clarity of presentation. The manuscript should not exceed 7,000 words. An abstract of not more than 200 words should separately accompany the manuscript. A submission fee of $25 (U.S.) is required of non-Academy members. More detailed information concerning additional requirements regarding style, content, and the submission requirements is included in the guidelines mentioned in the previous paragraph.

Submit Manuscripts to:
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John Carroll University
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Phone: (216) 397-4443
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The Accounting Historians Notebook, October, 1997
A SILENT AUCTION

The Academy will sponsor a “Silent Auction” of books at the December 4-6, 1997, research conference in Richmond. Jeanette Sanfilippo has announced that donated materials such as trade books, business, or economics would be greatly appreciated. As it is possible that such events will be continued in the future, she would like to hear from you (314-529-9571) if you are interested or have items which may be donated for such purposes.

The purpose of the auction is to provide members and registrants at the conference the opportunity to obtain classic or out-of-print books and publications at a price likely to be below used book dealer prices. Some of the items may require a minimum bid due to their special nature. The updated list of items available is expected to be placed on Academy’s home page (http://weatherhead.cwru.edu/Accounting).

TENTATIVE LIST OF AVAILABLE PUBLICATIONS


GIARDINELLI…continued from page 1

The late 1960’s, with craftsmen in Giardinelli’s shop to invent the first mouthpiece with three interchangeable parts. With modifications of Shepley’s original designs, Giardinelli began in 1975 to market the famous Giardinelli 3-piece mouthpiece with 5 backbore styles. Smith states that “business management for Giardinelli was founded on a solid base of professional training as an accountant and a commitment to high standards of repair and instrument modifications, particularly in the last ten years of his business.” Smith concludes that Robert Giardinelli “will remain fixed in the music history of New York” along with other significant music craftsmen and businessmen, for a large class of musicians, the brass players.

The article is recommended for those interested in music history and as an example of the supporting value of an accounting education. The article includes a number of interesting photos, illustrations, and experiences, such as how Louis Armstrong demonstrated the kind of mouthpiece he wanted. Mr. Smith does an excellent job of providing the reader with interesting insights into aspects of music history and the contributions of Robert Giardinelli.

Elliott L. Slocum
The concept of internal control is crucial in auditing. Grady believed that the concept was so important that it included all phases of business and should be regarded as a system of checks and balances. However, he noted that the then current study of internal control by auditors was “superficial, utilizing a standard questionnaire to try and cover all aspects of internal control every year.” He suggested instead that auditors divide internal control into four or five logical segments and survey each one thoroughly every year. Under his guidance, the committee started working on an internal control project and in 1948 issued its report entitled “Internal Control—Elements of a Coordinated System and its Importance to Management and the Public Accountant.” (King, 1989) The report included the importance of internal control in insuring management’s competence and in reducing the possibility of fraud. The report also defined internal control widely to include budgets, standard costs, operating reports, statistical analysis, and an internal audit staff. It also stated that management was responsible for maintaining internal control measures. Due to this comprehensive study, auditors gained a better understanding of internal control.

Case Studies in Auditing:

Grady’s contributions to auditing included developing case studies illustrating key audit concepts. The cases were developed and published in 1947 with the committee’s standards. The case studies included diverse industries ranging from merchandising companies to public utilities. The procedures were taken from the workpapers of an auditor without disclosing his/her identity or the company’s identity. Although Grady was not specifically identified as the creator of these case studies, his guidance and experience directed other members in developing them. (King, 1989) Consistent with Grady’s focus on the practitioner, the cases were oriented toward practicing accountants.

CONCLUSION

Paul Grady (1900-1984) contributed extensively to the fields of accounting and auditing. His contributions in accounting included the landmark ARS No. 7: “Inventory of Generally Accepted Accounting Principles” in 1965. this study would be used, by practitioners, educators and students for many years in the future and would be used as a reference in developing standards.

In auditing, Grady developed GAAS, the principles that are still in use today. He also redefined internal control, an essential element in every audit. This study of internal control was so important that it sold over 200,000 copies. Under Grady’s supervision, the Committee on Auditing Procedures (CAuP) published case studies along with GAAS to help the practitioner apply theory to practice.

Paul Grady leaves behind a legacy of great contributions in accounting and auditing in an important period in the profession’s development.

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Call for Literary Submissions – Short Fiction and Poetry

Literature and Accounting

The Accounting, Auditing and Accountability Journal includes in each issue a short section devoted to imaginative writing. The editors are interested in receiving submissions in the widest range of genres and subject areas, though the section has special emphases and preferences.

The editors are seeking:

• submissions which bear some relationship to accounting and finance, though such links may be interpreted very broadly;
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• submissions which probe parallels and conflicts between fictional and professional forms of reality construction, and which explore and expose the fictions which underwrite our vision of the real;
• submissions of an experimental kind, which explore new techniques and combinations of forms, and generally extend the resources of imaginative writing.

The editors are particularly interested in receiving submissions in the form of short prose fiction, whether as (short) short stories, parodies or cross-genre experimental work.

Submissions should be sent to:

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EIGHTH WORLD CONGRESS OF ACCOUNTING HISTORIANS IN THE YEAR 2000

The Eighth World Congress of Accounting Historians will be held at the Universidad Carlos III de Madrid in the year 2000, tentatively on the dates of July 19–21. The Congress is being organized by the Asociacion Espanola de Contabilidad y Administracion de Empresas (AECA) (Spanish Association of Accounting and Business Administration) through its Comisiónde Historia de la Contabilidad (Commission of Accounting History), The Consejo Superior de Colegios Oficiales de Titulados Mercantiles y Empresariales de Espana (High Council of Spanish Official Institutes of Graduates in Commerce and Business Administration), and the Colegio Oficial de Titulados Mercantiles y Empresariales de Madrid (Official Institute of Graduates in Commerce and Business Administration of Madrid). Esteban Hernandez-Estevé, Comision de Historia de la Contabilidad de AECA (Comisión de Historia), is serving as the Convenor of the Congress.

Additional information on the Congress will be released in the future, but requests can be addressed to:

Esteban Hernandez-Estevé, Convenor
8th World Congress of Accounting Historians
Asociacion Espanola de Contabilidad y Administracion de Empresas (AECA)
Alberto Aguilera, 31, 5
28015 Madrid, Spain
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CONTRIBUTIONS...continued from page 15 embarked on its mission to establish the “Basic Accounting Postulates” and “Broad Accounting Principles” considered necessary as a foundation for the work of the APB and for further accounting research efforts. Moonitz agreed to conduct the research on postulates. Accounting Research Study No. 1, *The Basic Postulates of Accounting*, published in 1961, received a rather reserved response, with the attitude that it did not say much more than was self-evident.

Robert T. Sprouse was joined by Moonitz in the research of Accounting Research Study No. 3, *A Tentative Set of Broad Accounting Principles for Business Enterprises*, which was published in 1962. The project advisory committee included John H. Zebley, Jr., Andrew Barr, Carman G. Blough, Paul Grady, George S. Hills, and Hebert E. Miller. The negative response to the study certainly should have been expected, because it challenged the traditional cost basis of accounting and the revenue allocation model.

The Board stated that the studies were conscientious attempts to resolve major accounting issues but contained “inferences and recommendations in part of a speculative and tentative nature. . .while these studies are a valuable contribution to accounting thinking, they are too radically different from present generally accepted accounting principles for acceptance at this time.” (Accounting Principles Board, April 13, 1962)

Grady believed that ARS No. 1 and 3 were too radically different from current practice to be acceptable to the profession at that time. Grady (August, 1964) and others disagreed with the theoretical/deductive approach, favoring the more familiar practice/inductive approach which was more appropriate in their view for solution of current problems in the practice of accounting. He believed that the approach taken in these studies deviated from the original mission of the Research Division.

Grady had submitted detailed criticism of an earlier draft. In addition, he prepared a lengthy statement which was included in ARS No. 3 and published in the May, 1962, issue of *The Journal of Accountancy* entitled, “The Quest for Accounting Principles.” Grady, based on his experience with developing “generally accepted auditing standards,” believed that development of “generally accepted accounting principles” would be more difficult and require more time than was given to the project. His primary position was that this project should be one of identifying principles for which there is presently general agreement and should not be a “discovery mission.” Grady said that the Institute had the responsibility to establish an inventory of current generally accepted accounting principles before or at least separate from undertaking substantial changes. (Grady, May, 1962)

**Reappraisal**

Jennings (August, 1964) stated that a “definite, if subtle, shift in the direction of the Board’s efforts” contributed to the rather cool reception of the studies. Indeed, Weldon Powell, chairman of the Board, signaled the shift in attitude back to the traditional practice-based approach. In August, 1960, Powell (January, 1961), said:

Accounting principles, if they are to be generally accepted, must be practically applicable. The accumulated experience of the responsible elements in the business community cannot be ignored….This suggests that one of the first steps in an accounting research project should be to study prevailing practice—to find out what principles are actually being applied and what procedures are actually being followed in everyday life. (p. 28)

When Moonitz resigned in 1963, Grady accepted the position of director of the Research Division. Grady (November, 1963) stated that he took the position as director of
research on a temporary basis until a permanent director could be found. In June, 1963, the APB approved a research project to identify and codify accounting principles which have general acceptance. He later took great care to point out that the Board approved the project "without dissent" and in accord with recommendations of the project advisory committees of the postulates and principles studies and with full endorsement of Maurice Moonitz who was director of research. Thus, he said that no foundation existed for rumors of conflict between the new and previous research efforts, and any distinctions relate to immediate versus long-range efforts with parallel objectives.

Grady and Alvin Jennings, now chairman of the APB, appointed a new accounting research project advisory committee for the "Research Study to Inventory Generally Accepted Accounting Principles and Practices for Business Enterprises." Carman Blough, chairman, Andrew Barr, Weldon Powell, and Leonard Spacek were among the 14 members of the project committee. Grady's article, "The Quest for Accounting Principles," was used as the basis for the project. ("Project Advisory Committee on Accepted Accounting Principles," October, 1963)

Contributions as Director of Research

Grady, as the director of research, had to deal with a number of issues in addition to the development of the Inventory. He was responsible for the initiation of other research projects and assignment of researchers. Grady enlisted the aid of several large accounting firms in order to accelerate the research program. Many of the new projects implemented during his tenure involved practitioners rather than academic researchers. He also became directly involved with the question of the authority of the Board. Grady clearly stated, when accepting the position as director of research, that he would oppose any action that would lead to uniformity in accounting principles by granting complete authority to the opinions of the Board. (Slocum and King, 1993)

The Inventory

Grady immediately began work on the inventory of accounting principles to quickly rectify the perceived deficiencies of ARS No. 3 in establishing a framework for accounting principles. He considered the project to establish generally accepted accounting principles to be largely a process of identifying principles or practices on which there was general agreement and developing a useful classification of these principles. This approach had been established in the article, "Quest for Accounting Principles," published in May, 1962, and it was utilized in the preparation of ARS No. 7. Grady stated that the project mission was to: (1) identify concepts, (2) establish a list of currently accepted accounting principles, (3) present the opinions of all authoritative bodies, and (4) supply explanations and definitions.

Grady referred to the report of the special committee on research programs in an attempt to define the scope of the study and admitted that his presentation of concepts was influenced by his personal views. The following sources served to determine whether an accounting practice had substantial authoritative support: (1) practices commonly found in business, (2) requirements and views of the stock exchanges, (3) regulatory commissions' uniform system of accounts and account rulings, (4) regulations and opinions of the SEC, (5) opinions of practicing and academic CPAs, and (6) published opinions of the AAA and the Institute. The format used in the Inventory was designed to be accessible to accountants who needed information on a specific topic and provided the only comprehensive discussion of accounting principles for which authoritative support existed.

The Institute published the Inventory in 1965, and it proved to be a successful publication. Grady encouraged the Board to
maintain and update the Inventory. George C. Watt, a partner in Price Waterhouse & Co., did update the Inventory for all subsequent APB opinions. An updated version was used in an international study to outline the major differences in accounting principles between the United States and twenty-four other countries. (Grady, January, 1972) The profession's reaction to ARS No. 7 was much more positive than it had been for ARS Nos. 1 and 3. Carey (1970) stated that it "served not only as a convenient reference to analysts of financial statements but as a basis for examination of areas in which diversity of practice existed and which therefore needed the attentions of the APB." (p. 142)

The publication of the Inventory concluded Grady's direct involvement with the Research Division. He had achieved his goal related to the establishing of generally accepted accounting principles in what he considered a reasonably simple and straightforward manner. Grady's Inventory provided stability at a crucial, tumultuous point in time for the profession. Its pragmatic, practice-oriented approach calmed the fears of many practitioners regarding the normative approach utilized in ARS No. 3. ARS No. 7 strengthened the profession by codifying generally accepted accounting principles. It served to strengthen accounting from society's perspective by defining a body of knowledge upon which the profession can base its claim to expertise.

**Conclusion**

Paul F. Grady has been acclaimed as a practitioner, researcher, scholar, and public servant. (Previts, 1986) His background, as a practitioner in two of the largest and most respected accounting firms, enabled him to discern the major problem areas confronting the profession. Grady's work in public accounting greatly influenced his professional activities, and he is one of the few leaders of the time who remained active both in practice and in professional service.

Grady played an important role in the establishment of the Accounting Principles Board and the Research Division of the Institute. Paul Grady is well known for his development of ARS No. 7, the *Inventory of Generally Accepted Accounting Principles for Business Enterprises*, which was developed on the premise that the profession needed a codification of accounting principles and was intended to serve as a starting point by providing a comprehensive summary of the then accepted accounting principles. The Inventory was not revolutionary in nature; however, it documented the evolution of accountancy's basic practices. The Inventory closely followed the school of thought that principles should not be uniform. Instead flexibility was identified as the appropriate philosophy for principle utilization. Grady documented practice, provided a basic framework in which generally accepted accounting principles could be developed, arranged the principles in a useful format, and was concise in his presentation while fully covering the subject matter.

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THE RUSSIAN MUSEUM

OF ACCOUNTING HISTORY

Sergey Krivoruchko, Director of the Representation, Center of the Information Technology (Parus) in Ukraine, reports that inauguration of the new Accounting History Museum is scheduled for October, 1997. This will coincide with the Fall festivities in Moscow to celebrate the city’s 850th anniversary. Preparation of the exposition is well under way.

The museum will have three exhibition halls and be housed at one of the Moscow universities. One of the halls will be equipped for educational audio/video demonstrations. The first hall of the exhibition will cover the period from 4,000 BC to the middle 19th Century and trace the origins and earlier stages of accounting history. The exhibits will include photos of accounting records for Egyptian papyri, Babylonian clay tablets, ancient accounting tools such as the abacus and knotted cords, and copies of accounting registries and title pages of first publications on accounting. Special attention will be paid to the origin of the double-entry system in accounting and national traditions (Italian, French, German, American).

A second hall will exhibit materials from mid 19th to mid 20th Centuries and is dedicated to the history of the development of accounting theory. Portraits and biographic data of individuals who helped to develop theoretical foundations of accounting will be displayed. More modern forms of accounting registries and arithmetic machines, such as mechanical and punch-card computing machines will be displayed. The origins of auditing and its goals and evolution and jurisdictions regarding accounting and auditing will be included. Also, the trade-unionist movement, accountants’ labor conditions, and the origination and development of professional press and publications will be featured.

A special section will be dedicated to development of accounting science in Russia by identifying Russian scholars, contributions, and cover pages of published works. Management accounting will be displayed in a section to include accounting methods such as standard costs, direct costing, and others. The balance sheet section will show the evolution of the balance sheet. The socialist period will be reflected in the evolution of regulation through documents and scientific papers and periodicals.

The third hall will demonstrate the accounting state-of-the-art. This will exhibit current computer technologies, contemporary scholars and their works in accounting and auditing and major professional bodies and publishing houses.

The museum is designed for accountants, those interested in accounting, and the general public to present accounting methodology and its evolution.

WANTED
MANUSCRIPTS AND ITEMS OF INTEREST

Anyone wishing to submit short article manuscripts, notes, cartoons, shaggy dog stories, letters to the editor, or other items to THE ACCOUNTING HISTORIANS NOTEBOOK should send the material for consideration to the editor, Kumar N. Sivakumar, School of Accountancy, Georgia State University, P.O. Box 4050, Atlanta, GA 30302.