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The Accounting Historians Journal

December 1996
Volume 23, Number 2

Research on the Evolution of Accounting Thought and Accounting Practice

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THE ACCOUNTING HISTORIANS JOURNAL

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VOLUNTARY DISCLOSURE IN A NINETEENTH CENTURY AMERICAN CORPORATION: THE DEMISE OF MANAGERIAL INFORMATION AS A SIGNIFICANT ELEMENT OF FINANCIAL REPORTING

Abstract: In a report issued in 1994, the Jenkins Committee advocated the integration of managerial statistics, which could be used to assess the efficiency and effectiveness of a firm's management, into financial statements. This study traces the development, and subsequent demise, of similar managerial information within the financial statements of the Quincy Mining Company in the nineteenth century. Two contemporary models for financial disclosure are developed for comparative purposes and it is concluded that the Quincy Mining Company intentionally restricted the information available to shareholders. By clarifying the disclosure practices of a single firm in an unregulated environment, this study provides insights to the origins of modern financial reporting.

The accounting profession in the United States is currently debating the basic premises of financial reporting. The all-embracing nature of the discussions is exemplified by the report issued by the AICPA Special Committee on Financial Reporting (Jenkins Committee), which included the recommendation that

> high-level operating data and performance measurements—which help users understand the linkage between events and their financial impact on the company and the factors that create longer-term value —become an integral part of business reporting (AICPA, 1994, p. 6).

This study will show that, while innovative by modern standards, such disclosure was common in the nineteenth century. The annual reports issued by the Quincy Mining Company (QMC) between 1861 and 1900 are used to show that manage-

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rial information, similar in nature to that recommended by the Jenkins Committee, emerged, evolved, then disappeared from the firm's financial statements.[1]

Ansari and Euske (1995, p. 40) question whether the report of the Jenkins Committee may "imply a pending convergence of financial with managerial accounting." In contrast, this study clearly depicts the divergence of managerial and financial information within a single firm. Perhaps more importantly, it is argued that the elimination of managerial information as a significant component of financial disclosure may have been motivated by the desire to restrict the information available to shareholders.[2]

SIGNIFICANCE OF THE RESEARCH

This line of research is important for at least two reasons. First, by providing a comprehensive example of disclosure practices within a single firm, it may contribute to a better understanding of financial reporting practices in the nineteenth century. Second, this study explores, within the context of a single firm, the relationship between financial disclosure practices and the capital markets in the nineteenth century. The examination of the disclosure practices of the Quincy Mining Company will provide insights to the origins of modern financial reporting practices and may contribute to current discussions about the nature of financial disclosure.

SCOPE OF THE RESEARCH

In order to keep this study within manageable proportions, two limitations were imposed. First, the scope was limited to

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[1] The financial information for QMC that is presented in this study is drawn from primary documents, including annual reports, journals, ledgers, and other accounting artifacts that are part of the historical collection of the Robert Van Pelt Library at Michigan Technological University.

[2] Merino and Neimark [1982, pp.35-37] discuss the implications of financial disclosure debates at the turn of the century relative to public policy. One perspective at that time was that full disclosure would weaken monopolistic practices by attracting competition to profitable markets. An argument put forth by businesses to discourage disclosure legislation was that their voluntary disclosure practices were sufficient and indicative of non-monopolistic intentions. In contrast, this study shows that, in the absence of regulation, the Quincy Mining Company eliminated the disclosure of information that would have allowed investors to more effectively assess the efficiency of the firm's management and operations.

financial disclosure practices within a single firm. Consequently, no comparisons are made with the financial statements issued by other contemporary firms. Second, the focus of the present study is the managerial information contained in the annual reports of the firm. The analysis of the informational content of the various financial statements is left to future research.

NINETEENTH CENTURY DISCLOSURE PRACTICES

From 1861 to 1878 the annual financial reports issued by the Quincy Mining Company to its shareholders included numerous engineering based efficiency measures and detailed operating costs for mining operations. But, in 1878, disclosure was curtailed and the focus of the annual reports was shifted to aggregate earnings and dividends.[3]

Since QMC had to compete with much larger enterprises, such as railroads, for investment capital, its financial disclosure practices appear to have been heavily influenced by contemporary norms and investor expectations. This study shows that the financial disclosure practices of the Quincy Mining Company in the nineteenth century are similar to what, for discursive purposes, could be referred to as the American Railroad and the British Secretive models of financial reporting. Each of these models, and the potential motivations for its use, is discussed in the following sections.

AMERICAN RAILROAD MODEL

The significance of the expansion of the railroad system in the United States during the nineteenth century, along with its effect upon the securities market, has been thoroughly documented [Johnson and Kaplan, 1987, pp. 34-38; Chandler, 1977, pp. 81-205]. Previts and Merino [1979, p. 80] express the importance of the railroads to an understanding of financial disclosure practices in the nineteenth century as follows:

> To consider this era without focusing on railroads would be inappropriate and ineffective, for railroad se-

[3] The Quincy Mining Company was formed in 1846, and incorporated in 1848, to mine copper in Michigan's Keweenaw Peninsula. By the end of the nineteenth century QMC had evolved from a small frontier mining operation into a large, and profitable corporation. QMC discontinued operations in 1968. Lankton and Hyde [1982] provide an excellent history of QMC and the Keweenaw mining communities.

curities were the dominant factor in the capital markets.

The literature surrounding the growth of the railroads provides two relevant insights for the present study. First, the specialized capital needs of the railroads led to what may be called the Railroad Model of financial reporting. Second, the heavy involvement of British investors provides a conceptual linkage to British financial reporting practices since

> The British investor, having experienced the disclosures of the Companies Acts, would expect comparable disclosures and, in the absence of some, would perhaps exercise caution in investment [Previts and Merino, 1979, p. 45].[4]

The Railroad Model of financial reporting in the early part of the nineteenth century reflects a predominant concern for organizational efficiency. In discussing the railroads' commitment to efficiency measures, Johnson and Kaplan [1987, p. 38] posit

> Once the decision was made to organize a railroad, little else remained but to build the road and to operate it as efficiently as possible. In designing management accounting information systems, therefore, the railroads were content to ask about nothing more than the efficiency of the firm's internally coordinated processes.

The railroads not only used efficiency information internally, but they also made at least some of the information public.[5] For example, Johnson and Kaplan [1987, pp. 36-39] state that they frequently released

> . . . public information, often audited, concerning oper-

[4] The strong British influence upon American accounting practices is widely acknowledged. For example, Chandler [1977, pp. 89-93] and Sobel [1965, pp. 47-102] discuss the influx of British investors to American capital markets. Skousen [1987, p. 6], in discussing debate preceding securities legislation in the United States in 1933, states that one group "spoke for disclosure laws similar to the English Companies Act of 1900." This reference to British disclosure regulation suggests a philosophical linkage between British and American disclosure practices. Brief [1987, p. 30] discusses the British origins of American accounting firms. Edwards [1992, p. 59] contends that "British businessmen may be seen as the instigators of modern financial reporting", due to their nineteenth century responses to information demands from the capital markets.

[5] Chandler [1977, pp. 89-109] provides a comprehensive discussion of the cost management practices of the nineteenth century railroads.

ating ratios and other financial performance. Their unique willingness to issue public reports arose from their heavy reliance on outside financial capital . . . .

Similarly, Previts and Merino [1979, p. 55] describe early nineteenth century railroad reporting as "cash basis summaries with an overtone of *statistical operating information* "(emphasis added). Boockholdt [1978, p. 16] also describes railroad disclosure in the 1830's and 1840's as dealing primarily "with the sources and disposition of cash and with statistical measures of the flow of traffic." Boockholdt [1978, p. 20] concludes that by the mid-1850's "the annual reporting of receipts and expenditures along with numerous statistical tables was the prevalent practice in this country."

Vangermeersch [1979, pp. 318-321] discusses the disclosure practices of the Baltimore & Ohio (B&O) railroad between 1828 and 1850, and posits that in many respects the shareholders at that time received more useful information than their modern counterparts. For example, B&O routinely provided operating statistics such as the cost per mile of track construction, average cost per mile to transport a ton of freight on a given run, division of costs between passengers and freight, and a discussion of fixed and variable costs [Vangermeersch; 1979, pp. 318-321]. In addition, summary schedules provided further cost and activity measurements, including a comparison of the B&O railroad to seven other railroads in thirteen different categories.

The disclosure of operating information, which was conducive to the assessment of management's stewardship responsibility, is of particular relevance to this paper since the companies cited by Vangermeersch [1979] and Boockholdt [1978] are not isolated examples. In fact, there appears to be a consensus in the literature that, at least in the early part of the nineteenth century, the railroads attempted to provide useful managerial information to the shareholders in an attempt to induce capital investment.[6] However, by the turn of the century there appears to

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[6] There are other potential explanations for the willingness of the railroads to disclose detailed operating information. For example, Lee [1994, p. 231] studied the annual reports issued by several British corporation between 1965 and 1988 and found evidence "consistent with the idea of the annual report as a means of creating and managing images of the reporting corporation's position in the economic community." In the context of the nineteenth century, Lee's findings suggest that the disclosure practices of the railroads may have been motivated by the need to promote a predetermined corporate image, rather than a desire to provide useful information to investors.

have been growing dissatisfaction with the financial disclosure practices of many railroads.[7] For example, Boockholdt [1978, p. 24] states that by the late nineteenth century, despite "voluminous detailed tables of statistics concerning shipments, expenditures, receipts, and services provided, the quality of disclosure was generally considered to be inadequate." Citing an article in the *Railroad Gazette* from 1893, Boockholdt [1978, p. 24] suggests that the prevalent disclosure practices could have been designed to obscure, rather than clarify, the financial position of the railroads. Although the efficiency measurements presented in the annual reports were comprehensive, they may have been largely irrelevant to the determination of the financial condition of the firm.

Similarly, Previts and Merino [1979, pp. 80-81] discuss the limited disclosure practices of some firms and cite a government report from 1900 that specifically addresses the problems of corporate financial secrecy. Due to the lack of uniform reporting practices and the absence of disclosure regulation, the timing of the change is debateable. However, evidence suggests that by the beginning of the twentieth century corporate secrecy, and the minimization of financial disclosure, was a normal practice in both the railroads and other large companies [Previts and Merino, 1979, pp. 80-81; Boockholdt, 1978, p. 24].[8]

BRITISH SECRETIVE MODEL

The extensive literature exploring the complexities of British disclosure legislation and voluntary disclosure practices will not be repeated here.[9] Instead this study will focus upon the

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[7] Boockholdt [1978, p. 24] argues that the "financial difficulty of many railroads during the Panic of 1893, and the failure of some major lines, emphasized the demand for better public disclosure."

[8] Boockholdt [1978, p. 26] concluded that "modern corporations, like the nineteenth century railroads, can be expected to exploit their accounting records to achieve their own interests, and often these interests will conflict with those of the public in general."

[9] Bryer [1993] traces the evolution of disclosure practices relative to investor needs. Morris [1984] compares nineteenth century Australian disclosure practices to their British counterparts. Jones and Aiken [1994] provide both a discussion of selected British Company Acts, and relevant insights to the Select Committee on Company Law Amendment (1877). Littleton [1933, pp. 288-304] discusses the objectives of the British Companies Acts and their relationship to the emergence of audited financial statements. Parker [1990] discusses financial disclosure practices in regulated industries in nineteenth century Britain.

British perspective of the nature and importance of financial disclosure. Nineteenth century British companies, like their American counterparts, faced the complex issues of financial disclosure. But, in contrast to the Railroad Model discussed previously, the British debate ignored the disclosure of operating and efficiency statistics and focused upon balance sheet and profit reporting.

Evidence suggests a long-standing British preference for minimal financial disclosure. For example, Stewart [1991, p. 38], discusses the "Cult of Privacy" that provided a context for British disclosure practices, and the debate surrounding proposed changes, in the mid-1920's. Although full financial disclosure was, in general, seen as conceptually desirable, the prevailing argument was that the interests of both shareholders and management were best served by restricting the flow of financial information to competitors and the public at large.

This perspective was also prevalent in the nineteenth century, as shown by Bryer [1993, p. 677], who states

> The case for statutory regulation and disclosure of financial information was argued strongly many times during the nineteenth century, but was always defeated on the ground of 'confidentiality'.

Bryer's [1993] discussion of the report of the Select Committee of 1877 provides particularly relevant insights for the present study due its temporal proximity to the Quincy Mining Company's shift in disclosure practices.[10] A large part of the testimony before the Committee addressed the appropriate characteristics of financial disclosure. But some testimony questioned the necessity of financial disclosure in any form. The primary argument against comprehensive balance sheet disclosure was exemplified by the statement that disclosure "would

[10] The Select Committee of 1877 conducted hearings and gathered testimony on proposed changes to the Companies Acts of 1862 and 1867. See Edwards [1986, pp. 94-119] for selected testimony given to the Committee and Edwards [1980, pp. 24-29] for details of the disclosure requirement of the Companies Act of 1862, including a model balance sheet. Jones and Aiken [1994, p. 220] point out that although the Select Committee of 1877 addressed issues of financial disclosure, the report of the Committee did not result in regulatory legislation. Furthermore, the disclosure proposed by the Committee was minimal and pertained only to shareholders, not to the public at large. Jones and Aiken [1994, p. 221] concluded that "there is cause for believing that regulators sought to minimize financial disclosure to an acceptable minimum."

simply invite competition, and disclose trade secrets, which would be most injurious to them (the issuing company)" [Select Committee, 1877, p. 977 as cited by Bryer, 1993, p. 677].[11]

Two additional arguments were made against extensive financial disclosure. First, Bryer [1993, p. 678] posits that financial disclosure, more specifically profit reporting, was viewed in the nineteenth century as having the potential to incite labor problems as workers sought increased wages. Second, some felt that financial disclosure was redundant since the records of the firm were available for review by the shareholders. For example, Parker [1990, p. 54] states

> . . . it was commonly assumed that shareholders could and should look after themselves. Sir George Jessel (later Lord Jessel), Master of the Rolls, expressed this view in his evidence to the 1877 Company Law Amendment Committee. There was no reason he stated to compel directors to issue accounts (financial statements) to shareholders, since shareholders could call for them themselves if they wished.[12]

The primary benefit of this approach was that financial information would not be readily available to non-shareholders and competitors.

Although by modern standards full disclosure is a primary objective of financial reporting, Stewart [1991, p. 39] presents the argument that restricted disclosure could be construed as ethically sound since

> . . . public disclosure of poor performance may precipitate the failure of the company with consequent loss to the investing public and the work force.

From this perspective the elimination of operating statistics and other managerial information from QMC's annual reports could be interpreted as an attempt to protect the company from external competition and to moderate the market effects of temporary swings in productivity.

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[11] Brief [1987, p. 32] presents similar arguments made by American managers at the turn of the century.

[12] See Edwards [1986, Vol. II, p. 117] for a partial text of Jessel's testimony before the Committee.

QMC'S EXTERNAL FINANCIAL REPORTING PRACTICES IN 1861

The disclosure practices of the Quincy Mining Company during this period were similar to the American Railroad Model. Both are characterized by the inclusion of numerous operating statistics and detailed cost information.[13] The remainder of this section first defines the financial schedules issued by the Quincy Mining Company in 1861, then examines subsequent changes to this basic model.

Figure 1 is a schematic of the schedules provided to the shareholders in the first annual report issued by the Quincy Mining Company. Each of the six schedules represented in Figure 1 provides detailed information for the five month period between March 1st and July 31st of 1861, and where appropriate, reports cumulative operations.[14] The financial reports include two 'balance sheets' (Figure 1, Schedules 1 and 2), the equivalent of an income statement (Schedule 3), and a series of reports (Figure 1, Schedules 4, 5 and 6) that reflect both current and cumulative costs for the primary mining activities.[15]

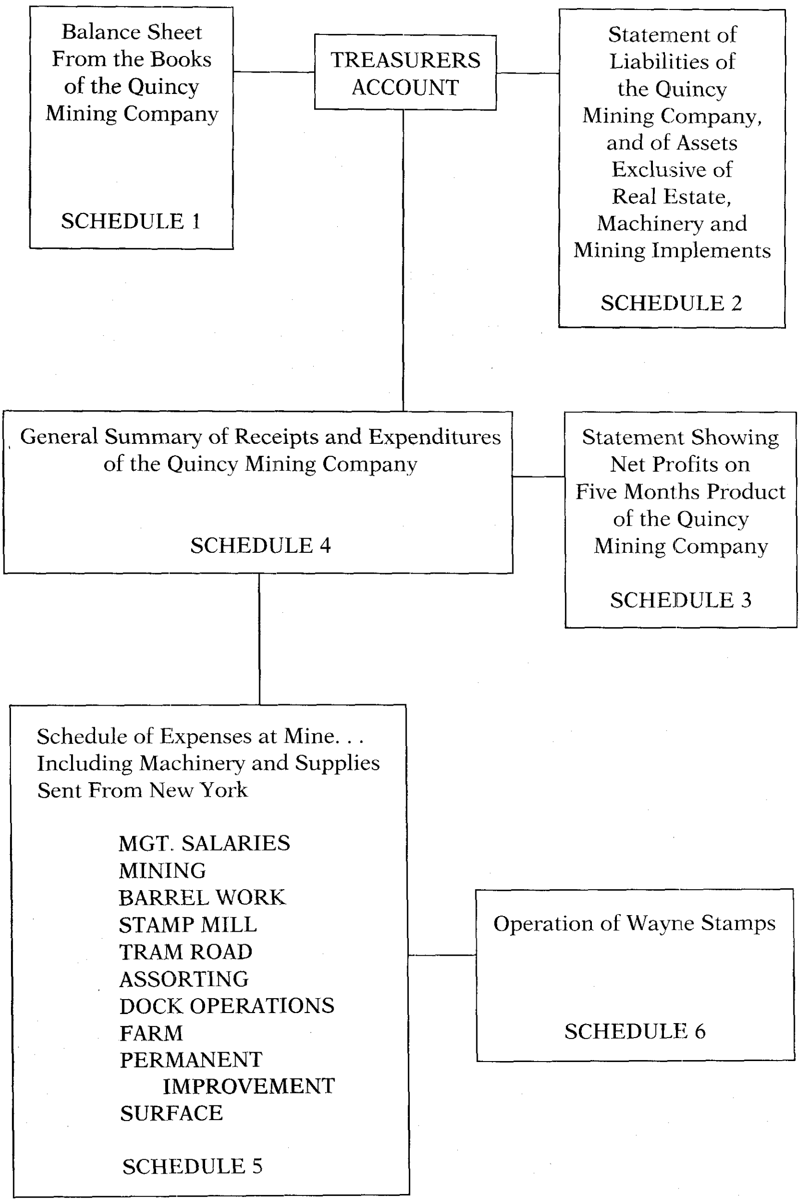
[13] QMC was not subject to disclosure regulations or standards, thus its reporting practices were apparently voluntary. The New York Stock Exchange did not have disclosure requirements until the late 1890's [Previts and Merino, 1979, p. 87; Sobel, 1965, p. 177]. The Michigan Mining Laws of 1846, under which the firm operated, required only that the firm submit a report of annual production to the state for tax purposes and that the company keep "an accurate daily account of the debts and indebtedness [Chapter 33, paragraph 1304]", which was available for review by creditors. Companies were also required to provide the state an annual list of shareholders and the shares held by each.

[14] The available evidence provides no explanation for the use of a five month reporting period.

[15] The level of aggregation displayed in the financial schedules for 1861 reflected the managerial hierarchy at the mine, which in turn was based upon natural divisions in the mining process.

FIGURE 1

Schematic of Financial Schedules for 1861



Stamp Mill Costs

The report entitled "Operation of 64 Heads, Wayne Stamps for Five Months, Ending July 31, 1861" (Figure 2), discloses both the monthly costs of operating the stamp mill and the total costs for the reporting period.[16] Two major categories, Running

FIGURE 2

Source: QMC annual report for 1861

OPERATION OF 64 HEADS, WAYNE STAMPS

FOR FIVE MONTHS, ENDING JULY 31, 1861

	March	April	May	June	July	Total
RUNNING EXPENSES						
Number of cords wood used for fuel	414.75	373.25	344	330	353	1815
Cost of wood consumed	$1,059.45	951.19	882.75	847.50	911.62	$4,652.51
Cords of wood used for heating	20	5	0	0	0	25
Cost of wood used for heating	$47.50	11.87	0	0	0	$59.37
Value of tallow and oil used for machinery	$75.00	68.60	62.27	32.1	35.7	$273.67
Value of oil used for lighting building	$62.62	60.40	54.00	37.50	44.20	$258.72
Cost of engineer, firemen, wooodpassers and wood splitters	$268.03	268.59	262.00	241.50	252.83	$1,292.95
Cost of Superintendent and watchman	$107.30	108.38	109.45	102.84	108.38	$536.35
Cost of Stamp tenders	$260.70	253.20	261.91	251.16	250.91	$1,277.88
Cost of washers	$1,573.94	1515.87	1415.20	1362.32	1360.98	$7,228.31
Cost of cooper	$31.37	32.00	33.23	30.76	32.00	$159.36
COST OF REPAIRS						
Labor for repairs:						
Cost of machinist and blacksmith's labor on machinery	$33.00	145.82	100.86	151.85	92.51	$524.04
Cost of carpenters and laborers on machinery	$215.37	170.80	165.64	119.10	98.25	$769.16
Cost of carpenters and laborers on building	$147.16	113.54	111.87	95.00	12.00	$479.57
Materials:						
Cost of materials used repairing machinery and building	$110.47	214.86	521.28	195.06	181.28	$1,222.95
Total cost	$3,991.91	3915.12	3980.46	3466.69	3380.66	$18,734.84
Cost per ton of rock stamped	$1.0275	1.0325	1.08	0.98	0.8475	
RESULTS						
No. of days run, 24 hrs. each day	26	26	27	25	26	
Average number of heads run per day	61	60.6	62	63.3	63.25	
Tons of rock stamped in a month	3,898	3,780	3,680	3,530	4,000	18,888
Tons of rock stamped per cord of wood	9.4	10.01	10.7	10.7	11.33	
No. of hours stopped for repairs	6.25	2	1	12.5	0	
Copper product, pound	183,704	207,605	195,807	185,285	182,995	955,396
Percentage of copper per ton of rock	2.34	2.74	2.66	2.62	2.38	

[16] The information presented in Figure 2 is consistent with the original, but the format was changed to facilitate reproduction.

Expenses and Costs of Repairs, are each subdivided into various forms of labor and material, and a summary or results section provides data on production, downtime and copper yield.

Mine Operating Costs

The "Schedule of Expenses at Mine From March 1, 1861, to July 31, 1861 Including Machinery and Supplies Sent From New York" (Figure 3), provides the distribution of costs at the mine during the reporting period. It is apparent that QMC was willing

FIGURE 3

Source: QMC annual report for 1861

SCHEDULE OF EXPENSES AT MINE FROM MARCH 1, 1861 TO JULY 31, 1861, INCLUDING MACHINERY AND SUPPLIES SENT FROM NEW YORK

Agent, clerks and Surface Agent		$2,073.30
MINING COST		
Mining Captains and Timbermen	1,732.10	
Miners on Company Account	5,618.42	
Landers, Fillers and Laborers Underground	12,649.26	
Mining Contracts	40,318.91	
		60,318.69
Engineers and Firemen at Hoisting Engines	$1,255.98	
569 3/4 Cords Wood, at 18s.,	1,282.37	
Repairs on Engine	101.75	
		2,640.10
Oil and Tallow used for Machinery at Mine	155.70	
Blacksmith Labor and Sharpening Drills	1,400.00	
Change House	286.00	
Watchman on Mine	202.11	
Carpenter's Labor for Underground Work	335.75	
Drawing Lift, No. 4 Shaft	498.18	
		67909.83
734 Barrels for Barrel Work, at 65 c	$477.10	
Packing and Marking Barrel Work	170.75	
Hauling 200 tons Copper to Lake, at 75 c.	150.00	
		797.85
STAMP MILL - RUNNING EXPENSE AND REPAIRS		
18,888 tons Rock Stamped	18,734.84	
Addition to Stamp Mill	281.49	
659 Barrels for Packing Copper, at 60 c.	415.40	
		19,431.73
Carried forward		$88,139.41

FIGURE 3
(continued)

SCHEDULE OF EXPENSES AT MINE FROM MARCH 1, 1861 TO JULY 31, 1861, INCLUDING MACHINERY AND SUPPLIES SENT FROM NEW YORK

Brought Forward		$88,139.41
TRAM ROAD - RUNNING EXPENSES AND REPAIRS		
17,964 tons run over Road,	$4,043.09	
Construction, (Side Track)	205.00	
		4,248.09
Running 18,888 tons Rock into Mill	$453.30	
assorting at Burrows and at Kiln Houses		
17964 tons Rock used, and		
3,000 tons on hand		
20,964 tons	10,415.06	
Breaking 15,619 tons Rock, and Dressing		
Barrel Work from same	3,071.60	
Wood for Calcining 9,982 tons Rock,		
843 3/4 cords, at $2	1,687.50	
		15,627.46
Expense at Lake, Receiving and Shipping		
Freight, Weighing Copper, Piling Wood, etc.	694.28	
FARM		
Clearing Land	444.00	
Fence	493.54	
Seed	115.00	
		1,052.54
PERMANENT IMPROVEMENTS		
Addition to Dock	$580.00	
1 Dwelling House, (unfinished)	650.00	
4 Frame Houses	680.00	
Addition to Brass Foundry	147.75	
Entry Improvement	1,543.60	
		3,601.35
General Surface Expenses, including Office Expense, Material and Supplies used in Mine, not specified above		6,033.79
		$119,396.92

to disclose, in great detail, both the normal operating costs of the mine and expenditures related to the improvement or expansion of mining operations.[17]

[17] Although the disclosure of this type of information may appear to be reduce any competitive advantage of the Quincy Mining Company, it is possible that the information was already available through local newspapers, trade journals and the local 'grapevine'.

Cumulative Receipts and Expenditures

The "General Summary of Receipts and Expenditures of the Quincy Mining Company, From its Organization up to August 1, 1861" (Figure 4), provides a highly aggregated overview of the cash position of the firm, with the difference between receipts and disbursements, which represents cash on hand at the mine, equal to the balance of the Treasurer's account.

FIGURE 4

Source: QMC Annual Report of 1861

GENERAL SUMMARY OF RECEIPTS AND EXPENDITURES OF THE QUINCY MINING COMPANY, FROM ITS ORGANIZATION UP TO AUGUST 1, 1861

RECEIPTS		
FromCapital Stock-fully paid		$200,000.00
" Proceeds Copper sold		598,123.65
" Bills Payable		118,546.67
EXPENDITURES		
For Expenditures on Location previous to 1856	$42,097.98	
For Expenditures on Quincy Vein in 1858 (not now worked)	55,000.00	
For Openings and Explorations on 3,800 feet "East" or Pewabic Vein, extending to Portage Lake, preparatory to future workings	11,500.00	
For Real Estate and permanent improvements on same-including Dwelling-houses, Stamp Mill, Machinery, Steam Engines, Tram road, Dock, Warehouses and other buildings and roads. Cost since 1856 as per inventory	292,727.38	
For Mining and Surface Labor, expense of Smelting and marketing Copper, and all incidental expenses	500,095.60	
Cash on hand	15,249.36	
	$916,670.32	$916,670.32

Income Statement

The "Statement Showing Net Profits on Five Months' Product of the Quincy Mine, From March 1, to August 1, 1861" (Figure 5), represents the first income statement issued by the Quincy Mining Company. Revenue was recognized on a production basis, including both copper actually sold and the market value of unsold copper at the end of the period.

FIGURE 5

Source: QMC annual report for 1861

STATEMENT SHOWING NET PROFITS ON FIVE MONTHS' PRODUCT OF THE QUINCY MINE, FROM MARCH 1, TO AUGUST 1, 1861

Mineral Product for five months,	1,486,496 lbs.	
which yielded of Ingot Copper	1,059,277 "	
Proceeds of which, by sales, (including Copper on hand unsold, valued at 18 c.) amount to		$192,655.99
COST OF ABOVE		
Total Expenses at Mine for five months, as per foregoing Schedule	$119,396.92	
Freight and Smelting on 743 496/2000 tons of Mineral, and Marketing 1,059,277 lbs. Ingot Copper, including Freights, Insurance, Interest, Commissions, Office Expenses and all other charges	29,130.11	
		148,527.03
Net Profits		$ 44,128.96

Balance Sheets

The "Balance Sheet From the Books of Quincy Mining Company, August 1st, 1861" reported cumulative receipts from the issuance of capital stock, and both prior years' and current year's totals for revenues, expenditures and (after 1861) dividends. This format can be readily understood if the totals are summarized and rearranged into a more familiar pattern (Figure 6). However, many of the items included in a contemporary

FIGURE 6

Reformatted "Balance Sheet From the Books of Quincy Mining Company, August 1st, 1861"

ASSETS			
Treasurer's Account			$ 15,249.36
LIABILITIES AND EQUITY			
Liabilities:	Loans		108,700.00
	Acceptances		9,846.67
	Total Liabilities		118,546.67
Equity:	Capital Stock:		
		$ 42,148.00	
		33,852.00	
		60,000.00	
		64,000.00	200,000.00
	Plus: Copper Sales		
		$ 25,900.98	
		70,270.22	
		78,959.35	
		233,466.86	
		189,526.24	598,123.65
	Less: Expenditures		
		$102,661.05	
		123,106.04	
		222,038.12	
		314,011.69	
		139,604.06	(901,420.96)
Total Liabilities and Equity			$ 15,249.36

balance sheet are conspicuously absent. For example, there are no capital asset accounts since all expenditures were recorded as 'ordinary' costs of the period; nor did the Quincy Mining Company use a Retained Earnings account (or an equivalent) to summarize cumulative earnings and dividends. Some of the 'missing' information can be found in the "Statement of Liabilities of the Quincy Mining Company, and of Assets, Exclusive of Real Estate, Machinery and Mining Implements, August 1, 1861" (Figure 7), which provided totals for cash, copper and supplies inventories, receivables, and payables.

FIGURE 7

Source: QMC annual report for 1861

STATEMENT OF LIABILITIES OF THE QUINCY MINING COMPANY AND OF ASSETS, EXCLUSIVE OF REAL ESTATE, MACHINERY AND MINING IMPLEMENTS, AUGUST 1, 1861

LIABILITIES		ASSETS	
Notes Payable	$118,546.67	Treasurer's account cash on hand	$15,249.36
Drafts unpaid	17,639.95		
Unpaid charges on Copper on hand	5,034.92	copper on hand: Product to Aug. 1st unsold 484,779 lbs Ingots at 18c.	87,260.22
Accounts payable at Mine	61,463.98	Cash on hand at Mine	8,625.72
		Accounts receivable at mine	14,969.64
		Available Supplies, Mineral, &c. on hand at Mine per inventory on file	57,250.95
		Balance	19,329.63
	$202,685.52		$202,685.52
Estimated balance of Liabilities over assets	$19,329.63		

CHANGES IN 1862

Although the financial schedules provided in the annual report of 1862 are similar in most respects to those provided in 1861, there are two noteworthy changes. First, the annual investment in plant and equipment was moved from the "Schedule of Working Expenses at the Mine For The Year Ending . . . " to a new report called "Additions to 'Permanent Investment' For the Year Ending December 31st 1862" (Figure 8). But the type of information provided did not change, nor did the ledger treatment of the expenditures. Although existing documentation does not explain the reasons for the creation of the new schedule, it may represent an attempt to more clearly distinguish between expenditures for site improvements and routine operating costs.

FIGURE 8

Source: QMC annual report for 1862

ADDITIONS TO PERMANENT INVESTMENT FOR THE YEAR ENDING DECEMBER 31ST, 1862

Stamp Mill		
Fitting up office and painting Mill	686.48	
" " Stamps for dressing barrel work, ..	106.96	
Putting Flues in Boilers	2,708.58	
Wash-house and Sand-wheel...............	4,204.72	
		$7,706.74
Building Account		
Engine House at No. 6 shaft	766.90	
Kiln-house "6 " " "	668.00	
Four Log and two Board houses	440.00	
Addition to the Carpenter-shop.............	196.09	
Warehouse at Mine	290.27	
Captain's Office	184.93	
Shepherd's House.........................	463.38	
Zangerley's "	159.86	
Scherman's "	958.97	
Hudson's "	434.24	
Cooper "	351.43	
Change "	1,981.37	
		$6,895.54
Hoisting Engine at No. 2 Shaft		5,242.31
Railroad " " " "		214.71
Two Rock Receivers at Mine		225.08
Addition to Tramroad		495.07
Drill, Planing Machine, and Tools...........		850.00
		$21,629.45

The second change was the discontinuance of the income statement and expansion of the Directors' Report to include a calculation of profit for the period. In contrast to the Directors' Report for 1861, which contained no financial information and merely summarized the history and potential of the mine, the Directors' Report for 1862 (Figure 9) included profit reporting, data on dividends declared during the period, copper and silver production volume, a brief summary of major undertakings

FIGURE 9

Source: QMC annual report for 1862

Directors' Report for 1862

The Directors herewith exhibit the operations of the Company for the past, and the condition of its affairs at the commencement of the present year.

The total shipment of the season, including the balance left over at the close of navigation of the previous year which was afterwards reduced to a higher percentage, was 2,719,960 pounds of mineral. This shipment was smelted at Detroit, and yielded 84.79 per cent., or 2,306268 lbs. of Ingot Copper.

The product of the mine for the year 1862 as prepared for shipment, was 2,505,472 lbs., or 1252 1472/2000 tons of mineral of the following description, viz.,:

Stamp Copper	1,730.679 lbs.
Barrel "	614,724 "
Mass "	160,069 "
Total	2,505,472 lbs.

—the value of which, at the average price of past and present sales, is $568,450.95. There has also been realized from sale of 32,052 lbs. of Tribute Copper, the further sum of $9,368.51, making with $517.16 from silver ore, the total gross value of $578,336.62

The schedule of expenses at Mine for the year, attached hereto, amounting to $323,833.27, includes an increase of mining supplies on hand of $18,439.92, making the actual

Mining Expense	$305,393.35
Other expenses, as per Treasurer's balance sheet	60,503.54
Total cost, ...	$365,896.89
which deducted from the gross earnings	$578,336.62
leaves the profits of the year's business	$212,439.73

The permanent investment has been increased by the erection of a new hoisting engine at No. 2 shaft, and sundry building as hereinafter detailed, at a cost of $21,629.45 for the year, making the aggregate amount of $323,401.37.

On the 31st of July last a dividend of Three Dollars per share, or $60,000, was paid, leaving an excess of $180,681.62 of strictly available assets over all liabilities at the commencement of the present year. From this a further dividend of $80,000 has since been declared, and the balance of One Hundred Thousand Dollars remains on hand as a working cash capital, furnishing the means for purchasing supplies on favorable terms, and conducting every department of the work at the lowest cost.

In order to provide against the gradually increasing cost of timber and fuel, your Directors have purchased sections 15 and 22 immediately adjoining our mining property, which will furnish an ample supply for years to come at a low rate.

For the month of December no report of product was made, as the stamp mill was closed for repairs and alterations in the boilers, which are now working with increased efficiency. And in judging of the future, this fact should especially be borne in mind, that the highly satisfactory result of the past year's business thus set forth, has been attained on eleven months' product, and an average rate of sales, and on extraordinary outlay required beyond usual working expenses, it may safely be inferred that his year will place the Quincy Mine in the front rank among the dividend paying mines of Lake Superior ....

during the period, and an appraisal of the prospects for the next year.[18]

CHANGES BETWEEN 1863-1871

A new schedule entitled "Return of Mining Cost for the Year Ending December 31st, 1863," was introduced in 1863 to disaggregate the cost of mining operations by providing monthly and annual totals for the costs of mining supplies, miscellaneous non-contract labor, and the labor costs of stoping, drifting and sinking shafts and winzes. The report also enhanced productivity measurements by giving the average monthly costs per fathom stoped, per foot drifted and per foot sunk on shafts and winzes. For mining costs other than the direct cost of drifting, stoping and sinking, the report provided annual totals for seven labor categories and for supplies. These costs were then summarized and carried into the "Return of Working Expenses at Mine" (Figure 10), which presented the costs incurred at the mine in 1863 by major categories.[19]

[18] The Directors' Report was the first schedule presented in the annual report and may have been designed to provide a favorable first impression of the year's activities. In this context the Directors' Report appears to be a precursor to the President's letter in current annual reports.

[19] The following labor statistics were included in the "Return of Working Expenses at Mine" in 1863: average force employed per year, average number of miners on contract, and average wages of miners on contract. In the following year two additional pieces of information were added: "Yield of mineral per fathom of ground broken" and "Yield of ingot copper per fathom of ground broken." The annual reports through 1871 contain these five items without additional modification; although in 1866 and 1867 they were temporarily moved to other schedules.

FIGURE 10

Source: QMC annual report for 1863

RETURN OF WORKING EXPENSES AT MINE FOR THE YEAR ENDING DECEMBER 31, 1863

Mining Cost		
As per table on preceding page		$238,906.58
Assorting, Breaking, and Calcining Rock		
Breaking 38,070 tons rock.	$22,187.97	
Assorting 46,408 " "	3,474.78	
Wood used for fuel, ...	102.92	
	25,765.67	
Tramming Rock To Mill		
Tramming 46,408 tons rock		
" 1,685 " barrel-work	$ 9,313.14	
Supplies and materials used, ...	2,629.48	
	11,942.62	
Stamp Mill		
Stamping and dressing 48,985 tons rock		
" " " 1,685 " barrel-work	$40,573.18	
Supplies and materials used, ...	24,015.70	
		64,588.88
Surface and General Expense		
Salaries of officers and general surface expense	$35,577.68	
Cost of tribute copper	2,943.28	
Amount of taxes paid, ...	3,311.62	
Freight on supplies up, ...	5,407.13	
Expenses of improving farm, ...	342.30	
	$47,582.01	
Cr. by profit on supplies, ...	2,810.51	
		44,771.50
Total running expense, ...		$385,975.25

In 1867 the annual report was expanded to include an additional summary schedule entitled "Cost of Product 1867" (Figure 11), which presented the calculation for the total cost per pound

FIGURE 11

Source: QMC annual report for 1867

Cost of Product of 1867

Product of Mineral	2,248,279 lbs.	
Mining Cost	$306,556.62	
or 13.63 cents per pound ready for smelting		

Cost.

Mining Cost	$306,556.62	
Smelting	20,696.18	
Transportation	17,061.53	
Copper Charges	9,265.43	
Expense account	4,512.99	
Insurance	3,666.18	
Taxes	1,537.58	
Interest	275.51	
		$363,572.02

Making the total cost of production, conversion, and sale 20 cents per pound.

of copper "production, conversion, and sale" during the year. Since this schedule merely consolidated information found elsewhere in the annual report, it may represent further evidence of management's intention to emphasize information that could be used in evaluating efficiency and cost control at the mine.

The expansion of cost and productivity information may have been an attempt to rationalize the absence of profits resulting from a severe disruption of the copper market following the Civil War (Michael and Lankton, 1994). This explanation would reflect an attempt by the Quincy Directors to create the image of an emerging firm that was well run, but not yet profitable.

A second potential explanation for the changes is related to the use of professional managers and engineers at the Quincy Mine after 1860; in contrast to the early years of the firm when the major stockholders were heavily involved in routine management activities. Although the major stockholders and directors still maintained close contact with the site managers after 1860, it became less important for them to participate in the day to day operating decisions. The growing tendency to accumulate and report summary data and input/output calculations in the annual report may reflect the need for new types of financial information that could be used to evaluate the performance of the managers, given the separation of ownership and control.

CHANGES BETWEEN 1872-1877

The six year period between 1872 and 1877, a volatile period for the Quincy Mining Company, was characterized by hostile changes in ownership in 1872 and 1875. After the reorganization in 1872, the new directors made physical changes, such as moving the corporate headquarters from New York to Boston and replacing the top manager at the mine. But more importantly from an accounting perspective, they made two significant changes in the financial reporting practices that appear to reflect the emergence of a unified corporate entity.

Statement of Business

Perhaps the most important change in 1872 was the reintroduction of an income statement entitled "Statement of Business for Year Ending Dec. 31, 1872" (Figure 12), which presented the

FIGURE 12

Source: QMC annual report for 1872

STATEMENT
OF BUSINESS FOR YEAR ENDING DEC. 31, 1872

RECEIPTS.

From 1,543,774 lbs. copper sold and delivered			$481,319.99
" 547,936 lbs. copper sold, not delivered			185,072.91
2,060,870 lbs. copper (Average 32 1/3 cents per lb.)			$666,392.90
Add 215,438 lbs. copper estimated at 27 cts. per lb. at mine			58,168.26
2,276,308 lbs. copper total product for year			$724,561.16
Add from sales of silver			535.56
			$725,096.72

EXPENDITURES

Running expense at mine, as per detail account herewith		$393,920.18	
Expense, and copper charges	$11,977.98		
Transportation	10,984.78		
Smelting	29,073.99		
Insurance	8,018.85		
Taxes	903.57	60,959.17	$454,879.35
			$270,217.37
Add received from interest on loans			10,422.67
" " " sales of real estate, town of Hancock, Mich			131.28
Making profit per year over ordinary expenses			$280,771.32
Deducting amount paid for improvements on surface and underground, as per vote of stockholders at the adjourned annual meeting, held at Boston, April 3, 1872 detail account herewith			67,227.65
Gives net result for year			$213,543.67

current period's receipts and expenditures. The Directors' Report, which had presented the calculation of profit in prior years, was still found in the annual report, but the Statement of Business provided more detail (ie. it showed the quantities and values used to calculate gross earnings).

Statement of Assets and Liabilities

The second major change was the consolidation of the "Balance Sheet From the Books of the Quincy Mining Company" and the "Statement of Liabilities of the Quincy Mining Company, and of Assets, Exclusive of Real Estate, Machinery and Mining Implements" into the "Statement of Assets and Liabilities, Exclusive of Real Estate, Mine Plant, and Supplies in Use" (Figure 13).

FIGURE 13

Source: QMC annual report for 1872

STATEMENT
OF ASSETS AND LIABILITIES, EXCLUSIVE OF REAL ESTATE, MINE PLANT, AND SUPPLIES IN USE

Assets

Loans on call		$ 87,000.00
Cash in bank		4,546.71
Copper on hand (sold, but not delivered) 547,096 lbs.		185,072.91
Accounts receivable		17,528.00
Cash on hand at mine		16,779.13
		$310,926.75

Liabilities

Drafts unpaid, in transitu	$7,210.61	
Dividends unpaid	1,035.50	
Accounts payable, "Boston"	2,943.06	
" " "at mine"	47,915.83	59,105.00
Makes balance cash assets, immediately available		$251,821.75
Add at mine, 269,298 lbs. mineral at 80 per cent makes 215,438 lbs. copper at 27 cts. per lb.		58,168.26
" " " supplies on hand, as per inventory on file		41,404.00
" " " Farm account, horses, wagons, &c.		12,566.82
" " " Accounts receivable		1,142.91
Gives total balance of assets		$365,103.74

Less dividend payable Feb. 24, 1873, $5.00 per share, or $100,000.00.

In summation, the financial schedules presented in the annual reports of the Quincy Mining Company between 1872 and 1877 were similar in most respects to those found in modern annual reports; the user had access to a balance sheet, an income statement and various supporting schedules. The information presented was consistent among the various schedules, and provided a reasonable means to evaluate the financial performance of the firm.

QMC'S EXTERNAL FINANCIAL REPORTING PRACTICES: 1878-1900

As shown in the previous section, the existence of informative and fully articulated financial statements evolved slowly within QMC, presumably in response to the perceived information demands of the marketplace. However, in 1878 financial data was virtually eliminated from the annual reports. Although financial data reappears in 1881, both the quantity and scope were significantly reduced. The detailed schedules of operating costs, and the efficiency measures found in the previous annual reports were permanently eliminated.

1878-1880

The annual report for 1878 provides only highly summarized financial information (Figure 14), essentially a condensed version of the Directors' Report from the previous years.[20] The

[20] Although the annual report did not include the normal financial schedules, data may have been provided to shareholders in a 'circular'. The annual report for 1878 states " . . . as already reported by circular to the stockholders, the charter under which the company has operated expired by limitation, March 30, 1878 . . . ." The annual report for 1879 includes the statement " . . . the statement of assets and liabilities in our last report showed a balance of assets on hand as of date, January 1, 1879 as . . . ." These statements infer that financial schedules were available to the shareholders in 1878 even though the schedules were not included in the annual report for that year.

FIGURE 14

Source: QMC annual report for 1878

REPORT

OF THE

QUINCY MINING COMPANY

FOR THE YEAR 1878

The shipment of the season was 3,554,210 pounds of mineral, which has been smelted and yielded about 84 14/100 per cent, or 2,991,950 pounds of refined copper.

The product for the past year has been 3,408,925 pounds, or 1,704 225/2000 tons, which has realized, estimating copper on hand in New York at 15 cents, and at the mine at 13 cents per pound $447,510.50

The expenditures for the year are as follows:

Expenses at mine, ...	$341,115.43	
Other expenses.	60,733.74	
		$401,849.17
Leaving as mining profit		$ 45,661.33
Add received from interest, etc.		9,679.05
Giving as net result of the year's business		$ 55,340.38

A dividend of $1 per share, or $40,000, payable February 10th, has been declared.

As already reported by circular to the stockholders, the charter under which the company has operated expired by limitation, March 30, 1878, and a new company, with the same corporate name has been organized under the general mining law of Michigan, with a capital, full paid of $1,000,000, divided into 40,000 shares of $25 each, to which all the rights, franchises and property have been transferred.

The condition of the mine is fully set forth in the agent's report, and attention is called to the important developments made in the north and south ends of the mine, from which the larger part of last year's product has been obtained. These openings continue to promise well well for the future, and warrant the belief that the production of the present year will be a full average.

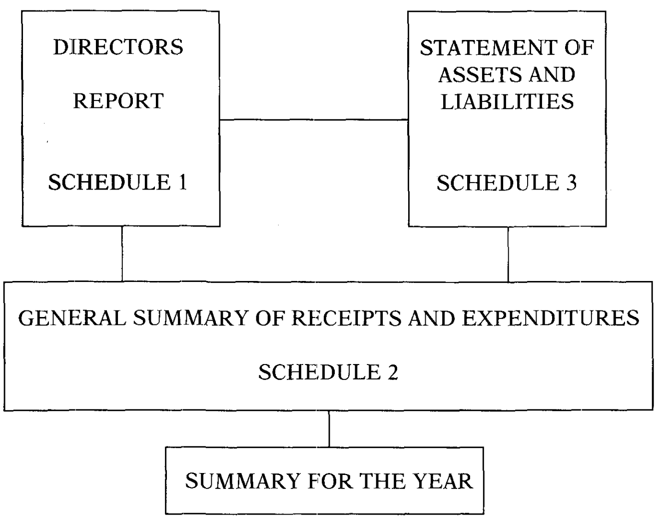
change in financial reporting practices coincides with the expiration of the corporate charter obtained by the Quincy Mining Company in 1848. Although the firm was reorganized under a new charter in 1878, there does not appear to have been any significant changes in management personnel, either at the company headquarters or at the mine. Nor does the reorganization appear to have changed financial reporting requirements. Thus, the changes appear to have been voluntary.[21] During this period the financial reporting practices of the Quincy Mining Company reflect both the restricted disclosure of the British Secretive Model and similar motivations.

1881-1900

Figure 15, a schematic of the financial schedules included in the annual reports of the Quincy Mining Company between 1881 and 1900, clearly portrays the diminished scope of finan-

Figure 15

Schematic of Financial Schedules Issued Between 1881 and 1900



[21] The annual reports for 1879 and 1880 provide essentially the same information as in 1878 except for the addition of a calculation that adds "results of operations for the year" to the previous year's net asset balance and deducts dividends to arrive at the asset balance for January 1, of the next year.

cial reporting relative to previous years.[22] The external reporting practices of the Quincy Mining Company between 1881 and 1900 display two dominant and interrelated characteristics. First, the longevity of the reporting formats used in 1881 suggests the financial reports adequately served the needs of the shareholders, consequently no changes were necessary. Since the firm was earning a profit (Figure 16) and paying substantial dividends (Figure 17), the Directors may have felt that it was no

FIGURE 16

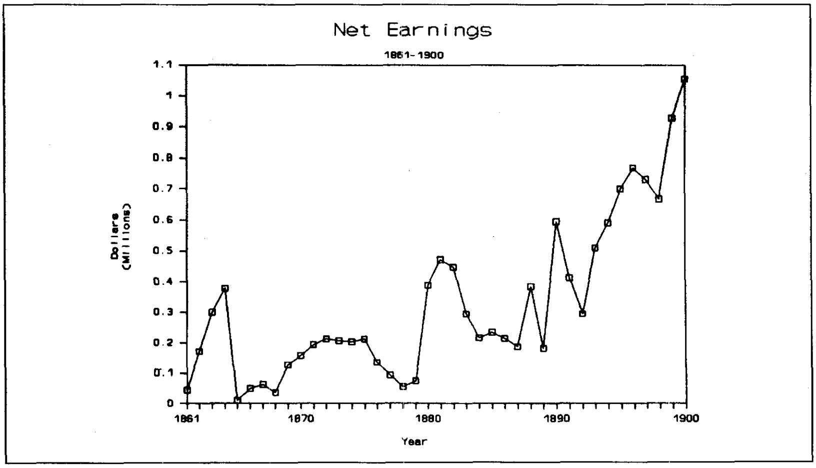
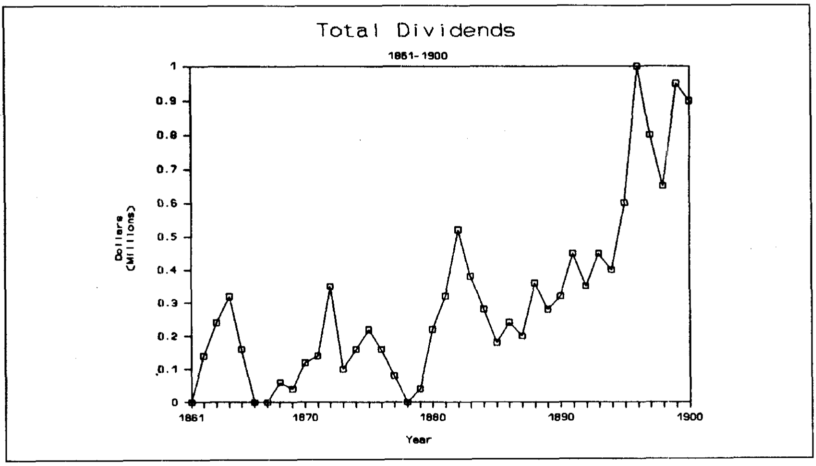


FIGURE 17



[22] Since the formats of the schedules issued between 1881 and 1900 are virtually identical to those issued in 1877, they are not reproduced again at this

longer necessary to entice shareholder loyalty via demonstrations of efficiency and productivity. Their aggregation of financial information may lend credence to the claim that

> creating a new pattern of organizational visibility, for instance, computational practices, can often significantly change organizational participants' perceptions of the problematic and the possible . . . Measures of efficiency, for instance, can create possibilities for new targets for managerial intervention and the bases of organizational rewards (Burchell, et al, 1980, p. 16).

Conversely, the elimination of these measures reduces the potential for shareholder intervention and focuses shareholder attention on areas more favorable to management.

The second characteristic is the elimination of all information related to the efficiency of the various mining processes. Although it is possible to find the total costs of mining, aggregation made it impossible to determine the costs of the individual operations at the mine (ie. stamp mill, surface operation, and mining operations). Consequently, external users could not evaluate operating efficiency.

The Quincy management appears to have been unwilling to provide the type of data found in the reports of earlier years that facilitated both internal and external comparisons. Instead, the emphasis of financial reporting was shifted to the earnings and net assets of the firm, which could be viewed as a change from an engineering (industrial) orientation to a financial perspective.

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point. The Directors' Report provided the results of operations for the current year, including production quantities, gross earnings, expenses (subdivided into running expenses at the mine, building and construction and other) and miscellaneous income items. Net earnings for the year were reconciled to the net asset total at the end of the year. The "General Summary of Receipts and Expenditures of the Quincy Mining Company, From its Organization to . . . " presented cumulative and categorized earnings along with expenditures reduced by dividends paid. This total equaled the net assets at the end of the year. The "Statement of Assets and Liabilities, Exclusive of Real Estate, Mine Plant and Supplies in Use" provided a listing of the various asset and liability accounts, which when summarized, can be traced to the General Summary and the Directors' Report. The "Summary of the Year" provided two general types of information: the size and average wage of the work force, and various types of production quantity data. The only noteworthy exception to this general model occurred between 1895 and 1897 when the annual report included a "Trust Account Balance Sheet", which segregated the receipt and disbursement of funds received from stock issued to finance the acquisition of additional mining land.

SUMMARY AND CONCLUSIONS

Between 1861 and 1877 the financial schedules issued to the shareholders of the Quincy Mining Company reflected an engineering based reporting philosophy that emphasized efficiency measures and detailed operating costs for the various components of the mining operation. During this formative period the firm's financial reporting practices appear to reflect the dual nature of the management hierarchy, which divided responsibilities between the corporate headquarters and the site managers. In this sense, the external reporting was consistent with the firm's internal accounting practices. However, these reporting practices, which reflected both the physical reality of the management process and the cultural norms of the mining community, resulted in financial schedules that presented inconsistent information and did not articulate.

Between 1872 and 1877 the firm adopted revenue recognition criteria and expenditure reporting practices that resolved the inconsistencies and provided fully articulated financial schedules. In most respects the financial schedules issued by the Quincy Mining Company in 1877 were similar to their modern counterparts. However, the next three years (1878-1880) represent a transition period that was characterized by the virtual elimination of meaningful financial information from the annual reports. Subsequent financial schedules, issued between 1881 and 1900, reflect a dramatically different concept of the purpose of financial reporting. As the company's financial position improved and it became more attractive to the investment community, management no longer attempted to convince the individual shareholder that the mine was efficiently and effectively managed. Although the firm's accounting system still contained information that could be used to evaluate the operating efficiency of the various mine functions, this information was not available to the general public. Instead the shareholders were given only basic information on earnings and net assets, thereby forcing investors to make decisions based upon general market comparisons and dividend expectations.

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THE INSTITUTE OF CHARTERED ACCOUNTANTS OF ONTARIO (ICAO) AND THE EMERGENCE OF ETHICAL CODES

Abstract: Starting from the premise that ethical codes fulfil important ideological functions, we document the trajectory of the Institute of Chartered Accountants of Ontario's [ICAO] ethical code since their incorporation in 1883. In the analysis that follows, we argue that shifts occurred in how the written ethical code spoke of, and conceptualized, "professional ethics". We also propose that these shifts can be read as responses to changing circumstances: the ideological effect being to provide "compelling reasons" for the maintenance of professional privilege. The provided analysis contributes to our understanding of the role and functioning of ethical codes and highlights the political importance of memory, especially given the ahistorical nature of current day discussions of professional ethics.

> The "decade of greed", in the 1980s, infamous for its junk bonds, greenmailing, savings and loan and defense industry scandals, political bribery, insider trading, audit failures, and fallen anti-heroes—Ivan Boesky, Michael Milken, the Keating Five. . .—set in motion a vibrant ethics industry [Neimark 1994, p. 4.10.3].

The discourse of ethics has been prominent within practitioner and academic accounting circles of late. Savings and loan crises in the United States, the BCCI scandal in the United King-

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dom and financial institution failures in Canada have, as Neimark remarks, encouraged a vibrant ethics industry. The funding of "centres of ethics" and the sponsorship of ethics conferences by public accounting firms, the formation of academic journals dealing with accounting ethics [cf ***Research on Accounting Ethics***] and the production of training videos dealing with ethical behaviour [cf American Accounting Association 1989; Arthur Andersen 1989] along with the increased discussion of professional ethics in practitioner journals such as ***CA Magazine*** and ***Journal of Accountancy,*** exemplify the expansion of both the sites and forms of discourses of ethics within accounting.

The proliferation of these discourses has increased the visibility of the topic not only within practitioner, academic and student circles but also amongst the public-at-large. The "ideological effect" [Eagleton 1991, pp. 194-195] of these discourses, however, has been to construct a ***myopia of the present***—that is, to encourage one of the following two beliefs. The first is the belief that "professional" ethics have evolved and progressed—that ethical codes and, hence, ethical behaviour have improved as a consequence of changes introduced in response to previously identified shortcomings [cf Luscombe, December 1986, p. 3; MacInnis, December 1986, p. 8]. The second is the belief that current institutional actions simply demonstrate that "professional" ethics have always been, and continue to be, a cornerstone of the accounting profession. This second belief is evident in editorial responses of the Canadian CA's to jurisdictional challenges posed by a rival accounting association, notably the statement that public service [and ethics] has been central to the profession for the last 100 years [cf *CA Magazine*, April 1980, p. 3].

Although these two beliefs regarding ethics differ in key respects, both operate as a form of ***historical amnesia*** effectively decoupling current discussions regarding ethical behaviour from their historical and social context. As MacIntyre [1987, p. 3] evocatively suggests, the end result is a situation where we possess "fragments of a conceptual scheme, parts which now lack those contexts from which their significance derived". Or stated differently, the effect of these beliefs is to "erase" [Eagleton 1991, p. 194] the origins, rationales and histories of current day ethical codes. And as Neimark [1994, p. 4.10.3] observes, this act of erasure serves to "reassure us that the system is working".

The current study examines the emergence of written ethical codes of conduct for the Institute of Chartered Accountants of Ontario [ICAO] in an attempt to recover some of the rationales and histories for this code. Starting from the premise that ethical codes fulfil important ideological functions, we document the trajectory of the ICAO's ethical code since their incorporation in 1883. In the analysis that follows, we concentrate on four historical junctures—loosely centred around the time periods 1883-1908, 1923-1934, 1959-1963, and 1973-1979—arguing that shifts occurred in how the written ethical code spoke of, and conceptualized, "professional ethics". We also suggest that these shifts can be read as responses to changing circumstances and that the ideological effect of these shifts was to provide "compelling reasons" for the maintenance of existing relations of professional privilege. In making visible these aspects of the ICAO's ethical code, the provided analysis contributes to our understanding of the role and functioning of ethical codes and highlights the political importance of memory, especially given the ahistorical nature of current day discussions of professional ethics.

ETHICS AND PROFESSIONAL STATUS

Why, compared to other occupations, have professionals been able to differentiate themselves in terms of wealth, status and autonomy over their domain of labour [Klegon 1978; Portwood & Fielding 1981; Abbott 1988, p. 7]? One suggestion is that professions are those occupations that have successfully negotiated a "corporatist bargain" with the state [Puxty et al. 1987; Richardson 1989] whereby the state grants the occupational group both a jurisdictional monopoly [Abbott 1988, p. 20] and regulatory authority for this jurisdiction. In return for these quasi-state powers, the profession agrees to "regulate" the behaviour of its members [Schmitter 1979, pp. 11-15; Richardson 1989].

One of the targets for regulation is the skill level of members since a corporatist agreement is, in part, based on the presumption that occupational group members possess knowledge that is cognitively exclusive [Larson 1977] and not easily mastered by lay people [De George 1990]. It is also presumed that this knowledge is socially useful—a form of moral knowledge that is of benefit to the community [Barber 1983; Friedson 1986]. This concern for the public good places the professional in a quasi-judicial capacity and justifies a profession's claims to professionalism [Matthews 1991].

While education and training requirements regulate the skill level of members and buttress the occupational group's claim that their members possess specialized training and knowledge [Richardson 1987], it is also necessary to not only regulate, but to appear to regulate, the behaviour of individual members. As several authors argue [Klegon 1978; De George 1990, p. 384], claims to professional privilege depend on convincing external audiences besides the state—i.e. competing occupational groups and professions, other professions, clients and the general public—that professionals set higher moral standards for themselves than do non-professionals and are consequently "morally superior" and hence deserving of higher status.

Discourses of ethics, particularly ethical codes, are central to claiming professional privilege. Ethical codes legitimate professional privilege by denoting a concern on the part of the profession for ethical behaviour [Abbott 1983, p. 866]. According to some authors, a professional code of ethics "is testimony to the group's recognition of its moral dimension" [Frankel 1989, p. 110] and is the "most concrete cultural form in which professions acknowledge their societal obligations" [Abbott 1983, p. 856]. Ethical codes not only seek to convince the state that a jurisdictional monopoly is desirable, but also attempt to legitimize this privilege to clients, the general public and other professions [Abbott 1988]. In the words of Abbott [1983, p. 872], professional ethics "helps determine extra- and intraprofessional status by measuring, in effect, the purity of motives—the motives of profession toward society and of professional toward profession".

If ethical codes serve to maintain legitimacy and privilege, how do they do so? One suggestion is to think of ethical codes as having certain ***ideological effects*** which offer "compelling reasons" for the prevailing privileged position enjoyed by the profession in question [cf. Eagleton 1991, p. 194, 209; Neimark 1994, p. 4]. Eagleton [1991, p. 198, 202] notes that discourses (i.e. the discourse of professional ethics) contain within them a series of ideological effects which mask, rationalize, naturalize, universalize and legitimate certain interests. For example, the ability of ethical codes to "embody the cultural mores of the time" [Preston et al. 1995, p. 509] and hence, to "echo, enlist and amplify" prevalent societal discourses and other professional discourses [Lehman & Tinker 1987, p. 509] buttresses claims to professional status. Likewise, the implicit claim of "disinterested service" contained in ethical codes minimizes the possibility of successful jurisdictional challenges by erasing questions of "professional interest" [Abbott 1983, p. 878]. Finally ethical codes, by framing transgressions as individual failings rather than systemic occurences, effaces professional complicity and serves to reassure external parties that the system is working even in the face of discrediting events [Neu & Wright 1992; Neimark 1994, p. 4ff]. It is through such ideological effects that ethical codes construct and maintain the image of moral superiority and disinterested service.[1]

To focus exclusively on the external effects of ethical codes, however, ignores the internal socialization functions of ethical codes. Membership heterogeneity and geographical dispersion necessitate methods of "producing the producer" [Larson 1977, p. 13] within professional associations and encouraging action at a distance [Latour 1987] . While education [Armstrong 1987], firm-specific training, and socialization [Ponemon 1992; McNair 1992] influence the behaviour of members, the sites of education and training are mostly removed from the direct control of the professional association—in Canada, the exceptions being a uniform final professional examination and provincial pre-uniform final qualifying exams. Consequently, ethical codes are one of the primary methods of direct behaviour regulation available to professional associations [Abbott 1983, p. 857]. Ethical codes provide on-going guidance for practising professionals [Brooks 1989, p. 325] by simplifying the moral universe and by providing a framework for evaluating courses of action [Frankel 1989]. In this way, ethical codes function as a form of hegemonic leadership, circumscribing and influencing the behavioural practices of members, while at the same time legitimating privilege to external constituents.

[1] Note, the preceding argument regarding the role of ethical codes in sustaining privilege and subsequent empirical work brackets the role of enforcement in this process. While the "promise" of enforcement seems important in convincing external parties that a profession is self-regulating, the observations of Larson [1977] and others [cf Neu & Wright 1992] regarding the asymmetry of enforcement raises questions regarding the necessity of "actual" enforcement in sustaining professional privilege.

THE CANADIAN CHARTERED ACCOUNTANTS

In Canada, member ethics is the responsibility of the Provincial Institutes which formulate, promulgate and enforce ethical codes of conduct. With minor variations in timing, the rules of all the Provincial Institutes have been similar, perhaps as a consequence of the role played by the federal umbrella organization [formerly called the Dominion Association of Chartered Accountants and now called the Canadian Institute of Chartered Accountants]. Since the Ontario Institute of CA's [ICAO] is the largest provincial institute in terms of membership and was one of the first Provincial Institutes granted a charter [1883], our analysis focuses on the ethical codes of the ICAO.

Method

Copies of the ICAO's bylaws and rules for professional conduct for the period 1883-1993 provided the starting point for our analysis. We used this information to develop the chronology of ethical codes/rules provided in Table 1.

Since our primary research objective is to document and analyse the trajectory of the CA's ethical code as well as to examine its ideological functioning, we adopted an internal periodization approach to this 110 year timespan. Instead of starting from externally defined periods and then looking for corresponding shifts in the textual documents [cf Tinker & Neimark 1987, p. 77], we start from the documents themselves and work outward. Our intent is to look for shifts in emphasis and nuance within the codes and then to consider what influenced these shifts. This method of periodization was possible because the release of "revised" ethical codes occurred at discrete moments in time—as Table 1 indicates, over the past 110 years there have only been 13 significant revisions to the ICAO's ethical code.

The junctures that we focus our analysis on—1883-1908, 1923-1934, 1959-1963, 1973-1979—are bounded by years in which the ICAO released a "revised" code of ethics. Like Preston et al. [1995, p. 511] our intent is to remain open to not only continuities and sedimentation within the codes but also to discontinuities and change. Here, our analysis has been influenced by the suggestion that the meaning of ethics and ethical codes are not stationary [MacIntyre 1987] nor should ethical codes necessarily be read in terms of a narrative of linear progress and evolution [Foucault 1984, p. 54, 76; Preston et al.

TABLE 1

A Chronology of Written Ethical Codes

1883	ICAO incorporated under Act 46 Victoria, Chapter 46, of Ontario. The bylaws do not appear to contain any rules pertaining to member conduct.
1896	A partnership bylaw is introduced prohibiting members practising in partnerships with non-member partners from describing the firm as "chartered accountants".
1908	A general conduct bylaw is introduced indicating that members are expected to comply with certain standards.
1923	A new section entitled "rules for interpretation of by-laws" is appended to the by-laws.
1934	The first Rules of Professional Conduct with 23 rules are promulgated.
1952	Federal and ICAO rules for professional conduct are standardized as the ICAO adopts any federal rules which differed from the provincial rules.
1959	Additional rules on subordination of personal interests and independence among others are promulgated.
1961	"Introductory Notes to Rules of Professional Conduct" are placed in front of the rules.
1963	The first part of the Introductory notes becomes an "Introduction to the Rules" and the remaining part with the opinions become "Rules of Professional Conduct--Explanatory Notes and Opinions" which are appended to the rules.
1970	Rules on independence, advertising and related functions are revised.
1973	A "Foreword" to the rules is introduced, the rules are reorganized with the independence rule removed and the "Council Interpretations" revised.
1979	The rule prohibiting advertising is repealed and replaced with a less onerous one.
1982	Rules on confidentiality and advertising are modified and an endorsement rule repealed in 1959 re-introduced.
1990-1993	Additional rules on maintenance of reputation and objectivity are introduced.

1995]. Our reading of the codes suggested that shifts in emphasis and nuance were long-term in that they did not begin and end at a single moment in time; rather these shifts occurred across several codes. Our approach was to bound these junctures by the first code that appeared to represent a "significant" shift from previous codes and by the last code that appeared to "significantly" contribute to this process of change. We recognize the paradox that such junctures are:

> both an instrument and an object of research; because it divides up the field of which it is the effect; because it enables the historian to individualize different domains but can be established only by comparing these domains [Foucault 1974, p. 9].

Having said this, the subsequent analysis attempts to support our choice of junctures by comparing the different junctures and by juxtaposing our periodization to Murphy's [1986] periodization of changes in Canadian financial accounting standards.

In examining the influence that changing circumstances have had on the ICAO's code, we limit ourselves to two categories of events. The first, "inter-professional events", consists of changes to the institutional field or system of professions in which the ICAO operates. Included in this category would be changes in the way other professional organizations define and operationalize professional ethics: since CPA's have been acknowledged as a primary referent for Canadian CA's [Murphy 1986, p. 32], we emphasize the activities of the U.S. CPA profession. This category is similar to Klegon's [1978, p. 271] notion of the external dynamic and Abbott's [1988, p. 61] system of professions perspective, encompassing both the material and discursive practices of these referent organizations. The second category, "intra-professional" events, consists of changes to the composition and operation of the ICAO itself and is similar to Klegon's view of the internal dynamic. This category includes demographic changes within the ICAO and behaviours by individuals or firms that challenge existing power relations or call into question the "ethics" of the ICAO.

We have limited ourselves to considering intra- and inter-professional events for three reasons. First, as we hint at in the section on "Ethics and Professional Status", defending professional privilege via the appearance of moral superiority is ***relational*** in that moral superiority is defined vis-a-vis other accountancy groups and other "high status" professions. For these reasons, we examine how the CA's ethical code enlists, echoes and harmonizes with other professional codes. Second, since we assume that ethical codes function as a form of hegemonic leadership helping to regulate the behaviour of geographicallydispersed lay members [Larson 1977; Simmons & Neu 1996], it is important to consider the responsiveness of ethical codes to these internal events. Finally, although we acknowledge that other events [i.e. general societal and programmatic discourses] influenced the trajectory of the CA's ethical codes, we do not examine these other events in any detail. Our decision to adopt a longitudinal approach and to examine the trajectory and ideological functioning of the CA's ethical codes across four junctures spanning 110 years involved a trade-off in both the influences considered and the amount of institutional detail provided for each juncture. For these reasons the provided analysis downplays the influence of general/programmatic discourses instead focussing on the influence that intra- and inter- professional events had on changes to the ethical codes.

An overview

Abbott's [1983] suggestion that ethical codes typically contain rules directed at regulating different aspects of professional behaviour was helpful in providing an initial summary of changes in the ICAO's ethical code. Abbott notes that ethical rules can be grouped into those concerned with [1] public duty, [2] intraprofessional relations, [3] interprofessional relations, and [4] relations with clients. We have reorganized Abbott's categories to highlight rules directed at internal relations [i.e. with members, students and the institute], external relations [i.e. with the public, clients and non-members] and specific behaviours [ie. advertising, contingent fees etc]. These categories were then used to analyze the ICAO's ethical codes for the four periods previously identified. The content counts reported in Table 2 highlight apparent shifts in ***emphasis*** and ***detail*** over the different time periods. They do not, in and of themselves, indicate that the trajectory of ethical codes changed at these moments since an increased content count might simply result from the subdivision of a previous rule into two. However as we attempt to document in the following subsections, a closer reading of the ethical codes themselves along with other material pertaining to the period, supports our proposal that shifts in the ICAO's ethical code occurred at these junctures.

1883 & 1908—Moral Character

The ICAO's original incorporation documents indicate that good moral character was one of the criteria for membership:

TABLE 2

Changes to Selected Ethical Codes

	1908	1934	1961	1973
Number of Ethical Rules	2	23	40	40
INTERNAL RELATIONS (a) with members		-business acceptance (10) -comments on (9) -hiring of staff (12) -joint work (11) -soliciting business (16)	-business acceptance (33) -comments on (32) -hiring of staff (38) -joint work (35) -soliciting business (24) -competitive bidding (34) -consulting notice (22) -dignity (31) -partner relations (37) -referral work (39) (40)	-business acceptance (302) -joint work (303) -solicitation (301) -consulting notice (304) (409.2) -referral work (305)
(b) with students		-student work (5)	-student work (36)	-hidden fee (208.2) -confidential knowledge (210.2)
(c) with institute		-changing statutes (21) -guard profession (22) -notice of (23) -other associations (20)	-changing statutes (10) -notice of (11) -applicability (1) (2) -criminal activity (4)	-notice of (211) -applicability (101) (102)
EXTERNAL RELATIONS (a) with public			-personal interest (3b)	-member conduct (201)

(Continued on next page)

TABLE 2 (Continued)

	1908	1934	1961	1973
Number of Ethical Rules	2	23	40	40
(b) with client		-confidential knowledge (17,19) -hidden fee (18)	-confidential knowledge (26) (28) -hidden fee (27) -business connections (29) -unlawful activity (30)	-confidential knowledge (209) (210) -hidden fee (208.1) -business connections (207) -unlawful activity (213) -trust rules (212)
(c) with non-members	-partnerships (6)	-commissions (4) -partnerships (1)	-commissions (25A) -partnerships (13) -associations with (14)	-commissions (216) -associations with (402.2) (409.3)
OTHER BEHAVIOURS (a) general	-advertising/procuring business (7)	-advertising (6) (13) -beneficial int (7) -confusing report (8) -contingent fee (14) (15) -firm name (2) -office in province (3)	-advertising (18) (25) -misleading info (5) -contingent fee (23) -firm name (12) -office in province (15) (16) (17) -competence (3c) -dignity (9) -independence (3a) (8) -misconduct/negligence (6) (7)	-advertising (217) -misleading info (205) (206) -contingent fee (215) -firm name (402.1) (406) -office in province (403.2-4) (404) -competence (203) -attending clients (405) -due care (202) -objectivity (204) -part-time office (403.1) -practice of accounting (401) (407) -tenders (214)
(b) related services			-consulting work (19) (20) (21)	-consult.practice (408) (409.1) (410)

*numbers in parentheses refer to the specific rule number.

> The Institute is hereby empowered to promote and increase by all lawful ways and means, the knowledge, skill and proficiency of its members, in all things relating to the business or ***calling of an accountant***, and to that end to establish classes, lectures and examinations, and prescribe such tests of competency, ***fitness and moral character*** as may be thought expedient to qualify for admission to membership . . . [ICAO Charter of Incorporation, Section 2, p. 7, emphases added].

The incorporation documents also stated that charges of misconduct could be brought to the attention of the Council in writing and that the Council would commence a formal investigation [ICAO Charter of Incorporation, 1883, Section 69, p. 21]. However, the incorporation documents did not define "misconduct" nor its corollary, appropriate professional behaviour.

The introduction of a conduct bylaw in 1908 appears to be a foreshadowing of future ethical codes and a tentative attempt to regulate ethical behaviour by circumscribing this previously undefined domain of general conduct: "no member shall engage in any business, profession or employment, or adopt any form of advertising or procuring business which in the opinion of the Council is objectionable in a member of this Institute" [ICAO By-Laws, 1908, Section 7, p. 12]. However with the exception of the prohibition on advertising [and even this is ambiguous], appropriate behaviour is still not defined in either absolute or specific terms; rather, this ethical standard is general and also relational in that the Council of the Institute is responsible for determining appropriate and inappropriate ethical behaviour.

At this juncture, an ethical code with specific behavioural injunctions appeared unnecessary as the ICAO assumed that ethical behaviour was regulated by the ***character*** of its members. Since good moral character was assumed to be an attribute of individuals, the emphasis was on the proper choice of members. This construction of ethical behaviour on the part of the ICAO is evident in the following two articles published in the *Monetary Times* [a financial newspaper published in Toronto, Ontario]. The first article—which is a summary of what associational leaders said at the third annual meeting of the Dominion Association of Chartered Accountants held in Toronto—reports how, during the formative years of the Canadian accountancy associations, the leaders of these associations sought to restrict entry to those individuals "who were properly qualified and whose personal characters would command the respect of the general public." The article then notes that the various provincial Institutes have kept up the "reputation for the respectability of its members and the high character of its work" and ends by stating:

> Not only does the individual but the nation need both to study and to practise economy in view of the sudden growth that is come upon Canada, and the responsibilities she has assumed of late. And in inculcating such economy and such system, accountants of ***good character*** and tried expertise can render excellent service [Oct. 6, 1905, pp. 430-431, emphasis added].

The second article which is entitled "Institute of Chartered Accountants: This Month it Celebrates its Twenty-fifth Anniversary" similarly constructs ethics as flowing from the character of individual members:

> "The chartered accountant may be thus described: a well educated man of reliable character and independent mind . . ." [*Monetary Times*, Feb 8, 1908, p. 1310].[2] Both these articles support the interpretation that the ICAO and its representatives assumed that good ethical behaviour flowed from one's character—consequently moral character functioned as a form of self-discipline that made specific behavioral injunctions unnecessary [cf Foucault 1984, p. 361].

If the period culminating in 1908 was concerned with the character of chartered accountants, it was also concerned with professional closure. For example in 1896, a bylaw restricting usage of the designation "chartered accountants" was introduced:

> Chartered Accountants practising in partnership with persons who are not Chartered Accountants shall not use after the title of the firm the initials 'F.C.A,' nor describe the partnership or firm as 'Chartered Accountants.' Any person named in connection with a firm by advertisement or otherwise, shall be deemed a partner for the purpose of this By-law.

Like the U.K accountancy professions at this time [*Monetary*

[2] The ethical codes themselves and discussions of accountancy in the *Canadian Chartered Accountant* remain gendered until the 1970s [Simmons & Neu 1996].

Times, July 28, 1905, p. 108], the ICAO sought closure around the designation of chartered accountant. Since the Institute had yet to be successful in having this designation restricted by legislation, it attempted to enforce this restriction by limiting the ability of its members to associate with non-members.

The belief in ethics as flowing from one's character was not unique to the CA's at this juncture. Abbott [1983, p. 875] comments on the predominance of character-based controls for American medical and legal professions during this period. Similarly, Preston et al. [1995, p. 515, 518] document how, in the United States, the notion of ethics as a "state of mind" flowing from proper upbringing and correct schooling influenced the initial ethical code promulgated by the American Association of Public Accountants [1905]. As Preston et al. [1995, p. 512] document, this initial code contained only two rules—the first prohibiting "members from allowing non-members to practice in the member's name" and the second "prohibiting referral fees."

Viewed in light of these other professional constructions of ethics, the ICAO's ethical code claimed extraprofessional status by echoing other high status professions in terms of a minimalist set of ethical rules. The ICAO's closest referent group was the American CPA's. The former's 1908 code harmonized with the American 1905 code in terms of the general emphasis on character-based ethics, and through the partial overlap in the content of the ethical rules. Both codes contained prohibitions in the usage of their respective designations. It is important to note here that although the ICAO's code harmonized with the CPA code in terms of a closure provision, the ICAO's introduction of this provision in 1896 preceded the CPA's provision by nine years. Also, as the 1908 code re-affirmed the ICAO's commitment to character-based ethics and demonstrated isomorphism with the American CPA's, other visible American professions were in the process of moving away from character-based ethics, with the doctors [1912], lawyers [1908] and architects [1908] introducing formalized written ethical codes [Abbott 1983, p. 875]. Perhaps the ICAO's introduction of the generalized conduct rule in 1908 was reflective of tensions within professional discourses at this time, regarding the appropriate form of ethical codes [cf Preston et al. 1995, p. 515].

In his chronology of the development of corporate financial reporting in Canada, Murphy [1986, pp. 36-42] refers to the period between 1885 and 1920 as the period of professional emergence. According to Murphy [p. 36], the ICAO worked hard during this period at securing professional recognition from important legislators and financial constituents. Likewise, Creighton [1984, p. 38] comments that the ICAO [post 1891] became concerned with increasing its professional status as it came to the realization that it and its members had little "social standing". These observations provide a partial explanation as to why the ICAO might want its ethical code to harmonize with the ethical codes of visible and high status professions. At this juncture, this isomorphism can be read more as an attempt to gain professional privilege than to maintain it.

1923 & 1934—Behavioral Rules

The introduction of "Rules for the Interpretation of the By-Laws" in 1923 represented a shift from the ICAO's previous emphasis on ethical behaviour as flowing primarily from good moral character.[3] With the formal incorporation of the "Rules of Professional Conduct" into the bylaws in 1934, this transition was largely complete.

In contrast to the general conduct rule found in the 1908 bylaws, the 1923 interpretations attempted to specify "objectionable behaviour" in the areas of [1] business or employment, [2] advertising, [3] procuring business, and [4] complaints. The following two subcategories under advertising capture the flavour of these interpretations:

> It is deemed objectionable in a member if he [sic] solicits business by advertising other than by announcement in a public advertising medium of his or his firm's professional card.
>
> It is deemed to be derogatory to the dignity of the profession that Chartered Accountants, in their advertising, should add to their occupation of "Chartered Accountants" that of Auditors, Investigators, Systematizers, Tax Consultants, Company Incorporators, Production Engineers, Cost Accountants, or other functional categories which are common to all Chartered Accountants, or to direct attention to departments for such

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[3] In the *Canadian Chartered Accountant*, moral character was still talked about. Perhaps, among other reasons, rules became necessary to tell members of specific intraprofessional rules [i.e. professional etiquette] which have a rather tenuous relation to "moral character."

purposes or for other purposes foreign to the functions of a Chartered Accountant.

The 1934 bylaws formally incorporated these previous "interpretations", however they also re-classified and extended the domain of behaviours being regulated. The categories found in the 1923 interpretations were replaced with: [1] as to business or employment, [2] as to relations with fellow members, [3] as to procuring business, [4] as to relations with clients, and [5] general. These categories acknowledge that it is "relations" with other parties that are being regulated, they also are consistent with the categories that Abbott [1983] suggests are found in many professional codes.

Returning to Table 2 we see that, at this time, rules specifying relations between members and other members/students—through the definition of acceptable or unacceptable behaviours—comprise approximately 25 percent of the code [6 of 23 rules]. Included are rules specifying when it is acceptable to comment on another member's work and what constitutes proper solicitation of another member's clients. Consistent with Abbott's [1983] observations regarding other professional codes, rules outlining acceptable behaviour towards a client's affairs are a relatively minor portion of the code—in this case limited to inappropriate uses of confidential knowledge [two rules] and the topic of hidden fees. Table 2 also highlights that specific behavioural prohibitions [i.e. advertising, issuance of confusing reports, contingent fees] comprise about 40% of the code. These rules do not identify a particular party that is harmed by such behaviours; rather they note that it is "deemed objectionable in a member". However, the inclusion of the three rules pertaining to advertising and contingent fees under the heading "As to procuring business" suggests that these rules concern appropriate methods of competition amongst members.

Besides re-classifying behaviours, the 1934 bylaws extended the sphere of behaviours being regulated to include the relationship between members and the Institute. In the 1934 bylaws, the Institute is explicitly acknowledged as representing the profession's interests. For example, political activities that are contrary to the interests of the profession require the notification of the Institute:

> No member shall take part in any effort to secure the enactment, alteration or amendment of any Provincial or Dominion Statute affecting the profession without giving immediate notice there-of to the Council.

Likewise, members require the approval of the Institute to join other associations or to teach at a university:

> No member shall become a member of or be associated with any society or association of accountants or auditors unless such society or association has been approved by the Council of the Institute. No member shall be an officer, director, stockholder, representative, agent, teacher or lecturer of any university, college or school nor participate in any other way in the activities or the profits of any university, college or school which conducts its operations, solicits prospective students or advertises its courses by methods which in the opinion of the Council are discreditable to the profession.

These bylaws both enlarge the domain of behaviours being regulated and externalize the judgment of ethical behaviour.[4] Whereas in the 1896-1908 period ethical behaviour was assumed to flow from a proper state of mind and good moral character, behaviour in this domain was now to be prescreened by the Institute to determine if it was ethical or not.

References to good moral character did not vanish during the current period, however the few references were overwhelmed by the specific behavioural injunctions contained in the Rules of Professional Conduct. For example, the membership statement in the 1908 bylaws that any person "certified by two members of the Institute as being of good moral character and habits" is eligible for membership remained in the 1934 bylaws. The 1934 Rules of Professional Conduct also contained the statement that:

> It is the duty of every member to guard the profession against the admission to it of any person whose moral character unfits him for admission to.

However, these were the only two references to moral character amongst the 73 general bylaw statements and the 23 Rules of Professional Conduct.

The shift that we observe in the ICAO's code toward formal ethical rules during this juncture was underway in the American professions a decade earlier:

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[4] As one reviewer noted, the issue of control of teaching is partly about the Institute's control of professional education/training.

> Before 1910 only the major professions—medicine, law, architecture, and a few others—had codes. No more than five trades are listed as having codes by that time. Between 1910 and 1919 another five professions, eight semi-professions, and 15 trades added codes. Another 20 professions and semiprofessions formulated codes in the early 1920s [Abbott 1983, p. 876].

American CPA's were also part of this general pattern, with the American Institute of Accountants introducing Rules of Professional Conduct [1917] containing eight injunctions, up from the two rules contained in the 1905 by-laws of the American Association of Public Accountants [Preston et al. 1995, p. 515].

Viewed in light of the introduction of formal codes by both American CPA's and other visible professions, the ICAO's shift to written rules of professional conduct appears to be an attempt to maintain extra-professional status by copying the ethical codes of other high status professions and the American CPA's. For example, although the 1917 American Rules of Professional Conduct contained only eight rules, we can see parallels in the types of rules contained in the ICAO's Rules of Professional Conduct—particularly the rules on commissions, willful mis-statements, encroachment on other members and relations with the Institute. However, the ICAO's shift to a rule-based definition of ethics was largely complete by 1934 whereas in the U.S. the transition continued until 1941 [Preston et al. 1995, p. 512]. As Preston et al. note, by 1941 the CPA's original eight rules had been expanded to 15 rules, ordered in the sequence in which they were adopted [compared to the ICAO's category-based reorganizations].

Murphy [1986] characterizes the 1920-1960 period as the consolidation of the characteristic features of the Canadian profession whereas Creighton [1984, p. 115] comments that the "1920s were good times for chartered accountants in public practice. Fees grew, clients grew, staff grew." However, both hint at changing circumstances in the early 1930's. Murphy documents the widespread press coverage and concern regarding deficient accounts as evidenced by the coverage and commentary of commercial scandals, including illegitimate stock promotions, the Royal Mail Steam Packet Case in Britain with its undisclosed use of secret reserves to increase profits, and other deficiencies in financial disclosures of Canadian corporations [pp. 42-43]. Creighton, meanwhile, documents the challenge posed by the Association of Accountants and Auditors in

Ontario [formed in 1926] to the ICAO [p. 147] and the generalized feeling that the ICAO's privilege might be undeserved:

> In the hard times of the early 1930s, the council of the Institute became conscious of the favoured position which its members enjoyed in terms of the Canadian economic and social scene. The council was shocked to realize that many people outside of the profession, including some highly placed in the Ontario Legislature, thought that the Institute was a closed shop whose members chose to maintain their privileged position by examinations so difficult that the average candidate could not pass [p. 143].

The observations of both Murphy and Creighton suggest that the early 1930s was a time of challenge to the professional privilege enjoyed by the ICAO and its members.

Although publicly-available documents do not link the introduction of the revised 1934 code to these challenges, we suggest that the timing of this revision vis-a-vis these external challenges is noteworthy. The parallels between the response of the SEC in the United States to its crisis of legitimacy and that of the ICAO at this time deserve comment. As Merino and Neimark [1982, p. 49] argue, the 1934 securities acts "did not represent a fundamental change in public policy. Rather they reflected a newly emphasized mode of resolving the continuing contradiction between the public philosophy and the changing face of capitalism in a period of economic [and ideological] crisis." Merino and Neimark state that the ideological intent of the 1934 disclosure regulation was to "maintain the ideological, social, and economic status quo while restoring confidence in the existing system and its institutions" [p. 49]. These conclusions regarding the ideological effects of the 1934 SEC regulations appear equally applicable to the Canadian Federal Companies Act legislation [1934/1935] which was a less stringent version of SEC regulations [Murphy 1980, p. 50; Murphy 1986, p. 44] and to the ICAO's code of ethics which followed close on the heels of the ICAO's own crisis of confidence.

The state of intra-professional affairs also appear salient at this juncture. During the 1883-1908 period, the ICAO was a small, urban-based association of accountants. At its inception in 1879 the ICAO had 37 members; this jumped to 211 members in 1882, trickled downward to 69 members in 1896 and grew to 124 members by 1908 [Creighton 1984, p. 8, 47; ICAO Summary, 1896, 1908]. Of the 124 members in 1908, only 68 were located outside of Toronto [ICAO Summary, 1908]. By 1934, however, membership had increased to 588 with 218 members located outside of Toronto [ICAO Summary, 1933-34].

The increasing geographical-dispersion of members was accompanied by tensions between central [Toronto] and peripheral practitioners regarding appropriate professional practices. Creighton [1984, p. 137] documents the 1930 case of a non-Toronto practitioner accused of soliciting an audit and how this individual defended himself by stating that "Toronto accountants were trying to steal clients in the smaller centres". Furthermore, this individual questioned the ICAO's asymmetrical discipline by noting that the ICAO had failed to institute disciplinary action against the auditors in any of the "notorious commercial scandals of the 1920s" [p. 137] yet was willing to entertain the current complaint. These shifting demographics along with the tensions between rural practitioners and large Toronto firms—auditing in Toronto was dominated by three big firms [Creighton 1984, p. 115]—suggest a different role for ethical codes compared to the earlier juncture. In the 1883-1908 period, regulation at a distance was less important given the small number of members and since the absolute number of members located outside of Toronto was small. However with the growth and geographical dispersion of the membership, formalized ethical rules allowed the ICAO to exercise hegemonic leadership, through both consensual and coercive means. Equally important, these formalized ethical codes had the ideological effect of homogenizing and erasing the different standards of behaviour expected of large Toronto firms and rural practitioners by signifying the existence of a universal standard of behaviour. These written rules effaced the asymmetrical discipline that accounting [Neu 1991; Neu & Wright 1992] and other professional bodies [Larson 1977] impose on different classes of members.

1959 & 1963—The "public good"

The revised Rules of Professional Conduct issued in 1959 and 1961 were the first set of rules to explicitly mention an accountant's duty to the public, placing this duty ***prior*** to one's duty to the client:

> Members shall in all professional matters subordinate personal interests to those of the public, the client or the Institute and profession, as the nature of the case may require.

This was a shift from previous periods where external responsibilities were equated with serving one's clients [cf *CA Magazine* 1924, p. 40]. However, it was also a shift from earlier periods where certain forms of public service were viewed as being ***derogatory to the dignity*** of the profession:

> It is deemed to be derogatory to the dignity of the profession that Chartered Accountants shall convey in any manner whatsoever the impression that they give any form of service to the public without making any charge therefor, whether such service be incidental to, or foreign to, the functions of a Chartered Accountant [RPC 1923, 6[i]].

Viewed in terms of this previous prohibition against public service, the acknowledgment of a public duty appears to be a reversal from the 1923 and 1934 ethical codes.

While the 1959 revisions explicitly noted the accountant's public duty, the 1961 revisions carried this idea one step further, framing the rules of professional conduct as an integral part of professional practice. This framing was accomplished by adding two pages of "Introductory Notes to Rules of Professional Conduct". These notes contained a "preamble" commenting on the importance of rules of professional conduct to professional practice:

> The Ontario Institute's Rules of Professional Conduct, in conjunction with the Chartered Accountants Act 1956 and the By-laws, provide for members and students-in-accounts the basis of the self-discipline required in a professional body.

Besides making these connections, the notes also sought to provide the "Committee on Professional Conduct's" opinion on appropriate ethical behaviour on the part of members:

> The Committee is prepared to give its opinion on problems of conduct in order to help members to avoid infringing the Rules. The following notes, written after practical experience with the various problems raised, are intended to give members an idea of the views of the Committee. It is intended that they will be added to from time to time on the basis of further experience. It must be noted that while these notes offer guidance, they are not intended to absolve members from the personal responsibility of exercising judgment and intelligence in considering the ethical aspects of any particu-

lar set of circumstances.

Guidance was provided on [1] advertising for staff, [2] other advertising, [3] association with non-members, [4] independence, and [5] what constitutes sufficient information on which to express an opinion. In the 1963 revisions the preamble was placed at the beginning of the code and the opinions were appended to the rules resulting in the "Rules of Professional Conduct—Explanatory Notes and Opinions".

Clearly, the introductory notes and opinions represent a disjuncture from the 1896-1908 emphasis on ethics as flowing from one's good moral character. However, they also represent a shift from the 1923-1934 rules which contained ***general***, as opposed to specific, behavioural injunctions. In contrast to the general prohibitions contained in both earlier rules and in the 1961 rules themselves, the introductory notes prescribed appropriate behaviour down to the most minute detail. Take, for example, the following comments on advertising:

> *Business Cards on Changes in Partnership or Firm Name, Changes in Address and Commencement of Practice.* Rules 18, 24, and 25 apply. Despite the restrictions spelled out in these Rules, there have been instances where, for example, a member's former association with the Department of National Revenue has been referred to in an announcement of admission to partnership or commencement of practice. This is clearly not permissible. . . . The size of the announcement cards is not prescribed in the Rules but as the advertising done by members should be for the purpose of informing, not soliciting, good taste and a sense of responsibility are called for. In newspaper listings ***cards should be kept to a maximum size of 2 newspaper columns wide by 3 inches deep***. Cards sent through the mail should be of no larger proportions [emphasis added].

As this excerpt suggests, the Committee was quite willing to prescribe detailed guidelines as to what constitutes ethical behaviour while noting that such detailed guidelines did not absolve members from taking "personal responsibility" for their actions.

The shift to more detailed prescriptions was accompanied by an increase in the number of rules. As Table 2 shows, the actual number of rules increased during this period from 23 in 1934 to 40 in 1961. The majority of the 1934 rules are carried forward in similar forms to 1961; it is additional rules regulating behaviours not contemplated in 1934 that account for the increased number. For example, rules pertaining to relations with other members are expanded to include notices of consulting engagements, referral work and relations with other partners in one's firm. Likewise rules pertaining to general behaviours expanded to include rules regarding independence and misconduct/negligence. These rules, particularly those pertaining to independence, did not have a counterpart in the 1934 code. As Creighton [1984, p. 116] comments when referring to an early draft of the 1923 code, "it appeared that the membership committee was proposing that public accountants should have no beneficial interest in their clients at all". However members felt that this was "going rather too far" and the amendment was dropped.

Finally, like the 1934 code, several references to moral character and dignity remained. For example, the 1961 code included a rule on exhibiting dignity towards other members:

> No member will act in relation to any other member in any way that lowers the dignity and honour of the profession as determined from time to time by the Council or which tends in the opinion of the Council to bring the profession into disrepute.

However, these few references again tended to be overwhelmed by the number of detailed behavioural prohibitions.

Shifts in the ICAO's ethical code echoed changes being contemplated by the American CPA's. More importantly, the revisions contemplated and introduced by both associations appear to be responses to external criticisms. Carey [1969, p. 385] observes that, in the United States, the late 1950s was a time of mounting criticism of financial reporting that reached its peak in the early 1960s. Murphy [1986, p. 47] makes a similar observation with respect to Canada when he notes that the early 1960s were characterized by dissatisfaction with corporate reporting practices and the diversity in accounting principles. The suspension by the SEC of the public accounting firms Haskin & Sells in 1956 [Edwards 1960, p. 263] and Touche, Niven, Bailey and Smart in 1957 [Edwards 1960, p. 269] along with criticisms in *Fortune* [1958] of the accounting practices of Peat, Marwick, Mitchel & Co. and Arthur Andersen & Co. [Edwards 1960, p. 272] can be read as visible challenges to the practices of American, and to a lesser extent Canadian, public accounting firms.

In addition to these visible censures of public accounting firms, the SEC insisted that "independent accountants state that the financial statements were in accordance with GAAP" [Previts and Merino 1979, p. 295] This requirement was referred to in *CA Magazine* discussions regarding the desirability of an independence rule:

> Actions of the Ontario Securities Commission do not specifically fulfil their requirements as to "independence", but it seems reasonable to assume that the ownership of any material financial interest in a concern by the auditor would be considered to have impaired his independence in the eyes of the Commission. The American Institute of Certified Public Accountants in its rules of professional conduct has stressed the matter of independence but has not taken as rigid a position as that of the Securities and Exchange Commission. . . . It seems likely, therefore, that the profession in Canada is moving towards the position where an accountant cannot act as auditor if he has a substantial direct or indirect financial interest in the organization unless he discloses his interest in his report. This is the same position as that taken by the American Institute, with the one important exception that they would prohibit an expression of Opinion where the business concern is a publicly financed company [*CA Magazine*, February 1960, p. 134].

As this quotation indicates, the Canadian profession was quite aware of the challenges facing public accountancy south of the border and the impact that these challenges would have on the Canadian profession.

At the time of these challenges, the AICPA formed a committee [1956] to examine the ethical questions not covered by the current ethical code [Carey 1969, p. 448]. In 1957, its ethics committee also began to issue formal opinions interpreting the ethical rules [Carey 1969, p. 444] with the opinions covering topics such as newsletters and publications [#1], responsibility of member for acts of third parties on his behalf [#2], self-designations [#5] and fee sharing [#6]. The result of these two initiatives was:

> a codification of the rules, including references to formal opinions of the ethics committee, in what was renamed the "Code of Professional Ethics." This new code began with a preamble, after which the rules were

> grouped under five main headings: Relations with Clients and Public, Technical Standards, Promotional Practices, Operating Practices, and Relations with Fellow Members. Six years after the work had begun, the new Code was adopted by the membership [Carey 1969, pp. 448-449].

Although the ICAO's introduction of a public duty rule in 1959 and its inclusion of a preamble and opinions slightly preceded the AICPA's revised code in 1962, it appears that, in revising its ethical code and in adopting "opinions", the ICAO borrowed heavily from work of the AICPA's 1956 study committee and mimicked the AICPA's decision to have its ethics committee provide "opinions". Even more so than in previous junctures, it seems that the ICAO's reaction to external challenges relied on isomorphism between its ethical code and the code of the AICPA.

Like the 1923-1934 period, the promulgation of a "new" ethical code followed closely on the heels of mounting press coverage of the deficiencies of accounting. Once again the revisions can be read as attempts to reassure external publics that the system is working by shifting the focus of attention away from the negative to the "positive" changes contained in the revised codes. In contrast to the previous juncture, however, this time the ICAO enlisted the notion of a public duty to deflect the attention of its detractors: "the name public accountant of itself emphasizes the fact that the profession has a primary service to the public" [*CA Magazine*, February 1960, p. 134]. This deployment of the claim to be serving the public interest is not surprising in that, according to Abbott [1983, p. 863], references to a public duty are integral to claims of professionalism.

If external crises encouraged the revision of the ICAO's code and the move towards specific behavioural prohibitions, so did internal tensions. Creighton [1984, pp. 226-228] documents how, in the late 1950's, several American firms sought to open offices in Ontario. In particular, Arthur Andersen came to the attention of the professional conduct committee as a result of its advertisement for staff "which mentioned an upper figure for salaries" [p. 227] and its announcement card which the committee thought was "most improper" [p. 228]. Additionally, with the growth in membership [from 829 members/students in 1934 to 3,624 in 1954], "it was no longer possible to assume that all members understood or accepted the rules" [Creighton 1984, p. 255].

With these examples of member indifference to ethical rules, the profession became concerned with the most appropriate method of regulating the behaviour of its members. This concern is evident in *CA Magazine* — for example, the discussion of how best to encourage ethical behaviour: by formalized written rules, or by using the English model of publishing case decisions though the ethical rules were unwritten [February 1962, p. 117]. In Creighton's interpretation, these internal issues encouraged the ICAO to add the "notes" to the front of the rules and to change its disciplinary procedures. While Creighton doesn't use these words, we suggest that changes to the ethical rules and to the disciplinary procedures be read as attempts by the ICAO to exercise both a hegemony of consent and coercion [cf Lehman & Tinker 1987, p. 511].

1973 & 1979—Abstraction and Detail

Scarcely a decade after the last revision, the ICAO again reorganized and rewrote its Rules of Professional Conduct. Gone was the detailed "Introductory Notes to Rules of Professional Conduct" complete with the professional conduct committee's interpretations of appropriate behaviour. Instead a four page foreword to the rules was added. This foreword ***theorized*** the rationale for rules of professional conduct and ***deduced*** the core ethical principles. It defined the key attributes of a profession as "mastery of particular intellectual skills", "the practice of a calling that is objective", "a responsibility to subordinate personal interests to those of the public good", and added "there is a specialized code of ethical conduct . . . designed principally for the protection of the public". The foreword asserted that "by these criteria chartered accountancy is a profession", then deduced the core ethical principles by which the profession should be governed:

- A member or student shall conduct himself at all times in a manner which will maintain the good reputation of the profession and its ability to serve the public interest.
- A member or student shall perform his professional services with integrity and due care and accept an obligation to sustain his professional competence. . .
- A member who is engaged to express an opinion on financial statements shall hold himself free of any influence, interest or relationship, in respect of his

client's affairs, which impairs his professional judgment or objectivity. . .

- A member or student has a duty of confidence in respect of the affairs of the client. . .
- The development of a member's practice shall be founded upon a reputation for professional excellence, and the use of methods commonly characterized as self-promotion or solicitation is not in keeping with this principle.
- A member shall act in relation to any other member with the courtesy and consideration due between professional colleagues. . . .

Interestingly, the ordering of these core principles emphasized one's public duty [and the good reputation of the profession] first followed by one's client duty, touching on interprofessional relations last.

The introduction of this foreword framed the interpretation of the rules differently than did the notes that preceded the 1961 code. The 1973 foreword adopted a "commonsensical" approach implying that any reasonable member/reader would appreciate the appropriateness of these rules. This approach was clearly ideological in that it effectively erased [Eagleton 1991, p. 194] previous twists and turns in the code implying that the concerns of the current code remained unchanged from previous codes. For example, the foreword concludes by reiterating the profession's historical commitment to public duty and honourable conduct:

> The rules of professional conduct which follow are based on the principles expressed in this foreword. The principles themselves have emerged out of the collective experience of the profession as it has sought, down the years, to demonstrate its sense of responsibility to the public it serves. By their commitment to honourable conduct, members of the Institute, throughout its history, have given particular meaning and worth to the designation "chartered accountant". . . .

As the previous analysis suggests, a concern with the public interest was a recent one [1959-1961] whereas the concern for moral character and the other Victorian virtues such as honourable conduct were mostly abandoned after 1908.

Although the framing of the rules interrupted previous codes, continuities were also present. For example, the categories in the 1973 code were revised into [1] general, [2] standards of conduct affecting the public interest, [3] relations with fellow members and non-members engaged in public accounting, and [4] organization and conduct of a professional practice. These categories represented a change from those found in the 1961 code; however, the category referring to the public interest clearly represents an extension/continuation of the nascent emphasis previously placed on one's public duty. As Table 2 indicates, the number of specific rules referring to the public interest did not increase over the previous period. Rather, consistent with Abbott's [1983, p. 863] observation that such rules are usually few in number but symbolically important, the 1973 code calls attention to one's public duty by grouping previous rules dealing with general behaviours under this category heading.

The ICAO's concern with providing detailed guidance on how to interpret the rules did not vanish in the 1973 code. The Institute replaced the "Explanatory Notes and Opinions" with a section called "Council Interpretations" at the end of the rules. These interpretations parallelled the rules themselves providing interpretation on a rule-by-rule basis for the majority of the rules. The level of detail was comparable to that found in the 1961 code; however the language was much more legalistic. For example, the interpretation dealing with the rule on client confidentiality states:

> Members and students should be aware of a judgment of the Supreme Court of Ontario [Cronkwright v Cronkwright [1970] 3 O.R. 784]. Mr. Justice Wright, in the course of the action, recognized a duty on professional persons or other persons in a position of confidence and testifying at trial to ask the court for a ruling before divulging information obtained by them in their confidential capacity.

This style of writing differed from the commonsensical approach adopted in the foreword to the rules.

In terms of the rules themselves, this period saw the reversal of two of the more visible rules. For example, whereas the notes to the 1961 code and two of the rules themselves dealt explicitly with independence, the 1973 code did not refer to independence. Instead the 1973 rules substituted the notions of "professional judgment" and "objectivity" for independence:

> A member who is engaged to express an opinion on financial statements shall hold himself free of any influ-

> ence, interest or relationship, in respect of his client's affairs, which impairs his professional judgment or objectivity or which, in the view of a reasonable observer, has that effect.

Likewise, the 1979 code removed the prohibition against advertising, instead stating that a member shall not advertise in a manner that is false or misleading, nor in a manner that contravenes professional good taste or refers to the member as a specialist.

The repeal of the advertising rule followed changes in other jurisdictions, beginning with the English Institute of Chartered Accountants, which relaxed its rules on advertising and publicity in 1975. The new rule permitted the district society to advertise to the public and "[w]hile individual firms are still not permitted to advertise, the code now gives them greater latitude in describing services in certain publications . . ." [*CA Magazine*, October 1975, p. 16]. Next the Monopolies Commission in Scotland recommended that advertising restrictions should be removed [*CA Magazine*, November 1976, p. 20]. In 1978, CPAs in the U.S. were allowed to advertise as long as the message was not "false, misleading or deceptive" [*CA Magazine*, June 1978, p. 11]. The ICAOs new advertising rule was very similar to this U.S. rule.

Compared to the 1961 code, the changes appear to represent a simultaneous movement towards a "symbolic" emphasis on public duty and a retreat from specific rules [particularly the independence rule] that might encourage public-oriented behaviours. This move to abstract yet detailed rules mimicked the American Bar Associations 1968 proposal to revise its Canon of Ethics which, in turn, encouraged the AICPA to begin work in 1969 on revising its rules [Carey 1969, p. 449]:

> [The Canon of Ethics] included statements of relatively few general principles of ethics, supplemented by "ethical considerations" in abbreviated essay form, indicating the reasoning underlying the Canons and appropriate behaviour in circumstances not covered by specific prohibitions.

The foreward to the ICAO's 1973 rules and the section on "Council Interpretations" parallels the American Bar Associations general canons and ethical considerations.

In this period, as in the two previous periods, professional crises appear to have influenced the timing of the revisions. In the late 1960's, the Canadian profession was confronted with the financial institution failure of the Atlantic Acceptance Corporation and the resulting federally-appointed Royal Commission investigation into the failure. Royal Commissions are a relatively infrequent government response and indicate the political seriousness of the events precipitating the commission [Hughes 1969]. This Commission called into question the reliance of Atlantic Acceptance's auditors on the work of others [p.1589] and recommended that the auditors be required to state that the financial statements "present fairly" the results of operations [p. 1652]. These findings echoed previous public concerns over the auditor's role in the failure:

> One of the auditors of Atlantic's subsidiaries had an interest in companies borrowing from the subsidiaries. Thus there was a conflict of interest. This has happened in other cases. There are examples of independent auditors who have borrowed money from the firm audited; or who own stock in the firm audited. [This, surely must worry the policy-making Institute of Chartered Accountants] [McArthur, Nov. 24, 1965, quoted in Creighton 1984, p. 260].

In Creighton's view [1984, p. 261], the ICAO responded to these concerns by setting out to reform its rules of professional conduct. Like the previous two junctures, the 1973 "revisions" appear to be a symbolic gesture on the part of the ICAO to demonstrate the profession's commitment to self-regulation and to restore the lustre to professional claims of moral superiority, claims that were tarnished by the negative publicity surrounding Atlantic Acceptance. Interestingly, it wasn't until the 1970's that the American CPA's experienced its next "years of trial" with two congressional investigations and "mounting bad press" [Preston et al. 1995, p. 523]. According to Preston et al., these legitimation challenges encouraged the American profession to stress issues of independence, adherence to technical standards and quality in both its written ethical code [1988] and its discussions of ethical practice. Whereas these challenges spawned an entire discourse surrounding definitions and interpretations of "independence" in the United States, the ICAO moved in a different direction erasing all references to independence from its written ethical code, substituting the self-referential notion of professional judgment and the less onerous standard of "objectivity".[5]

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[5] Our reading suggests that Canadian discourses of "objectivity" differ from American discourses of "independence" and that the notion of objectivity is less onerous than the notion of independence. However, for an alternative view, see Gaa [1994, pp. 115-119].

CONCLUSION

The preceding analysis documents the changing forms taken by the ICAO's ethical code over its first 110 years. The written ethical code emphasized "professional ethics" in various ways. Professional ethics were characterized as grounded in one's moral character, as a set of general behavioural rules, as concerning one's public duty, and as the outcome of being a profession. Thus contrary to popular belief, the preceding analysis suggests that written ethical codes should not be read in terms of linear progress culminating in the current code. Rather, the emergence and trajectory of the ICAO's ethical code contained many shifts and interruptions en route.

If the ICAO's ethical code should not be read in terms of linear progress, what about the claim that professional ethics have always been, and continue to be, a cornerstone of the Canadian accounting profession? Our analysis suggests that the ideological effect of ethical codes has been to provide compelling reasons for claims to professional status and privilege; however, we are less certain of the impact of ethical codes on the material practices of public accountants.

The preceding conclusion is based on two observations. First, since 1908 changes to the ICAO's ethical code have been preceded by similar changes to the codes of visible [and high status] American professions including American CPA's. Second, since 1934 major revisions to the ICAO's ethical codes have been preceded by either external crises that challenge professional privilege or internal challenges that call into question the functioning of the ethical code. This pattern of revisions to the ICAO's ethical code is consistent with the suggestions by Neimark [1994], Preston et al. [1995] and others [Neu 1991] that ethical codes serve to defend professional privilege.

In terms of specific ideological effects, the analysis highlights four aspects of the functioning of the ICAO's ethical code. First, it illustrates the ways in which ethical codes universalize the public accountant, thereby masking tensions and stratification within the profession itself. Second, it also makes visible how the mimicry of the ethical codes of high status and visible referent professions has the effect of supporting claims to professional status. Third, the analysis highlights how ethical codes erase contradictions between the "business of accounting" and professional claims to provide independent/objective service in the public interest. In the sleight-of-hand tradition, ethical codes serve to distract attention from not only the financial scandals but also the underlying "business of accounting" that encourages practitioners to push the bounds of acceptable behaviour. As Neimark [1993, p. 4.10.3] aptly comments, discourses of ethics simultaneously reassure us that the system is working and distract us from the core question of the ethics of business. Finally, the analysis makes visible the effacement of history and the ways in which revisions to the ethical code attempt to distract our attention from both current and previous financial scandals. This effacement of history is especially evident in the revisions to the 1973 code, and its attempt to derive the importance of ethics from the ICAO's status as a profession, in that these revisions provide the rhetorical space for the view that ethics is the cornerstone of public accounting. It is this grounding within the theoretical discourse of professionalism that pushes professional ethics to the fore and makes it appear as if the ICAO has always thought of professionalism and ethics in this manner. The ideological effect of these changes is to erase not only the history and emphases of previous codes but also the challenges that encouraged these revisions.

In answer to the question of whether ethics has always been a cornerstone of the profession, we conclude that, yes, ethical standards have existed since the ICAO's inception but the initial code and the subsequent revisions to it appear to be responses to professional crises confronting the ICAO at different junctures in time. While this conclusion does not preclude the possibility that ethical codes ultimately influence the material practices of public accountants by encouraging "morally superior" behaviour, it does call attention to the effacement of history implicit in statements regarding professional ethics and thus the political importance of memory.

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SAMUEL J. BROAD'S CONTRIBUTIONS TO THE ACCOUNTING PROFESSION

Abstract: In the decade following the passage of the Federal Securities Laws of 1933 and 1934, the reform of accounting and auditing practices directed authority for selection of accounting principles and auditing procedures away from the discretion of the individual accountant and auditor. Instead, a self-regulatory peer driven process to establish general acceptance for a more limited set of principles and procedures was being initiated. Two events which occurred in 1938 indelibly affected this process, the SEC's decision to issue Accounting Series Release No. 4, which empowered non-governmental entities as potential sources of authoritative support, and the McKesson & Robbins fraud which called into question the value of the independent audit and the role of external auditing at the very time a momentum had been established for self-regulation by the nascent and recently reunified accounting profession.

The contributions of Samuel J. Broad in both the initiatives for self-regulation of accounting principles and of auditing procedures is examined in this paper. Further, several examples of Broad's rhetorical technique of employing analogous reasoning to facilitate dissemination of complex economic and accounting issues are examined.

INTRODUCTION

The decade of the 1930's was an era of both opportunity and crisis for the public accounting profession. The securities acts of 1933 and 1934 called for audits by independent accountants creating a legal demand for the services of public accountants. These acts, along with subsequent legislation, also brought about the potential for increased legal liability and reduced autonomy for the profession [Previts and Merino, 1979, p. 241]. A

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crisis in public accounting occurred in the wake of the celebrated McKesson & Robbins fraud. McKesson & Robbins, Inc., whose financial statements had been audited by Price Waterhouse & Co., had inflated inventory and receivables by $19 million dollars through falsification of supporting documents [Carey, 1970, p. 23]. With the subsequent investigation by the Securities and Exchange Commission, "[t]he entire accounting profession was, in effect, on trial" [Carey, 1970, p. 25].

Broad was born September 4, 1893 in England. His family later migrated to Canada, where in 1916, Broad received a bachelor's degree from Queen's University. Also in 1916, Broad joined the firm of Peat Marwick Mitchell & Co. (PMM). He was admitted to partnership in the United States in 1926. He served the firm as Deputy Senior Partner from 1947 to 1959. By the time Broad was becoming a national figure, in the late 1930s, PMM had grown to the point where Broad was one of the best known of the firm's 25 partners. During his tenure as Deputy Senior Partner, Broad was the firm's chief representative dealing with the profession and regulators.

Samuel John Broad was involved as much as any single individual among his peers in shaping the policies and content of professional standards for both financial reporting and auditing in the wake of the 1930s economic depression and the controversies and investigations concerning the fraudulent reports of McKesson & Robbins thereafter. Broad was one of the most active members of the accounting profession from the 1930s until his retirement in 1959. He was the first expert witness to testify before the Securities and Exchange Commission [1939] in the matter of McKesson & Robbins and the first chairman of the American Institute of Accountants (AIA)[1] standing Committee on Auditing Procedure. Later Broad also served as the Chairman of the Committee on Accounting Procedure, then the AIA's senior authoritative body promulgating financial reporting standards. He is the only person to have chaired both of these AIA Committees and additionally to serve as the AIA's chief executive. He was president during 1944-45. This review of Broad's speeches and writings is intended to assist in achieving a wider appreciation of his views in the context of the times in which they were developed and to invite attention to a continuing consideration of his efforts.

[1] The American Institute of Accountants (AIA) was the predecessor to the American Institute of Certified Public Accountants (AICPA).

Our review is developed in four parts. First we provide background material which places Broad's writings in context. Next, we address Broad's written contributions to the development of generally accepted accounting principles. Then we consider his contributions to auditing. The final section provides a synopsis of the variety of ways that Broad employed analogy in discussing various topics, a pervasive and distinctive rhetorical element of all of his writings. We conclude our considerations with a summary of Broad's contributions consistent with contemporary perspective.

BACKGROUND

Broad did not begin to regularly publish his writings until after his involvement with the AIA Committee on Revision of Federal Reserve Board Pamphlet. This Committee conducted its efforts in the midst of changing conditions. As noted below, in 1935 the CPA profession was still divided between two national organizations; the AIA and The American Society of Certified Public Accountants (ASCPA). Additionally, the Federal Government's securities laws had established the authority of Commissions, first the Federal Trade Commission [1933] and, then, the Securities and Exchange Commission [1934] to promulgate standards for publicly held company reports. The accounting profession, as it was in those days, numbered fewer than 10,000 CPAs and the principal accounting firms, comprised at most of two or three dozen partners each, were located in only the most major population centers. The bulk of the detailed audit field work was performed by "seasonals" who were used only during the busy period of auditing and then released. Firms were beginning to employ college recruits as auditors on a regular basis, but this was the exception, not the rule [Inglis, 1974, pp. 80-83]. The authority for a decision about use of an accounting principle or position was debatable, beyond the established judgment of the individual CPA.

During the decades of the 1930s and 1940s accounting institutions and teaching materials would come into being which would affect the profession throughout the post World War II period. This arrangement came in response to the question of what was an acceptable principle, and reflected the reunification of the practice community which had occurred by the time of the 50th Anniversary of the AIA in 1937. The rival activities of the AIA and ASCPA which had fractured the profession of public accounting during the early 1930s ended with the reunion in 1936 of CPAs under the auspices of the AIA.

United in this fashion, the AIA formed the Committee to Revise the Federal Reserve Pamphlet, which had been published by the Federal Reserve Board [1917]. This committee created a document that established the profession's rationale for general reporting principles. Broad's contributions were as Chairman of this key committee, and in his role as a full time observer-participant in the AIA's Special Committee on Auditing Procedure, which addressed the issues resulting from the McKesson & Robbins fraud. The significance of his latter role was established in testimony before the SEC in early 1939.

Revision of the Federal Reserve Pamphlet

In 1917 the Federal Reserve Board published *Uniform Accounting: A Tentative Proposal Submitted by the Federal Reserve Board*. This pamphlet was revised by a special committee of the Institute in 1929 and titled *Verification of Financial Statements*. After the formation of the SEC, Broad chaired an Institute committee which again revised the pamphlet. The revision was titled *Examination of Financial Statements by Independent Public Accountants*.

This second revision of the Federal Reserve's original publication was spurred in part by the stock market crash and subsequent establishment of government involvement in accounting and reports. The publication of the document in 1936 was important for, as Zeff notes, the revised pamphlet was "probably the first Institute publication in which the term 'generally accepted accounting principles' appears" [Zeff, 1987, p. 58].

Broad chaired the Institute committee to revise the pamphlet and spent a considerable amount of time on its development. His testimony before the Securities and Exchange Commission in the matter of McKesson & Robbins indicates that he personally spent "most of my time for a summer on it" [United States, 1939, p. 6].

Reporting on the Progress of the Committee to Revise the Federal Reserve Pamphlet in September 1935, a report published in the Institute's 1935 **Year Book** [p. 326] notes that:

> Our present aim is to complete the work this fall and, upon completion, to obtain the approval of the executive committee of the American Institute of Accountants; then to take it up with the federal reserve board

> for the purpose of obtaining their sponsorship and thereafter **to secure the *approval* of the securities and exchange commission.** [emphasis supplied].

This statement provides evidence of the attempt of the Committee to establish the profession's authority and role in matters relating to reporting principles soon after the SEC was formed.[2] The 1936 revision of the pamphlet was the first pronouncement of this era to seek the Securities and Exchange Commission's endorsement as an authoritative document.[3] Meanwhile the American Accounting Association [1936] was also producing an important document advocating the historical cost basis in accounting, this document and a later monograph by Paton and Littleton [1940] would affect academics in particular.

The McKesson & Robbins Fraud

> Speaking to a contemporary audience in 1987 during his induction to the Accounting Hall of Fame, Philip Defliese, who served as co-author of *Montgomery's Auditing* for four editions, observed: "One further word—about auditing. Ever since the McKesson case [when standard setting began in earnest] the profession has been in turmoil. I cannot seem to remember a tranquil period."[p. 97].

Events such as the "South Seas Bubble" in Britain or the "Crash of 1929" in the United States, have a substantial literature in place as defining moments which signaled changes in the way society related to business [Previts and Merino, 1979, pp. 7; 237].

The recognition of the particular impact on the accounting profession of the McKesson & Robbins fraud, while noted in

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[2] The Report of the Special Committee on Auditing Procedure appears on page 170 of the Institute's 1939 Year Book. This committee addressed the sensitive peer aspects of the McKesson & Robbins financial fraud. The footnote to the report states: "Samuel J. Broad, chairman of the special committee to revise the bulletin Examination of Financial Statements by Independent Public Accountants, and Edward Kracke, chairman of the special committee on inventories, participated in all the meetings of the committee." *American Institute of Accountants Year Book 1939*, New York, 471 pp.

[3] No detailed research about why the committee failed to receive the sought endorsement is known to have been undertaken. Apparently the attempt was unsuccessful. Not until 1938, when Accounting Series Release No. 4 was issued, did the Commission announce its policy with regard to the basis of generally accepted accounting principles.

standard textbooks, has not been as well developed in recent historical study, despite the fact that important source materials such as the 500 page report on the SEC's investigation of McKesson & Robbins has been made available in reprint [United States of America before the Securities and Exchange Commission, Report on Investigation, GPO: Washington, 1940 Reprinted, Garland Publishing Co. New York: 1982].

In order to appreciate the importance of Broad's role, the McKesson event must be understood in context. The McKesson fraud was first revealed December 5, 1938 As described earlier it involved fictitious receivable and inventory valuations which concealed significant misappropriations. John Inglis, who would later become managing partner of Price Waterhouse, recalls in his memoirs his own experience in the case:

> Coster and his associates had formed a basically sound company which is still an outstanding one and profitable in its field, but they misappropriated $2,600,000.00. In 1938 $2,600,000.00 seemed an enormous sum of money to have misappropriated . . . The McKesson fraud and the fact that it had gone on so long undetected was a terrific shock, not only to our firm, but to the entire accounting profession. Needless to say, it called for a thorough reappraisal of the auditing procedures of not only our firm but also the entire profession [pp. 81-82].

A few months before, the Securities and Exchange Commission (SEC) had issued Accounting Series Release (ASR) No. 4, which recognized that an accounting principle for which there was "substantial authoritative support" would be accepted as the basis for a registrant's filings [April 25, 1938] This release empowered non-governmental, private sector entities to establish "support" for accounting principles used in the preparation public financial statements, confirming the direction which Broad's committee to Revise the Federal Reserve Pamphlet had sought.

In sum, the securities laws and ASR 4 had limited the absolute discretion of individual accountants in selecting accounting principles for statement preparation of publicly held companies. A process of "substantial authoritative support" leading to accepted principles was henceforth to be followed.

Authority for "auditing" procedures, however, still remained the judgmental discretion of each individual auditor who served as an expert. This was consistent with a governmental regulation model in the United States dating back to early state regula-

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tory commissions, which recognized the role of an impartial expert as authoritative in a particular field.

Before McKesson the individual auditor was not constrained in the conduct of an audit, although guidance was provided in the Federal Reserve Pamphlets of 1917, 1918, 1929 and 1936.[4]

A 1950's book told the life story of F. Donald Coster, the head of McKesson & Robbins, whose real name was Philip M. Musica. Musica had assumed a new name and identity, disguising a criminal record which included bribery and grand larceny. Stories which followed the book's publication summarized the impact of Musica and the McKesson case as follows: ". . . as a result of his skullduggery, every auditing firm in the country had to alter its methods of checking accounts. After Phil Musica was through, ***nobody*** took ***anyone's*** *word for* ***anything*** [Hynd, 1955, p. 65].

The expose of the McKesson fraud, happening so quickly after ASR 4 caused concern that the fragile momentum toward private sector self-regulation of accounting would be reversed. The general investing public given the experience of the Market Crash and the Depression was still skeptical of large public companies and those involved with them. This fraud now threatened the credibility of the auditors.

Broad was the first expert witness to be called by the SEC at its McKesson hearings in New York in early 1939. It was the testimony of the expert witnesses at this hearing which directed the SEC to consider standards for the area [Barr and Koch: 1959, p. 129].

The result of McKesson was a limitation on the individual auditor's judgmental discretion. It also recast the relationship between auditors, their professional association [The AIA] and the SEC. The case instigated establishing auditing procedures by way of a self-regulatory process when the Institute membership voted on September 19, 1939 to promulgate the first Statements on Auditing Procedure under the title of "Extensions of Auditing Procedure."

Addressing the membership at this meeting the SEC's Chief Accountant, William Werntz, remarked: "To some it may seem onerous that an expert's opinions should thus be subject to the

[4] The "Historical Preface" to the AIA [1947] Special Report of the Committee on Auditing Procedure relates the details of this process.

views of others. However, standards of performance . . . are a part of everyday life" [Werntz, 1939, p. 24].

By the time the SEC had concluded its investigation in 1940 and released its final report [Accounting Series Release No. 19] the Institute's membership had already adopted a self-regulatory structure and process. This was noted by the SEC in the following passage from the release:

> We have carefully considered the desirability of specific rules and regulations governing the auditing steps to be performed by accountants in certifying financial statements to be filed with us.
>
> Action has already been taken by the accounting profession adopting certain of the auditing procedures considered in this case. We have no reason to believe at this time that these extensions will not be maintained or that further extensions of auditing procedures along the lines suggested in this report will not be made. . . . Until experience should prove the contrary, we feel that this program is preferable to its alternative—the detailed prescription of the scope of and procedures to be followed in the audit for various types of issues of securities who file statements with us. . . ." [Accounting Series Releases, Amended to March 10, 1956, p. 35]

The significance of McKesson, in combination with ASR 4, therefore was to complete the transformation of an accounting professional's discretionary roles from individual-laissez-faire driven judgments regarding principles and procedures, to a judgmental process directed by peer professional standards, guided by a committee structure of the AIA. Samuel J. Broad was an instrumental member of both AIA Committee's involved in this new peer self-regulatory process.

CONTRIBUTIONS TO ACCOUNTING PRINCIPLES

In Broad's discussion of the Federal Reserve Pamphlet he stresses the importance of judgment in the preparation of financial statements and the related professional requirements of competence and integrity [Broad, 1936b, p. 23]. Broad believed that guidelines are helpful for accountants but that guidelines could not supplant individual judgment. Having received his education and initial training in the British system, Broad's emphasis on the use of professional judgment versus detailed rules is not surprising.

At the same time Broad was espousing this approach of applying judgment to fact and circumstances, he also supported the primacy of income determination in his commentary on a paper by Paton. Broad related its importance to valuation as follows:

> Earning power, moreover, is of crucial importance for valuation purposes and past performance must be used as a basis for measuring prospective earning power. [Broad, 1936a, p. 34].

Further, Broad accepted that accounting is a discipline linked to economic judgment. He began a commentary about real estate value as follows [Broad, 1936a, p. 33]:

> . . . value went up or down relative . . . to the **degree of utilization** to which the land could be put and the ability of the building to provide that utilization. If the building did not measure up it became uneconomic and lost value. Objectively the property was unchanged but subjectively its value was dependent on ability to render service or utility and this in turn was measured in terms of money by earning power, the return expected to be realized from the use of the property.

Accounting value theory and its relationship to income determination is succinctly stated in this, one of Broad's earliest writings. In addition, the publication setting in which it appears, namely as a response in the *Accounting Review* to Paton's 1936 paper on valuation is further evidence of its importance [Paton, 1936].

During the post World War II period several accounting problems emerged. Among the most challenging was that of dealing with inflation. Broad, who had advocated the historical cost valuation basis of accounting, modified his view under the circumstances of the postwar inflation and advocated a form of price-level adjusted historical cost, particularly in matters of depreciation. The Committee on Accounting Procedure, [CAP] with which Broad was associated, however, maintained its commitment to the historical cost basis. Zeff [1987, p. 59] notes that when the Committee voted to reaffirm its opposition to price-level depreciation, "Broad became the only chairman in the committee's history (1939-59) to dissent from a committee pronouncement."

The difficulties of inflation in this era were accommodated by the rapid adoption of LIFO techniques in inventory and the implicit endorsement of accelerated depreciation on the cost basis by Earle King, then Chief Accountant of the SEC. These measures in tandem preserved the historical cost basis of statements, while affecting an adjustment to matching of revenues and costs in periods of rising prices. Broad supported the use of indexed historical cost to equate depreciation expense in purchasing power [Broad 1948]. Broad made the following observation:

> Personally, I would not regard the use of an index related to the purchasing power of the dollar as a departure from the cost basis. To my mind it would merely be the measurement in current dollars of the actual dollars expended at a time when they would purchase more [Broad 1948, p. 421].

A host of issues, relating mostly to the balance sheet consequences of such actions remained unresolved however. Since these techniques tended to leave the oldest and lowest costs on the balance sheet, asset values presented in corporate balance sheets tended to be stated on an almost extremely conservative basis as compared to replacement values. Asset understatement was aggravated by the practice that many of the long term plant assets constructed as emergency facilities during the World War II period had been fully depreciated within a 60-month period allowed under wartime regulations for tax and book purposes. These assets had been acquired at bargain prices from the government by corporate contractors [McQuaid 1994]. Therefore such plant assets were not presented in reports at "utilization value" even though there were debates about "restoring" values for these rapidly depreciated assets. Thus, conservative valuation prevailed.

Income statement issues were contested not only on the valuation point of historical cost versus adjusted values, but also between the disclosure and measurement concepts of all-inclusive versus current operating income determination. The CAP voted in 1947 to support the current operating approach and issued *Accounting Research Bulletin No. 32 (ARB 32)* to this end. The SEC, as announced by Chief Accountant Earle King, opposed this approach. King cited the traditional view of all-inclusive statements as consistent with full disclosure and so advised the profession in a special letter published in the January 1948 issue of the *Journal of Accountancy* [King 1948, p. 25]. This impasse led to a continuing skirmish until many years later when the Accounting Principles Board ratified the "modified all inclusive" approach. Broad was a member of the CAP when *ARB 32* was approved, and subsequently in 1948 became chairman succeeding George D. Bailey.

CONTRIBUTIONS TO AUDITING PROCEDURE

Broad's writings on auditing appear coincident to his activities related to the McKesson & Robbins hearings. His initial expert testimony in the SEC's New York City hearings of 1939 suggests the importance given to his views on the subjects related to the scope and conduct of an audit and application of auditing procedures, recruiting of and duties assigned to auditors, supervision of engagements, organization and training of staff, and importantly to the notion of developing a specific list or number of accepted auditing standards. Broad was quoted in the New York Times [1939, p. 36]. As stating that: "the securities acts place very substantial responsibilities on auditors and also very substantial liabilities." In the late 1930s, he also wrote on particular auditing procedures relating to receivables and inventories, two major areas in the McKesson audits.

As the initial chairman of the AIA's Committee on Auditing Procedure, Broad was a proponent of setting auditing standards that are more specific than "general principles" yet more general than "detailed specifications." Broad used a medical analogy to convey the point:

> The standard of due care in an operating room requires absolute cleanliness, but it does not dictate what instruments a surgeon shall use or the exact length of the incision. The standard of cleanliness also applies in the hospital ward, but the procedures — masks, gowns, gloves, etc. — are not so meticulous because the risk of infection is less [Broad, 1941, p. 392].

More importantly, Broad set out in the above text of a speech made at an AIA annual meeting, a preliminary list of auditing standards for consideration by the profession. Broad continued to emphasize the importance of "due care" as a basis for auditing and he advocated that auditors give full consideration to "materiality" and the "relative risk" of various accounts in designing an audit.

As the War was ending in 1945, the AIA published a text for the purpose of both updating accountants returning from the War, and educating the influx of veterans as students expected to enter accounting. Broad, finishing his year as AIA President wrote the chapter on auditing, entitled "Trends in Auditing and Reporting". It is a concise representation of Broad's accounting and auditing thought, the best single representation of his writing up to that time. It summarizes many of Broad's ideas concerning auditing including his list of suggested auditing standards.

Broad's written works show evidence of the shift of importance among issues. In matters of practice planning during the War years, Broad was instrumental in working with the New York Stock Exchange to obtain an extension of filing requirements for firms necessary due to a lack of accounting staff caused by the war. He also led efforts to revise the standard audit report form.

On the important subject of objective judgment, Broad draws an analogy between the role of the independence of an auditor in a competitive economy and the role of a baseball umpire:

> Some time ago I was watching a baseball game. It was an important big league game and the standing of the two teams in the pennant race depended on the result. Much money was undoubtedly wagered on the outcome. The score was tied in the last half of the ninth inning and everything was tense. The pitcher threw the ball. There was a crack of the bat and the whole field sprang into activity. The runner on third base raced for the home plate and the spectators couldn't tell whether he arrived ahead of the ball or not. It was a close decision but a little man wearing a dark cap and a chest protector waved the batter safe . . . [Broad, 1945, p. 26].

THE RHETORICAL USE OF ANALOGY

Broad's published writings appear when he takes up his national professional committee assignments by which time he was in his forties. His writing habits included using analogies to communicate with an audience. Two examples were given in the preceding section. In one of his early publications, Broad remarks that financial statements are most useful for stewardship purposes but that additional information is necessary for investment purposes. In pointing out that investors should be aware that reliance on historical financial statements is no guarantee of future profitability, Broad compares a business with a ship:

> An industrial enterprise is much like a ship. The ship may be well constructed, her cargo carefully stowed and her navigation perfect. She may be sailing a well-charted sea in all serenity. But suddenly a cloud appears on the horizon, a storm arises, the ship is buffeted and beaten. She may be thrown off her course, be delayed or possibly disabled. If the storm is severe enough she may, perhaps, be wrecked. So with an industrial enterprise [Broad, 1936a, p. 35].

The McKesson fraud provided Broad another opportunity to employ an analogy in testimony before the SEC. In describing the CPAs role as an auditor, in his opening remarks at this important hearing, Broad likened the accountant to a policeman:

> Perhaps I can illustrate what I mean by a simple example. A policeman walks down the street, and as long as he is alert and watchful, he is doing his duty, but if a crime is committed, he does what is immediately necessary, and then he reports it, and a detective is assigned to the case.
>
> Similarly, when suspicious circumstances arise, an auditor steps out of his role of policeman into the role of detective . . . [GPO, 1939, p. 5].

Broad used similar analogies in other contemporary auditing papers. Regarding changes to the auditor's report:

> Commenting on the old standard form in Cincinnati last fall, I said: 'The patient is not ill, he does not require a major operation; but some minor correctives are needed.' I think those correctives have been applied and that the patient is greatly improved [Broad, 1939b, p. 22].

And, with regard to auditing programs he observed:

> "Auditing can no more be done by rote than can all bridges be built from a standard blueprint or a lawsuit be tried by formula" [Broad, 1939a, p. 24].

Stating his opposition to negative assurance confirmations related to officers' life insurance, he noted:

> One is reminded of the story of the first mate who was addicted to excessive enjoyment of the cup that cheers. Following warnings, and threats to do so, the captain finally entered in the log a statement that "The first

> mate was drunk today." On the next occasion when the log was the first mate's responsibility he retaliated by an entry to the effect that "The captain was not drunk today." Probably the negative statement was more damaging than the positive statement. I can see some advantage in having the auditor undertake to make inquiries regarding "side agreements" and to report when they are found to exist. I am inclined to doubt the advisability or necessity for reporting when none exist [Broad, 1942, p. 76].

Concerning the exercise of due care, he stated:

> The established standards of what constitutes due care are influenced by the number of people affected by the risk.
>
> Automobile speed limits are lower in congested districts than in the open country; fire escapes are found in apartment houses but not in private houses; employees' liability insurance is required where the number of employees exceed a minimum [Broad, 1941, p. 390].

As to the standard of reasonable care, which was influenced by materiality, as well as the degree of the risk involved, he said:

> The risk of a wreck is no greater to a passenger train than to a freight train, but what is risked is human life instead of property; hence the raising of the standard by the substitution of metal for wooden passenger cars; safety devices required for machinery increase where the danger to life and limb of employees is greater [Broad, 1941, p. 390].

In the same paper he draws and analogy between an audit opinion and a jury verdict:

> Even the conclusion of the twelve men of a jury occasionally results in the miscarriage of justice. Though we sympathize with the unfortunate victim, we do not hold the jury accountable [Broad, 1941, p. 391].

Analogies were the common thread of Broad's style of explanation and his unique metaphor. Broad used them characteristically as vehicles to simplify and demonstrate essential points about the complex role of CPAs in the economic setting of capital markets and the changing times which included the years spanning the depression era, World War II, and the post war economy.

CONCLUSION

Broad was brilliant in his practice skills, effective in his leadership among peers in the profession and in his firm, and clever in his use of analogies. When he began taking up his interest in matters of public policy he showed evidence of vision at a higher level. He was clearly a product of his education and his British heritage. He espoused classical economic and property rights views, and adapted them effectively, inspiring and persuading others as to their efficacy. "Accounting," Broad said in his 1938 paper on the Surplus Account, "is a branch of the science of economics and represents an attempt to measure and show by means of figures economic facts, transactions and results" [Broad, 1938, p. 215]. His theory of accounting was consistent throughout his career with that view. When post depression economic events challenged the traditional balance sheet statement emphasis he was among those who, like Paton, addressed these concerns seeking to develop a rationale for income determination and earning power information sought by investors in public companies in a manner consistent with traditional classical economic notions of property.

Broad's contributions were many and important in their practical significance. One might say, using the analogy of military leaders, that he was a brilliant commander-tactician if not a strategist, for the profession.

His awareness and concerns about the public policy aspects of accountancy, are evident in his later writings, such as in his 1945 speech as President of the AIA. These writings are not visionary or strategic, but are importantly representational, providing portraits of the times.

To him an interest in public policy ran to business concerns over taxes, not the equity of the tax burden *per se*. His energies were fully absorbed in building the profession internally. This was a daunting challenge. It would fall to others in succeeding generations to address public policy matters per se.

Those who wish to examine Broad's writings more extensively may wish to take advantage of the recently published volume of Broad's collected writings edited by Coffman and Jensen [1993]. The collection provides an opportunity to compare and consider Broad's writings with other collections in print, including the works of George O. May, Eric L. Kohler, Paul F. Grady, William W. Werntz, Andrew Barr and Carman G. Blough all of whom were Broad's contemporaries.

Broad's many contributions to the profession were recognized when he received the American Institute's Gold Medal in 1952 and was inducted into The Ohio State University Accounting Hall of Fame in 1954. In identifying the small group of fourteen individuals who have been instrumental in developing the CPA profession over the past century, Zeff [1987] includes Broad as one.

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RENDERING THE UNFAMILIAR INTELLIGIBLE: DISCOVERING THE HUMAN SIDE OF ACCOUNTING'S PAST THROUGH ORAL HISTORY INTERVIEWS

Abstract: Two paradigmatic schools are presently exploring twentieth century accounting history. Conventional historians typically examine archival data to determine the origin and development of modern accounting practices. Alternatively, more critical scholars often question the motives of accountants and managers in the design, collection, and use of this same data. Although each school has a different primary objective, both focus on documented events and both usually ignore the more personal, human side of history — the attitudes and perceptions of accountants, managers, and workers regarding accounting numbers and reports.

This undocumented, human aspect of accounting history is best revealed through oral history interviews. This paper initially discusses the benefits and limitations of oral history interviews. It then includes examples from a recently completed oral history project to illustrate how recollections about the past help illuminate aspects of twentieth century cost accounting history that neither conventional nor critical historians have clearly revealed. The paper concludes by identifying three current accounting topic areas that appear befitting of oral history investigations.

Key Words: Oral History, Historical Methods, Standard Costing,

INTRODUCTION

An increasing number of accounting scholars are examining the history of their discipline. In general, scholars undertake historical inquiries to understand the past for its own sake, to explain modern developments, and/or to precipitate social change. Within the field, paradigmatic differences have arisen between two different perspectives on accounting history —

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conventional (traditional) historians who examine business archives to discover the origin and describe the development of modern accounting procedures [Edwards and Boyns, 1992; Fleischman and Parker, 1991; Tyson, 1992 & 1994] and critical historians who focus instead on how the reports were used by owner/managers to maintain class distinctions and social arrangements within the firm [Hopper and Armstrong, 1991; Hoskin and Macve, 1994; Miller and Napier, 1993].[1] Merino and Mayper [1993, p. 262] have encapsulated these differences as follows: "Critical historical research has provided important new insights by rendering the familiar, strange; while conventional historical inquiries render the familiar, intelligible."[2]

Notwithstanding the disparities between critical and conventional historians, both typically focus on particular documented events in the past and utilize written material for information about these events.[3] This paper argues that oral history interviews can best reveal the previously undocumented, human side of accounting's past — the perceptions and recollections of individuals who designed, implemented, or were impacted by accounting procedures. In doing so, oral histories can illuminate a side of accounting history that has been long neglected. Oral histories can also provide data to evaluate whether conventional or critical interpretations best clarify particular past events. For example, conventional and critical historians typically disagree about the relative importance that economic, social, and political factors have had on recent accounting developments such as standard costing. Conducting oral interviews with individuals who helped to develop and/or implement particular accounting procedures might illuminate the discourse. The value of an oral history project may rely on the unique insights that informants provide about the past or on the belief in the merit of "history for its own sake." In addition, oral history interviews generate newly documented evidence which can be used to evaluate the efficacy of competing paradigms.

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[1] Recently, Fleischman et al. [1995] have urged a more peaceful coexistence between conventional and critical accounting historians.

[2] Merino and Mayper [1993, p. 242] differentiate these perspectives in another way: "The traditional historian's non-problematic acceptance of the documentary model's focus on motive, a rationalistic discourse, also would seem to be a distinguishing feature between critical and traditional historians."

[3] As an exception, Hammond and Streeter's [1994] paper on U.S. black CPAs incorporates oral history interviews and adopts a critical perspective.

This paper initially describes the benefits and challenges of conducting oral history interviews. Specific examples from a recently completed oral history case study are then presented to show how informants' comments can provide unique and revealing aspects of standard costing's development and implementation, insights which are typically unavailable from conventional and critical histories that are based exclusively on documentary sources. The paper concludes by identifying three current accounting issues which lend themselves to oral history research.

THE BENEFITS OF ORAL HISTORY

Oral history can be defined as a research method embodying recalled events and experiences which emanate from the interaction between an interviewer and informants regarding actual or contemplated prior events. This definition underscores the point that oral history is a creative process which relies on hindsight, recollection, and interaction in its reconstruction of the past. It is much broader and differs significantly from the one presented by Collins and Bloom [1991, p. 23]:

> [Oral history] constitutes verbal recollections of events and circumstances that have occurred in the past from individuals knowledgeable by virtue of their position at the time of their expertise.

The Collins/Bloom definition is less inclusive in two ways: 1) it excludes projects that involve 'ordinary' people, and 2) it disregards the interaction between interviewers and informants. Unlike written history, in which the scholar culls and reconstructs evidence developed *in* the past, oral history is a dynamic process that creates evidence *about* the past and allows undocumented perspectives to emerge, perhaps for the first time. Thus in its essence, oral history "is a history built around people" [Thompson, 1978, p. 18] rather than a history based on written records.[4]

Because oral historians generate evidence which emanates from an interpersonal relationship, they are not prone to argue for the "objectivity" of the past. In addition, oral historians are not as concerned about the cause of particular historical events

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[4] Frisch [1990, p. 188] expressed a similar sentiment about oral history: "Oral history is unique in that it creates its own documents, documents that are by definition explicit dialogues about the past, with the "subject" necessarily triangulated between past experience and the present context of remembering."

as they are about the range and context of choices that were available to individuals who participated in these events. Because oral historians focus on the process as well as the product of decision making, they are more likely to recognize the inherent subjectivity of the interview process and to acknowledge the role of the conditioning environment on the individual. Merino and Mayper discussed the importance of this latter issue [1993, p. 258]:

> It is critical for all researchers, whether using archival data or doing a laboratory experiment, to take into account the conditioning environment that they are trying to understand and relate this environment to their assumptions, research questions, and research design.

Oral history can also minimize the related problem of belief transference, a problem often associated with historians who attempt to interpret the past.[5] When effective, oral history empowers informants to tell their own stories about the past in their own words, rather than through the translation and reinterpretation of the historian. Thompson [1978, p. 99] discussed the importance of enabling informants, rather than historians, to reconstruct past events:

> While historians study the actors of history from a distance, their characterizations of their lives, views, and actions will always risk being misdescriptions, projections of the historian's own experience and imagination: a scholarly form of fiction.

As a process that reaches back in time, oral history connects the present with the past as "living history, the remembered past that exists in the present" [Frisch 1990, p. xxii].[6] Informants can share their reconstruction of past actions, the alternatives they faced, and their thinking now and at the time of prior events. The opportunity for the same person to experience the past and

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[5] According to Merino and Mayper [1993, p. 245]: "Belief transference occurs when researchers impute current beliefs to people in different time periods or in different cultures."

[6] Porter [1981, p. 163] similarly described how oral history interweaves the past and the present: "In a process approach to historical explanation, then, change is a function of continuity. Both stem from the creative, temporal nature of historical events. On the one hand, the past is filled with momentum and inertia; on the other hand, the past is incomplete and indeterminate regarding the future."

share recollections with an interviewer is unique to the oral history process. The end product is far different from one which is reconstructed exclusively from documents. Thus, according to Eller [1990, p. 45]:

> . . . the primary advantage of an oral historical method is not properly "historical" at all: oral history in this sense has little to do with reconstructing what actually happened in the past (though this may be a beneficial side effect), and everything to do with examining how the past is remembered. After all, oral history does not take place in the past, but in the present, as a present reflection on the past.

Recollections and personal insights about the past provide a unique perspective on the complex, human side of history — a side rarely examined other than in historical biography. Skillful interviewers can elicit memories which "sort out the significant from the inconsequential" [Tomes, 1991, p. 608] and draw out insights which are absent from most other histories. Jones and Osterud [1989, p. 564] noted that unlike documents, "interviews capture paradox and reveal a complex reality in which constraints and choices are inextricably interconnected." Allen and Montell [1981, p. 20] similarly described the key distinctions between oral and written history:

> Written records speak to the point of *what happened*, while oral sources almost invariably provide insights into *how people felt about what happened.*
>
> (Italics in original)

Adding a human perspective to past events seems especially fitting to the field of accounting, a field often portrayed as comprising a set of mundane, impersonal procedures devoid of expression and judgment. Oral interviews reveal the human drama of the past, the "pivotal moments to life" [Frisch, 1990, p. 163], that are usually absent from histories based on written records.[7] Clearly, the remembered experiences of accounting elites would be an interesting and appropriate subject for oral history research. This type of project could garner interest from individuals who helped to create, implement, and enforce accounting

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[7] Along this same line, Tomes [1991, p. 610] wrote: "By preserving the stories lying beneath the often opaque surface of the written record, the oral history interview reveals the role of influential personalities, the "accidents" of time and place and the context of critical decisions."

principles. But oral history opportunes much more. It can give voice to individuals and their achievements that have been unacknowledged, disregarded, or intentionally suppressed from written records. Thus, unlike document-based histories, which were usually created or edited by dominant members of a society, oral history can illuminate the views of ordinary citizens and minorities.[8] Thompson [1978, p. 5] expressed this point clearly:

> Since the nature of most existing records is to reflect the standpoint of authority, it is not surprising that the judgement of history has more often than not vindicated the wisdom of the powers that be. Oral history by contrast makes a much fairer trial possible: witnesses can now also be called from the under-classes, the unprivileged, and the defeated.

Not surprisingly, very few oral history projects have been undertaken in accounting which focus on other than dominant group themes. An exception is the paper by Hammond and Streeter [1994] which includes oral interviews with early African-American CPAs. The authors obtained unique insights about informants' personal experiences and frustrations in attempting to enter a white, male-dominated profession — insights which were unavailable previously.[9] Another "minority" perspective in regard to written accounting history is that of individuals who were subjected to or evaluated by accounting reports. Thus, conducting interviews with information users and other non-accountants can illuminate "the complex environment in which accountants function" [Merino and Mayper, 1993, p. 237]. This hidden perspective of accounting history is examined further in a later section of the paper.

Oral interviews can uncloak the level of association people have had with past events — the intensity and closeness they experienced, the alternatives they considered, and the concerns they may have expressed about actual and unforeseen consequences of the "raw data of history" [Napier, 1989, p. 242].[10]

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[8] See Tinker et al. [1982] regarding accounting literature's focus on dominant members of society.

[9] See Hammond and Sikka [1995] for other examples of minority perspectives that have been revealed through oral history interviews.

[10] Allen and Montell [1981, p. 58] describe this aspect of oral history: "While written documents supply factual information about the whys and wherefores of important events and movements, orally communicated history often expresses how people felt about those events, how they reacted to them, and how the events affected their lives."

This "unwritten" record of possibilities and other "non-events" is best explored through a process which stimulates a recollection of the past that was undocumented or documented incorrectly. The interview process can stimulate certain memories which benefit readers and informants alike. Vansina [1985, p. 13] noted that oral history can "promote consciousness among the actors of the happenings themselves."

Although new and historically significant insights can emerge from an interview, many informants are initially reluctant to discuss sensitive issues unless they shared past experiences or have developed a trusting relationship with the interviewer. The interaction between the interviewer and informants further reinforces the subjectivity of oral history. To obtain noteworthy insights, the interviewer may need to demonstrate a thorough understanding of the topic area and display exceptional sensitivity to informants' personal concerns.[11] Thus, unlike the detachment and objectivity that documentary-based historians encourage, oral historians often seek to establish a close, personal relationship with informants.

Conducting oral interviews with a group of individuals who shared past experiences may generate recurring perceptions, stories, and personal anecdotes about the past. If a group of informants tell a common story, the oral historian can describe any collective notions that emanate in retrospect regarding these experiences. Furthermore, the historian will gain insight about the nature of recollection and the kind of stories that emerge as oral tradition. Allen [1992, p. 606] discussed this facet of oral history:

> Story, for instance, is one such form that affords rich interpretive potential for historians interested in how narrators perceive and construct historical experience.

By generating insights about events that did not happen, oral history interviews provide a perspective of the past that is rarely obtained from documents. Thus, oral interviews may show that the choices between a set of actions rest as much on human factors (prestige, friendship, family, etc.) as on a particular economic or social theory. Notwithstanding these benefits,

[11] Many elderly informants, especially those that are not well educated, are fearful of strangers and concerned about the motives underlying academic research. Interviewers should be able to communicate clearly the historical significance of the project in order to obtain key insights.

historians who prioritize the "objectivity" of actual events and require the "proof" of documentary sources may deprecate remarks about actions that were contemplated but never undertaken. Demandt [1993, p. 3] described three criticisms (walls) that historians have identified about events that did not occur:

> The first wall is the conviction that what never happened is meaningless. What never became real has no significance. Secondly, there is the alleged lack of any systematic path. Even if it were interesting to know what could have happened, we lack the means to find out. In the third place, there is the fear that occupying oneself with the merely conceivable will diminish respect for what really happened, that the intellect will be seduced into frivolous games and so be spoiled for serious work.

Clearly, insights emanating from oral interviews can be combined with data obtained from documentary sources to produce a history that is richer, more accurate, and more complete than if either method was used alone. In describing the appropriateness of combining oral and written approaches, De Hart [1993, p. 585] described the subjectivity of oral history:

> The well-prepared interviewer: (1) elicits from it [memory] the most accurate and objective representations possible of historically significant events and people; (2) subjects that information to critical questions about validity and reliability; and (3) incorporates the data judged to be factually accurate into historical narrative, discarding whatever fails the test.

Oral history can clarify the role of strong personalities in shaping history, as well as the existence of informal networks and undocumented influencing factors. It enables previously unprivileged informants to describe, explain, and interpret their own actions through recollection and reconstruction. The interview process can stimulate the remembrance of the possibilities of the past and those peripheral events that never entered the written record. In summary, oral interviews focus on the human side of history — the process and context of past events — rather than the product of history, the events themselves. Despite its many positive features, scholars should be aware of the challenges confronting an oral history project.

THE CHALLENGES OF ORAL HISTORY

There are a number of challenges and limitations associated with oral history research that should be anticipated by scholars unfamiliar with this methodology. For one, informants may embellish their actions and misrepresent their influence on particular events, especially if events have receded far from memory. One way to mitigate this outcome is to corroborate informants' verbal remarks against previously written records. Ideally, documents that were created at the time or shortly following particular events are available and can be examined. A related concern is the inability of individuals to reconstruct an accurate chronology of past events.[12] Given this foible of human memory, oral history is not recommended for establishing sequential and/or causal relationships.[13]

Although oral histories can produce many new insights about the past, they also bring about a type of bias that is absent from document-based histories. Clearly, the bias associated with selecting individuals to interview is comparable to the selection of documents to examine; and the questions posed to informants parallel the extraction of particular nuggets of historical data from documents. Notwithstanding, the oral history process is uniquely biased because of the intangible and interpersonal factors that involve the interviewer (age, gender, knowledge of subject, etc.),[14] the informant (age, gender, memory, etc.), and the interview process (questions, rapport, time, etc.). Oral history's limitations and biases bring into question the indiscriminate extension of findings to different populations and

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[12] Allen and Montell [1981, pp. 29-30] noted a positive aspect of this limitation: "The disregard for chronology in orally communicated history makes it seem that there is no order at all to the way people talk about the past. Yet there is a connecting strand in what is said, although it is quite different from what formal historians might expect it to be. The ordering principle is not time, but the emotional associations that people have with the events and the persons being described."

[13] Porter [1981, p. 35] argued that the concept of causality is very problematic: "The fact that two events are associated in a sequence a great number of times does not mean that one causes the other. It simply means that they are associated. Causation is a kind of fiction that we attribute to the association to make it intelligible for the purpose of controlling our environment".

[14] An alternative view was put forward by Starr [1984, p. 4] who argued that oral and written sources serve the historian in a similar fashion: "It [oral history] can convey personality, explain motivation, reveal inner thoughts and perceptions — serving scholars in much the same was as private letters and diaries."

time frames. Thus, oral history interviews may be better used to evaluate theories that have been propounded by other scholars rather than to form the nuclei of new speculations.

There are a number of mundane, procedural issues regarding oral history data that must be confronted and resolved. For one, the volume of interview data can be overwhelming and the subject matter wide ranging. Each one-hour interview can generate ten or more single-spaced typed pages of transcribed text. If a project includes 30 interview hours, representing as few as ten informants, the cost of data transcription and analysis are not insignificant. The researcher must also address the use of vernacular, remarks made in confidence, varying tone and intensity, and other subjective issues when converting oral remarks to written text. Because transcribed interviews necessarily reflect interviewer bias, some oral historians argue that only verbal remarks represent primary oral history data.[15]

Once transcribed, the data should be presented to informants for review. Many informants are embarrassed by the written version of their verbal remarks and want to "improve" them by correcting slang, incomplete sentences, and awkward statements. This form of editing is not a problem for some historians, although others may think that altering prior remarks is akin, albeit in a small way, to rewriting history. Similarly, some informants are reluctant, both at the time of the interview and when reviewing transcriptions, to disclose sensitive material (e.g., personal names, places, dates, etc.) that they proffered in conversation. These concerns do not directly confront the documentary historian, although they are a hidden factor in the creation of original documents.

Another problem may occur because the respondent is talking in the present and has adopted modern world views which they carry with them into the past. For example, a woman who was paid far less than a man in the 1920s or 30s may be angry about it now and say she was angry about it then even though at the time she accepted the wage differential as a fact of life for her and other women. Alternatively, some informants may expunge key events that were traumatic when they occurred but are not so in retrospect because of information they later obtained.

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[15] Ideally, oral interviews can be videotaped as well. Seeing and hearing an informant's responses can enrich the data and clarify interpretation.

The next section of the paper illustrates how oral history interviews can be used to evaluate theoretical arguments about accounting practices. If the view holds that innovative propositions are more likely to receive favorable publication decisions, then scholars may be inclined to promote unique or unconventional theories about the past. Furthermore, if documentary evidence is inherently privileged and biased, then both conventional and unconventional theories about the past may be best evaluated through the recalled memories of individuals who had first-hand, participatory knowledge about the events to which these theories relate. For example, a theory regarding the development of a modern accounting institution like the Financial Accounting Standards Board (FASB) may be evaluated by interviewing individuals who interacted with the FASB rather than by examining written records that were prepared by FASB staff. This facet of oral interviews was pursued in regard to competing attributions about the development of standard costing.

INSIGHTS ON STANDARD COSTING

There is an ongoing discussion between conventional and critical accounting historians concerning the nature and role of historical evidence. Conventional historians [Edwards and Boyns, 1992; Fleischman and Parker, 1991; Tyson, 1992 & 1994] have examined business archives to discover the reports prepared for owner/managers and to determine, in part, the origins and uses of modern accounting practices. Typically, their studies incorporate evidence from primary sources; are specialized by time, place, and subject; and fail to question the neutrality or bias of the source material they utilize.

Critical historians, on the other hand, often reject the validity of primary source materials because they were created by dominant groups (accountants, managers, accounting institutions, etc.). Critical studies describe how accounting reports were used to maintain class distinctions and social arrangements within the firm.[16]

Not surprisingly, conventional and critical historians view U.S. cost accounting developments far differently. Conventional historians often support transaction cost theory which holds

[16] See studies by Braverman [1974], Clawson [1980], and Hopper and Armstrong [1991] who adopt a critical, labor-process perspective regarding U.S. accounting and business history.

that cost accounting developments as well as other managerial actions arise from market pressures and are implemented to achieve coordination, control, and greater cost efficiency. Their histories usually disregard political, social and behavioral issues and conclude that competitive forces and the need for rational decision making fully explain and justify the use of cost accounting measures and reports.[17]

Alternatively, critical historians who adopt a labor-process perspective, focus on how accounting and related information was used to maintain class distinctions and social arrangements within the firm. They argue that managerial actions were undertaken to extend and intensify the labor effort and augment profits. These historians are more concerned with the motives and impact of cost accounting reports than with their specific content. They portray accounting as a management tool that is one-sided and impervious to worker influences.[18]

Hopper and Armstrong [1991] adopted this perspective in interpreting particular developments in twentieth century, U.S. cost accounting history. In contrast to transaction cost theory, Hopper and Armstrong [1991, p. 406] described an unconventional and far more critical perspective of standard costing and other accounting-related control devices:

> Recognizing the need for a broader, more critical institutional analysis of capitalistic development, the core presupposition of this perspective is that social and economic conflicts arising from the modes of control which characterise particular phases of capitalistic development stimulate the creation of new forms of control intended to eliminate or accommodate resistance and to solve the associated problems of profitability.

Throughout their paper, Hopper and Armstrong posed many persuasive arguments, but they cited secondary sources exclusively to bolster their views. The perceptions of first-hand par-

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[17] Chandler [1977] and Johnson and Kaplan [1987] typify the traditional document-based business historians who ignored social factors. Recent archive-based studies [Fleischman et al., 1995; Boyns and Edwards, 1995] have been more open-minded and eclectic in their discussion of accounting history.

[18] Other critical historians [Hoskin and Macve, 1988; 1994; Stewart, 1992; Walsh and Stewart, 1993] have reexamined business archives and attributed Foucauldian power/knowledge rationales to explain certain accounting practices. Foucauldian scholars tend to provide specific evidence, in sequence and in context, and to promote a general theory of hierarchical surveillance regarding the use of standard costing procedures.

ticipants in the history they describe were noticeably absent. Consequently, many readers may have been uncertain about the validity of either perspective, both as a general theory or in regard to particular case studies. Oral interview data provides an excellent opportunity to illuminate the debate concerning the development of standard costing.

In a recent study, Tyson [1996] conducted oral interviews with individuals having first-hand involvement in the U.S. men's tailored clothing industry. Seventeen interviews were conducted with owner/executives, middle managers, and union workers who had varying degrees of experience over the past 75 years with procedures which were related to and included standard costs. One purpose of the study was to explore if a conventional (transaction cost) or critical (labor process) interpretation better explains the development, use, and impact of standard costing and related procedures.

Through oral interviews, informants provided insights which helped to personalize a superficially mundane procedure like standard costing. Their remarks revealed facets and considerations that occurred beneath purely theoretical discourse. Whilst the biases of selective questioning and reporting still exist, oral interview transcripts, in their complete form, can provide readers an opportunity to examine data that is largely untainted by an historian's interpretation and help them determine if either the critical or conventional view should be promoted without qualification.

Tables 1 and 2 have been prepared to help clarify the debate for those not totally familiar with the theoretical issues. Table 1 describes the conventional (transaction cost) perspective and Table 2 the critical (labor process) perspective regarding standard costs and related procedures.[19]

[19] Clearly, an either/or approach eliminates a middle ground position that many authors may hold; thus, these tables should be viewed as representing somewhat extreme positions.

TABLE 1

CONVENTIONAL VIEWS

Piece Rates and Time Studies

* Implemented to motivate workers to increase output
* Replaced by time wages when market signals were unavailable
* Ensured uniform and predictable costs
* Generated lower unit costs than time-based wage schemes

Production Standards and Standard Costs

* Established to improve efficiency
* Became increasingly scientific and accurate
* Represented what costs and quantities should be
* Represented best practices and methods
* Were used to evaluate the efficiency of internal processes

Introduction of New Technology

* Implemented for competitive reasons
* Not employed just to reduce costs
* Provided more output at greater consistency

Industrial Relations

* Characterized by compromise and consensus

TABLE 2

Critical Views

Piece Rates and Time Studies

* Cut when workers' earnings became too high
* Geared to the performance of the fastest workers
* Imposed on the workforce by industrial engineers

Production Standards and Standard Costs

* Depended on weakened resistance from organized labor
* Established for social, political, and ideological purposes
* Derived from scientific decisions on the pace of work
* Implemented to extend and intensify the work effort
* Created a deskilled and fragmented labor force
* Monitored individual effort and accomplishment†
* Were invulnerable to workers' influence†
* Pinpointed the inefficiencies of individual workers

Introduction of New Technology

* Implemented to subdivide jobs and lower labor costs
* Labor received few if any benefits
* Increased speed and effort levels

Industrial Relations

* Inherent conflict between management and labor
* Bargaining outcomes resulted solely from power differentials

† These two comments were made by Miller and O'Leary [1987] in their critical history of scientific management and standard costing.

The study, Tyson investigated the practices that directly underscore the use of standard costs for control: piece rates, time study, production standards, and the implementation of new technology. In brief, the interviews were conducted by the author and transcribed professionally. A sample of convenience was used to identify informants who were classified as owner/executives, middle managers, and workers/union officials. The author completed an oral history workshop prior to undertaking the project and followed many recommended oral history procedures prior to conducting interviews.[20] Because informants were drawn from the U.S. men's clothing industry exclusively, generalizations beyond this industry are cautioned. Even so, their comments may help assess whether the conventional or critical perspectives best captures the nature of standard costing in this particular industry.

The subjectivity of the oral history process and the biases of the oral historian manifest in the selection of particular remarks to provide in condensed, summary form. With this caveat in mind, the data in Table 3 are presented. Like other oral history projects, the data uncover human aspects of a particular procedure, in this case standard costing. For example, informants revealed that standards were geared to average workers; workers were given time to achieve standards; time studies were not important in setting piece rates; most disputes were resolved at the shop floor; and new technology did not require workers to exert more effort. At a more abstract level, the data suggest that the interests of capital and labor were generally accommodated and both economic and social factors had an impact on the eventual standard cost numbers. Several remarks are worthy of further discussion.[21]

[20] For example, questions were open-ended and original vernacular was retained when possible. Informants were mailed a copy of their transcription and were asked to verify content and authorize public release.

[21] See Tyson [1996] for a detailed discussion of informants' remarks and their biographical data.

TABLE 3

ORAL INTERVIEW INSIGHTS

Piece Rates and Time Studies

* Produced higher earnings for many workers
* Geared to the earnings and performance of 'average workers'
* Most disputes about rates and time were resolved at the shop level by the business agent and plant manager
* Workers were given time to attain normal working speed
* Rates were subsidized during the learning period
* Rates were rarely changed after a trial period and were never cut arbitrarily
* Union conducted its own time studies and contested unfair rates
* Management made side agreements with the union about rates and time for certain jobs
* Management was contractually bound to retain slower workers
* Conducted by union and management personnel working together
* Time study data were not that important in setting piece rates

Production Standards and Standard Costs

* Many workers earned more than the standard
* Standards were achievable by average workers so that most workers would earn decent wages and support the union
* Contracts prevented the dismissal of workers who could not match speed of fastest workers
* Computerization enabled standards to be used to evaluate individual workers
* The attainability of standards varied widely among firms

Introduction of New Technology

* Many individual workers reacted negatively
* An individual's earnings were not reduced, but new hires worked at lower rates
* Implemented to reduce costs and increase productive capacity
* Subdivided and narrowed individual jobs, altered skill levels, and diminished the status of certain workers
* Reduced learning time and training costs
* Supported by workers when it improved work and safety conditions
* Raised the skill levels and earnings of certain jobs
* Provided greater conformity and consistency
* Did not require workers to work faster or exert more effort

Industrial Relations

* Mutual interests were recognized and tolerated
* Marked by consensus rather than conflict

Many informants indicated that piece work rates were negotiated and were never cut arbitrarily.[22] Others revealed that time studies were geared to the earnings and performance levels of "average" workers.[23] Standards of production were exceeded by the majority of workers and those not matching the their fastest peers were not dismissed from employment because of contractual obligations. New automated technology was implemented both to reduce unit costs and to maintain market share in light of competitors' price cuts.[24] Individual workers resisted new technology, but the union usually support its implementation especially when they were convinced it was needed to save union jobs.[25] Technology did subdivide tasks and narrow individual jobs, but it did not increase the pace and effort of work.

In summary, the data from this group of informants indicate that standards were developed through compromise and negotiation and incorporated a wide range of human factor considerations. Although their views conflicted on specific issues, especially those impacting wage levels, none of the informants portrayed the men's clothing industry as a harsh, managerially dominated workplace. Instead, they described an industry that was confronted with continual economic pressures (low profit margins and intense competition from non-union and foreign

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[22] For example, one union official stated that: "If the individual was given a [piece] rate and was satisfied with it, they'd go ahead and make it. If not, they would complain to us. Then through a regular grievance procedure that we've established for years in the shops we would discuss it with management."

[23] An owner/manager described how this concept was applied: "You've got to set up a standard that the average worker can produce. Now what will happen is you have a bunch of ten people that all produce differently, but if the standard is set right, it means that the lowest productive operator can still achieve her standard...If they don't achieve the standard you've got an excess cost because the garment is based on the amount of time it takes to do the job."

[24] A retired chief executive of a major clothing described the rationales and implications of automating production: "Nobody wanted any one particular worker to go, or any one particular plant to shut down. But the need for capital and investing in technology to make workers more productive is the only way to sell enough goods...It doesn't make sense if you could pay everybody only five dollars [per hour]. It makes more sense if you could pay fewer people ten dollars and have them earn that living wage with good equipment."

[25] Several owner/executives held a different view. One executive described the difficulty of getting the union to agree to new technology: "I said, Jack, I've got to have something too. I'm telling you right now, for your good, for the good of this industry, you've got to let us modernize the cutting rooms. Nobody is going to get hurt, nobody will get fired, people will earn more money, they will not earn less money."

sources) and that accommodated workers who varied in skill levels, ambition, and education. Insights about these and other human facets of standard costing are often lacking from both conventional and critical histories which are based exclusively on documentary sources.

Clearly, a different set of informants, especially those without administrative or executive experience, would have provided a different and perhaps less placid view of industrial relations and standard costing in this particular industry. In fact, oral history has become popular among those seeking to describe a suppressed or unconventional perspective of an activity that has been dominated by one particular class of citizens. Notwithstanding, oral interviews can enrich conventional, mainstream analyses by revealing an important and neglected human dimension. In accounting, this dimension is especially important when countering the charge that accountants, managers, and executives were and are inflexible, domineering, and motivated exclusively by economic criteria. The next section describes three current accounting issues that would benefit from an oral history expose.

FUTURE ORAL HISTORY RESEARCH

There are a number of current issues that lend themselves to oral history examination. In general, these issues involve accounting culture, institutions, and significant groups or individuals. In their call for realistic historical examinations, Merino and Mayper [1993, p. 262] seem to support the oral history method and its use of first-hand participants:

> Accounting historians can make an important contribution by providing a more realistic picture of the current state of the discipline and by pointing out contradictions that exist between what academic researchers assume and actual economic relationships in contemporary society. This picture should consider both institutions and individuals.

One aspect of accounting culture that has experienced considerable change in recent years is the nature of professionalism. Professionalism has evolved to include a full range of operational and strategic planning services that bring to question the nature of independence and public service. An oral history study in this area might be entitled, "Professionalism Past and Present — the Remembrances and Experiences of Practicing

Public Accountants." Interviews could be conducted with notable CPAs having broad experience and an unusual perspective on the changing role expectations of auditors over the past 50 years.[26] Similar studies might examine the activities of controllers, regulators, and educators.

A history of an accounting institution would be greatly enhanced with oral interviews. One study that seems germane is a history of the FASB. This institution will be marking its 25th year in 1998, and many of its founders are alive and still active in the accounting profession. A history of the FASB which incorporates the recollections of founders and notables would be a noteworthy contribution to accounting history literature. Interviews might also be conducted with individuals who served in the Securities and Exchange Commission, Financial Executives Institute, or academe, and maintained an external perspective.

There are many opportunities for oral history research that focus on individual accountants who share a common demographic characteristic. One example is Hammond and Streeter's [1994] study of black U.S. CPAs. Accounting populations that are yet unexamined include female accounting educators, rural accounting practitioners, and career internal revenue agents. Eliciting the views and experiences of notable individuals from these groups might expose, a unique, more personal dimension to accounting work at a time when the profession is attempting to increase its appeal to more diverse student populations. In general, studies that examine current issues would benefit from the insights and historical perspectives that informants would provide.

SUMMARY AND CONCLUSIONS

This paper has sought to show that oral history benefits both conventional and critical scholars who seek a more complete picture of accounting's past. Historians and readers alike gain from personal insights that are revealed by participants of history. De Hart [1993, p. 594] indicated how a combination of oral interviews and documentary sources can produce a much clearer and more humanistic picture of the past:

[26] The Proceedings of the 1992 Accounting Hall of Fame Conference [Burns, 1992] illustrate the insights that notable accountants can provide about historical issues, controversies, and debates.

Finally, and most important, extensive reliance on oral evidence need not confirm the superiority of document-driven, chronologically distant history. Rather, the collection and use of oral evidence can enable us to see more clearly the problematics of all evidence. We recognize that every source is a historical construction, embedded with assumptions, intent, and interpretation.

Oral interviews are one of the most effective ways to illustrate the human side of accounting history. Personal recollections add richness and clarity to conventional histories which seek to organize past events. They also provide data and specificity to critical interpretations which assail the fairness of past events and decry the motives of accountants, managers, and business owners. Oral histories help to reveal the thinking that was pursued by accounting decision makers and those subject to accounting reports. Communicating informants' recalled memories about accounting's past also helps to demystify a profession that is typically portrayed as purely procedural and devoid of human judgment. Hopefully, scholars holding different philosophical perspectives who plan to explore accounting's past will incorporate oral history interviews in their investigations.

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BOOK REVIEWS

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REVIEWS OF BOOKS AND OTHER PUBLICATIONS

Peter Booth, *Management Control in a Voluntary Organization: Accounting and Accountants in Organizational Contest* (New York: Garland Publishing, Inc., 1995, 280 pp., $53).

Reviewed by
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There is much to admire in Booth's in-depth study of accounting processes within an Australian religious organization. His methodology and interpretations provide a tightly woven argument that could serve as a model for future archival studies by researchers with an inclination toward critical perspectives. By combining archival evidence, semi-quantitative techniques and interpretive arguments, Booth leads the reader through the murky series of associations that both defines and explains the cultural origins of accounting's rise to organizational significance.

A particularly appealing feature of this book is Booth's forthright approach and writing style. Although lapsing occasionally into critical jargon, Booth avoids obfuscation. Assumptions are clearly stated, research techniques are self-critiqued, and reasonable attention is given to alternative explanations. In short, although one may disagree with Booth's philosophy, his methodology is sound.

At first reading, Booth's work, which is based upon his doctoral thesis, appears to flirt with pedantry. For example, similar to a dissertation, the first three chapters (100 pages) are devoted to background and rationale, an overview of a critical structuralist perspective, and a description of the research method, respectively. However, this lengthy preamble is justifiable since it provides a necessary background for readers unfamiliar with critical perspectives.

The actual analysis begins with the fourth chapter, which defines the organization's accounting systems and discusses the emergence of a financial crisis. The next chapter documents how the accounting system was actually used by the various stakeholders and relates such usage to the emergent financial crisis. The budgeting process, through which resources were allocated, is shown to have been the primary point of conflict between secular and sacred objectives. The sixth chapter describes in great (and mostly believable) detail, how secular concerns for financial and administrative control were unsuccessfully resisted by the sacred elements of the organization. The concluding chapter provides a succinct summary of the study, then places the organizational tensions and conflicts within a theoretical context.

Booth's analysis of the friction surrounding the emergence of accounting control is both thought-provoking and insightful at the organizational level. However, this reader was left with the uncomfortable feeling that the arguments were incomplete in the absence of a critical assessment of the motivations of the participants. For example, Booth seems to accept, at face value, that resistance to financial controls was based exclusively upon the primacy of sacred objectives. It is tempting to relate Booth's observations to similar conflicts within a corporate environment, where actions are seldom altruistic, and ask if religious organizations are immune to similar motivations.

Booth has written a fine addition to a growing body of work that challenges functionalist perceptions of accounting processes. This book is highly recommended as an excellent example of the emergent genre of deep archival studies based upon critical perspectives.

Richard P. Brief, Ed., *A Landmark in Accounting Theory: The Work of Gabriel A. D. Preinreich* (New York: Garland Publishing, Inc., 1996, 216 pp., $50).

Reviewed by
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Who in the accounting community has not heard of the likes of Canning, Hatfield, Littleton, and Paton? But who has heard of Gabriel A. D. Preinreich? That is precisely the question posed by Richard Brief in the introduction to his book. As the title implies, the book is a collection of selected articles by Gabriel A. D. Preinreich during the period from 1931 to 1944.

Brief's intent in publishing the book is to "make students and academicians more aware of his work" [p. xx] in order to give greater recognition to Preinreich's contributions to accounting and raise Preinreich's status as an "important accounting theorist."

Why has Preinreich not achieved the same level of recognition as other early writers? Brief offers three possible reasons. As a sole practitioner, Preinreich may have been viewed as an outsider by the academic community. He may have been ahead of his time in the application of mathematical models to accounting problems, which was not common in accounting literature until the 1960s and 1970s. And his blunt criticisms of the work of others may not have been well received.

The book is divided into three sections, "Accounting from the Investor's Viewpoint," "Goodwill and Valuation," and "The Depreciation Problem." The first section includes three of Preinreich's articles. In the first article, "Accounting Problems of the Unincorporated Investment Trust," Preinreich presents an interesting and rather unorthodox approach to accounting for the trust's transactions. He states that "by surrendering the largely imaginary advantage of having the books reflect the total income of the trust, a convenient base is derived for the quick computation of each certificate holder's individual income" at any point in time [p. 17]. The next two articles, "Stock Yields, Stock Dividends and Inflation" and "The Fair Value and Yield of Common Stock," deal with the effect of the corporation's expansion rate and earning rate in addition to the money rate and the time horizon of those rates in determining the yield of common stock.

The next section, entitled "Goodwill and Valuation," includes four articles. Extensive summaries of various definitions and interpretations of goodwill were published by Preinreich in "The Law of Goodwill," which summarizes goodwill in laws and court cases, and "Goodwill in Accountancy," which surveys goodwill in the accounting literature. Preinreich discusses both goodwill and depreciation in the context of the definition of the balance sheet in "Valuation and Amortization." In "Economic Theories of Goodwill," Preinreich draws from economic theory to model the valuation of goodwill. In all of these articles, Preinreich argues that the valuation of goodwill should be based on excess earnings.

In the third section, "The Depreciation Problem," Preinreich is highly critical of a "single machine" approach to discussing depreciation because "the subject is far too complex for these limitations," and instead models depreciation using a "composite plant consisting of many similar items of equipment which are continuously replaced" [p. 135]. In one of the articles, "The Principles of Public-Utility Depreciation," Preinreich demonstrates the effect of varying the number of machines in service and the replacement cost. In "The Practice of Depreciation," Preinreich evaluates eleven depreciation methods using his "composite" approach. The "Note on the Theory of Depreciation" is a rather caustic response to a criticism by Hagstroem and a critique of Hagstroem's paper. Brief also includes in this section two book reviews, one of which was unsolicited, to illustrate Preinreich's passion for his "composite plant" approach and his criticism for the work of others. Brief describes the unsolicited book review, "Valuation and Depreciation," as "probably one of the most scathing reviews ever to appear in an accounting journal" [p. xix].

The articles included by Brief in the book certainly give a flavor for the controversies and ongoing dialogues among academicians in the areas of valuation, goodwill, and depreciation at the time of Preinreich's publications. Preinreich's articles include numerous citations and references to the theories and models of other accounting theorists of his time as well as his own. As such, the book provides a rich insight into the foundations from which current accounting thought has evolved, and would be very beneficial to accounting historians and theorists interested in the evolution of accounting theory in the areas of valuation, goodwill, and depreciation, as well as to empirical researchers in the development of the theory supporting their research and analyses. Portions of the book would also be helpful to accounting students and practitioners in understanding the theory and evolution underlying some of the accounting methods in practice today.

R. J. Chambers, *An Accounting Thesaurus: 500 Years of Accounting* (Oxford: Elsevier Science Ltd., 1995, 1011 pp. $88).

Reviewed by
Gary John Previts
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Not since 1950, when Eric Kohler's *A Dictionary for Accountants* was first published for the English language, has another volume of comparative writing appeared which has the clear potential to shape the study of this language's accounting meanings and its development of accounting thought. Chambers' work represents a contribution to academics, practice thinkers and students who undertake to approach our discipline's literature as one might the history of thought of any other field.

In his recent review of Chambers' *Thesaurus* in *Abacus*, Frank Clarke calls this volume a "Treasury of Accounting Thought." As well, he thoroughly recounts the structure and form of the volume. To restate these items here would seem redundant and therefore I refer you to his review for that information.

The display of ideas provided by Chambers is structured in a meaningful manner. The form of the outline and the definition of the code of abbreviations should assist users as demand for and understanding of the utility of this work derives over time.

One does not, in my view, undertake to "read" a Thesaurus, even when doing a review as in this instance. Rather, I explored the volume. Perhaps what begins to explain its value best is to describe it as a necessary aid to an intellectually curious and inquiring mind in our discipline.

Having worked for more than two decades with doctoral students and graduate students in a variety of settings there are times when one wishes one could access a readily structured comparative literature display of the meanings of our terms. This work responds well to that need. Chambers' characterizes his work as "a view of the past with an eye to the future" [p. xii]. Indeed it's value to our discipline will be judged on the ability to serve as a useful guide and validating interpretation to the English language literature which has evolved since the appearance of the major professional journals of record such as *Accountancy* and *The Journal of Accountancy* about a century ago. This attribute may be most valuable in the next stage of development of global standards for the profession.

Just how does one make use of this volume? Have you an intellectual interest or curiosity about "independence," or the notion of "substance over form," or the traditional epistemic duality, "science vs. art" in accounting? You will find these all addressed here. The coverage and explication by means of 10 primary categories, 89 sub-categories and 692 sub-sub-categories (or topics as I might call them) is importantly inclusive of most all major English speaking literature in our profession and discipline. I will comment on exceptions and possible omissions later.

While the title suggests a 500 year span of perspective, it is more extensive than that, citing at times works which date back several centuries before Cotrugli and Pacioli. At times the style of commentary is reminiscent of Peter Hain's catalogue of pre-modern accounting literature writings in the 1970's, yet that is only a passing similarity of a form.

But, the more critical mind might question: "Yes, but isn't Chambers his own favorite source?" or "Why invest in Ray's mental map of accounting thought and discussion?" To answer equally candidly let me say that Chambers per se is not a major issue here. As one would expect he sprinkles categories or topics with his ideas, but not distressingly so. This is NOT a disguised catechism for CoCoA, or to "see how it teases," to paraphrase what that community might say! One must recall that Chambers, by the 1970s, was acknowledged to be a leading accounting theorist in our language for our field, and therefore his influence and reputation justify involvement of his views. But further, as one examines the well structured index of "Sources" and "Subjects" it appears that the breadth of each is not merely to develop a compendium of his own favorite topics.

And yet some orthodoxy's, most notably the recent critical perspective, seems absent. At whatever point in time (1993?) Professor Chambers found it necessary to conclude his work, this may have affected his ability to be "virtual" and complete in his representations. All that said, the most compelling reason for acquiring and beginning to develop an appreciation for the diligence, scope and brilliance of this work is that it is UNIQUE and likely to be without peer for many years to come.

Julia Grant, Ed., *The New York State Society of Certified Public Accountants: Foundation for a Profession* (New York: Garland Publishing, Inc., 1995, 302 pp., $55).

Reviewed by
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St. Mary's University, San Antonio, Texas

Researchers and students of accounting history frequently spend considerable time sifting through practitioner journal articles to find sources discussing their particular topic of interest. Grant has assisted those exploring the early history of both the New York and United States (U.S.) accounting profession by compiling a series of articles from 1949 to 1972 from the *New York Certified Public Accountant.* Because many of the early leaders of the U.S. accounting profession resided and practiced in New York, the material in this book should be of interest to anyone investigating the evolution of the accounting profession in the U.S.

These articles provide clues as to how the nascent profession pursued a "professional identity" both among competitive members within the profession and in a broader sense with the public [Grant, p. xi] . Specifically, the chapters discuss the development of public accounting in New York at the turn of the twentieth century, the accounting educational process, the beginnings of the New York State Society of Certified Public Accountants (NYSSCPA), and biographies of many accounting leaders practicing during the first half of the twentieth century. With the exception of the biographies, the Committee on History of the NYSSCPA receives credit for authorship. When known, individual authors are noted in an appendix.

The first chapter on the "History of the Profession," assists the researcher in understanding the context of the times by relating anecdotal experiences that portray the personal convictions of the profession's early leaders. The chapter starts with a brief history of the "Early Development of Accountancy in New York State" [pp. 5-14] that intertwines the history of the accounting profession in New York with that of the U.S. accounting profession. The first section is followed by a discussion of "Is Accounting History Important" [pp. 15-20] that probably should be presented as the introduction to Chapter 1. This second section provides not only a framework for the rest of the book, but an excellent bibliography for researchers studying this period of accounting history. The anecdotes, found in the following sections "Public Accountants Practicing in Syracuse, New York, Before 1900" [pp. 21-26] and "Early Accounting Firms in New York City" [pp. 27-45], illustrate the profession's emphasis on personal character and reputation. The articles not only give a brief chronological history of the individual or firm, but describe the type of work performed, the positions held by individuals in existing professional accounting associations and, most important, the perceived reputations of the practitioners and firms.

The second and third chapters relate specifically to the history of the accounting profession in the State of New York. Chapter 2 [pp. 49-90], concerning accounting education, only discusses schools in New York and does not mention the development of accounting courses at schools in other states, such as the Wharton School of the University of Pennsylvania. Beside listing private schools of accounting operated by one or a few individuals, degree-granting colleges, and coaching courses for the CPA exam, the chapter provides insight into the professional, educational and cultural backgrounds of the school originators and subsequent faculty. One particularly interesting section concerns the evolution of Pace University from a single-owner accounting school to a degree-granting institution. Chapter 3 [pp. 93-122], "History of the New York State Society of Certified Public Accountants," depicts the formation of the NYSSCPA and furnishes some interesting details on the first annual dinner meeting taken from newspaper clippings of the period. The articles also give limited background information about some of the society's officers and administrative staff through 1947.

Perhaps the most interesting and valuable part for researchers is the series of biographies at the end of the book in Chapter 4 [pp. 125-287]. Although one of many available sources of biographical information, Grant's collection condenses into one volume short, but contextually rich, sketches of many of the profession's most prominent figures. Some merely describe the education and professional careers of these accounting leaders; others, such as that on "Robert H. Montgomery, C.P.H." [pp. 159-166] lend insight into the nonprofessional aspects of their lives.

Available in electronic format as well as hard text, this compilation of articles represents an important addition to existing literature on the history of the U.S. accounting profession. The methodology of exploring journal and newspaper articles used by Grant, as well as the NYSSCPA Committee on History, may be helpful to other historians wishing to compile contextually rich material regarding the accounting profession in their particular state. A second collection of articles from the *New York Certified Public Accountant,* depicting the major issues and conflicts of the period, also would be of interest and value to researchers. This additional effort should include a chronological listing of major events occurring within the NYSSCPA and consequently the U.S. accounting profession.

T. A. Lee, Ed., *Shaping the Accountancy Profession: The Story of Three Scottish Pioneers* (New York: Garland Publishing, Inc., 1996, 264 pp., $48).

Reviewed by
Richard Fleischman
John Carroll University

We of the U.S. accounting history community may take a measure of inspiration and encouragement from this latest volume in Dick Brief's Garland series. This collection of biographical studies of three luminaries from the Scottish accounting pantheon was funded by the Committee on Accounting History of the Institute of Chartered Accountants (CAs) of Scotland. The Institute has made considerable contributions in sponsoring research projects and events that focus on the history of the profession in Scotland. We here can only hope that the AICPA will be similarly approachable in the future to support historical studies of this genre. At the same time, it is for us American historians to manifest the same enthusiasm for our past as seemingly typifies our Scottish colleagues.

The three biographies comprising *Shaping the Accounting Profession* are S. P. Walker's study of George Auldjo Jamieson, founding partner of a leading Edinburgh accounting firm and an influential member of that city's Society of CAs; J. K. Shackleton and M. Milner's examination of the career of Alexander Sloan, long-term Secretary of the Glasgow Institute (1873-1909); and T. A. Lee's portrayal of Richard Brown, Secretary of the Edinburgh Society from 1892 to 1916, but better known to us as the author of the pioneering *A History of Accounting and Accountants* (1905). As Tom Lee, the volume's editor, notes in his preface, the Scottish profession generally has been much studied (e.g., Walker [1988]; Kedslie [1990], but this effort fills an existing gap by virtue of its concentration of attention on some of the important actors in this earliest professionalization movement.

Each of the three vignettes is approximately seventy pages in length, and each contributes in different ways toward providing a comprehensive view of the life and times of the professional accountant in Victorian and Edwardian Scotland. Walker's study of Jamieson (1828-1900) is valuable in that it provides extensive cultural background to the early days of the Scottish professionalism movement. While Jamieson was destined to establish a distinguished Edinburgh firm, his origins were in Aberdeen, the least studied of the three early Scottish societies. Walker provides an in-depth analysis of the various services Jamison's firm provided. Jamieson himself specialized in liquidation work. The man was an active political economist as well as an accountant, personifying the interdisciplinarity of accounting practice. In his later years Jamieson became politically active, standing unsuccessfully for Parliament but serving extensively in local government. He was unmistakenly a Victorian gentleman, espousing ideals of self-improvement, individualism, and confidence in natural law.

Alexander Sloan (1843-1927) dedicated his career more to the service of his professional community than to public accounting practice. He was Secretary of the Glasgow Institute for 36 years and served one term as its President from 1909-1912. Shackleton and Milner provide a number of insights into the differences that distinguished chartered accountancy in Glasgow and Edinburgh. The Glasgow CA seemingly endured a greater struggle to achieve professional status, was more directly involved in commercial and industrial ventures, and engaged more heavily in stock exchange activities and less with legal matters than his Edinburgh colleagues. The authors likewise provide an analysis of fee structure at Sloan's practice which underscores the rise of audit work in the late nineteenth century. At a time when the Edinburgh and Glasgow professional societies failed to get along except when confronting opposition from the South, Sloan was outspokenly in favor of closer cooperation.

Richard Brown (1856-1918), the best known of the Scottish accountants studied here, arose from more humble origins than the other two. Lee paints the portrait of a man much like Thomas Jefferson—highly spiritual, dedicated to community service, a prolific author. As Secretary of the Edinburgh Society for 24 years and its President from 1916-1918, Brown was a driving force on issues such as the regulation of the CA designation, registration processes, and cooperation among Scottish societies. He was instrumental in creating the General Examining Board in 1893 to provide uniform standards. From our prospective as academic accounting historians, one of his most important contributions was the establishment of the Society's relationships with educational institutions, Heriot-Watt College and the University of Edinburgh.

In my estimation the three biographies discussed briefly above were all well-researched and well-written. Together they constitute a welcome addition to the Garland series on accounting history. As my UK friends might say about this volume, "it is a pleasant little read."

Richard Mattessich, *Foundational Research in Accounting: Professional Memoirs and Beyond* (Chuo University Press, Tokyo, 1995, 171 pp., Yen 3,090).

Reviewed by
Thomas R. Robinson
University of Miami

This volume is a professional, biographical essay prepared by Richard Mattessich at the request of faculty members of Chuo University so that it might be published to celebrate Professor Mattessich's upcoming (1997) 75^{th} birthday. Professor Mattessich's important contributions to accounting theory and practice were recently highlighted in a chapter by Cheryl McWatters in *Twentieth-Century Accounting Thinkers* [edited by J. R. Edwards, Routeledge, London, 1994]. While that volume provides an excellent summary of his accomplishments, a single chapter can not fully do justice to his contributions. This volume helps to complete the picture of Professor Mattessich's life from the best available source, he who experiences it. This book is an excellent source of information on Professor's Mattessich's life, publications and philosophy. It provides a great deal of information not available elsewhere including correspondence between Dr. Mattessich and other notable accounting theorists. It should be must reading for accounting historians and would also be useful to doctoral students, particularly those who complain about their hard life. Dr. Mattessich's recollections of completing his dissertation in a cellar/air raid shelter should stifle any complaints about the current doctoral environment.

After the Preface, Dr. Mattessich begins with a chronological summary of his career from 1940 to 1994. The chronology leaves out his birth date (August 9, 1922 according to McWatters), but is otherwise complete and is greatly supplemented by the text itself. The first two chapters describe Dr. Mattessich's early educational and professional experiences leading up to this completion of a Doctorate in Economic Sciences in 1945. This includes his work as an engineer and the perils of working and completing a doctorate during the war.

The next three chapters detail Dr. Mattessich's subsequent career including research at the Austrian Institute of Economic Research, teaching in Switzerland, actuarial work in Canada, and faculty positions at various institutions, most notably the University of British Columbia and the University of California at Berkeley. These chapters show the variety and international extent of his professional career.

Chapter 6 discusses in detail one of Dr. Mattessich's most prominent publications, *Accounting and Analytical Methods* (AAM). Some introductory remarks on this manuscript are also found in earlier chapters. This chapter not only explorers the response to the original publication, but provides a thorough discussion of and responses to written reviews of AAM. Further, Dr. Mattessich presents his feelings about "Positive Accounting Theory" and excerpts from his new book, *Critique of Accounting*. Here, Dr. Mattessich stresses the importance of having multiple accounting models from which to choose, rather than one restrictive model that all must follow.

Chapters 7 through 15 (considered together in the interest of the space available for this review not their importance), describe the academic environment and research performed at the University of British Columbia, as well as, Dr. Mattessich's continuing international visits. Chapters 16 and 17 provide a review of the *Twentieth-Century Accounting Thinkers* volume and Mattessich's own *Critique of Accounting*.

The final chapter is philosophical in nature. Here Dr. Mattessich poses a number of questions to himself such as "What is the meaning of life?" and "What do I think is knowledge and truth?" The answers are interesting and intended to provide a glimpse at the inner person beneath the biographical data. They more than accomplish this goal. The reader may want to peruse this chapter first.

Last but not least, Dr. Mattessich provides an extensive bibliography of his writings including several non-English papers published in 1943 and 1945. These could easily have been missed by scholars other than the author. If you are searching for a definitive bibliography of Dr. Mattessich's writings, here it is (at least through 1995). Given the volume of publications by Dr. Mattessich each year in the 1990's, I expect it will require frequent updating.

Robert Skidelsky, *Keynes* (Oxford: Oxford University Press, 1996, 136 pp., paper $7.95).

Reviewed by
Joni J. Young
University of New Mexico

Keynesian thinking (in its various interpretations) has profoundly affected the activities of the state relative to national economies. In this brief book (part of the Oxford University Press Masters Series), Skidelsky provides an accessible introduction to the life and work of Keynes. He succinctly outlines Keynes' life and times in the opening chapter in an effort to suggest why Keynes had adopted the task of "reconstruct[ing] the capitalist social order on the basis of improved technical management" [p. 21]. In subsequent chapters, the author explores Keynes' philosophy of practice and his various roles as monetary reformer, economic theorist and economic statesman. While each chapter provides an overview of Keynes' work and thought, Skidelsky highlights not only these contributions to policy and/or theory development but also outlines the context and circumstances under which Keynes adopted each role and suggests his motivations in undertaking such work. For example, the post-World War I emphasis on monetary reform "was an antidote to social revolution" and Keynes' arguments occurred in the context of the "new dominance of the U.S." in world economic affairs [p. 55]. The development of his General Theory occurred amidst the world depression of the 1930s, offered a systematic way of thinking "about the pitfalls in the quest for greater wealth at all times" [p. 77] and perhaps, more importantly, stressed the importance of the role of uncertainty in the working of the economy.

In the final chapter, Skidelsky assesses the Keynesian legacy and suggests reasons for the fall from grace of Keynesian-based policies. This legacy includes the invention of a new branch of economics—macroeconomics, the beginnings of a conceptual apparatus for the construction of national accounts, and the restoration of faith in the capitalist system [p. 109]. These remain despite the adjudged failures of Keynesian economics more generally. Although Milton Friedman had said in 1966, "We are all Keynesians now" [p. 108], the Keynesian policy revolution was in 1976 declared to be dead by Britain's Labour Prime Minister. In the intervening years, unemployment, inflation and other economic difficulties had combined to diminish the influence of Keynesian economics. Skidelsky offers some interesting insights into this somewhat abrupt demise by exploring the "interaction of the realms of ideas, policies, and events" [p.111] within which Keynesian economics was intertwined.

The book contains two useful insights for those interested in accounting. For accounting historians, it suggests the importance of understanding the contexts out of which theories, ideas, and specific arguments emerge. In other words, a recitation of particular arguments brought to bear during a specific accounting episode may provide us with limited insights unless these are carefully located within their socio-historical context and an effort is made to understand why these arguments were made and the motivations of the various participants. This careful attention to context was a strength of the Skidelsky book. In making this observation, I am suggesting that more work is needed which closely attends to such issues to enhance further the contributions of U.S. accounting historians to their discipline.

For both accountants and accounting researchers, the book also suggests a further insight. Skidelsky concludes that economics "has consistently oversold itself as a 'guide to action' as opposed to an organized method of thinking about states of affairs and about the design of institutions capable of sustaining well-being" [p. 128]. Accounting is being used increasingly more often in diverse arenas (e.g., schools, governments, nonprofit organizations, and the environment) as it offers the promise of rationalizing and controlling the activities of such entities. Further, auditors are providing increasingly more diverse attest services which offer the promise of assessing and evaluating a myriad of activities. For me, the book stimulated questions about whether the craft of accounting and the possibilities for attestation may be overreaching themselves in expanding into these new activities and arenas. While many critiques exist that question the propriety of the ways in which accounting and auditing are being used, perhaps still more historically and contextually-informed critiques are needed as well as more modesty in the claims made for accounting and auditing if accounting and its practitioners are to avoid judgments similar to those for Keynesian economics.

David Solomons and Stephen A. Zeff, Eds., *Accounting Research, 1948-1958, Volume 1, Selected Articles on Accounting History* (New York: Garland Publishing, Inc., 1996, 288 pp., $58).

David Solomons and Stephen A. Zeff, Eds., *Accounting Research, 1948-1958, Volume II, Selected Articles on Accounting Theory* (New York: Garland Publishing, Inc., 1996, 288 pp., $55).

Reviewed by
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This two-volume set, reprinted from the British journal *Accounting Research*, includes all articles identified by the editors as Accounting History and a broad sampling of articles on Accounting Theory. *Accounting Research* was a pioneering outlet for British academics from 1948 until 1958. The brain-child of F. Sewell Bray, this journal offered a unique and early attempt to develop a theory of accounting. F. Sewell Bray, a practicing accountant with strong disciplinary leanings towards economics, was the only holder of the Stamp-Martin Chair of Accounting at Incorporated Accountants' Hall. This is noteworthy in that it is "probably the only occasion of a Chair being established outside a university, certainly in the field of accounting" [p. xv].

The selection of articles, for the most part, are readable and enticing. Although it is difficult to critique the editors' selections, curiosity compels me to regret the exclusion of F. Sewell Bray's 1948 discussion of "The Nature of Income and Capital" and George O. May's "Accounting Research." With only eighteen per cent of the articles and communications in the journal included in these two volumes, another collection could certainly be assembled from the omitted works, perhaps on Government Accounting, Social Accounting, the relationship between Accounting and Economics or possibly even on Accounting Curiosities.

The editors' Introduction, which is included in each volume, places the journal *Accounting Research* in its historical perspective as the forerunner of British academic writing in accounting. Further, the conflict in the United Kingdom between chartered and incorporated accountants and its influence on the development of accounting theory in Britain is described.

Volume I on Accounting History include articles by Mary E. Murphy, Cosmo Gordon, R. R. Coomber, Louis Goldfield and B. S. Yamey, among others. Several articles discuss various early

English texts on bookkeeping while others consider the Roman, British and American influences on bookkeeping. Other articles look at the accounts of such diverse entities as an eighteenth-century slaver, a French émigré officer in the late 1700s, a seventeenth-century fishery company, an eighteenth-century clothier, an 1867 railway auditing report and a nineteenth-century public utility as well as the Swedish government in 1623. Each article reflects the author's sincere fascination with the insights into the practical development of accounting such historical evidence gives us.

Volume II on Accounting Theory includes articles by R. J. Chambers, Carl Thomas Devine, E. L. Kohler, A. A. Fitzgerald, G. D. de Swardt, J. Kitchen, and George Staubus. This well-balanced selection considers the fundamental principles of both financial accounting and cost accounting, including such topics as foreign branch office accounts, replacement cost depreciation, the classification of assets, and loss recognition. Particularly noteworthy and interesting is Richard Mattessich's "Towards a General and Axiomatic Foundation of Accountancy," a mathematical treatise, which the editors describe as an "accounting peculiar" [p. xiii], and three historically significant articles on the theory of cost and costing terminology.

Although I found myself fascinated by the substance of the works presented in both volumes, I was particularly enthralled by the dramatic and literate use of the English language. Even topics with which I am unfamiliar kept my attention and pressed me to become involved in the material. It is regrettable that academic accountants in general appear to no longer value this type of well-constructed argument. The journal *Accounting Research* was clearly a product of a *desire* to write. The pleasure these authors took in putting forth their arguments and in promoting the growth and utility of the accounting discipline is obvious. These volumes clearly show that in the pursuit of publishing for academic tenure that which has *perished* is the pleasure in and the passion for writing.

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