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PREFACE

In the spring of 1977 The Accounting Historians Journal was first issued. This semiannual publication succeeded The Accounting Historian, the quarterly newsletter of The Academy of Accounting Historians. The Accounting Historian was published from January, 1974 through the fall of 1976 (Volumes 1 through 3). In order to insure continuity of reference to past research published by the Academy, the first issue of The Accounting Historians Journal was numbered Volume 4, Number 1.

Volumes one through three of The Accounting Historian are reproduced here in one bound volume basically as they originally appeared but in a format and style similar to that of The Accounting Historians Journal. Only in cases where obvious corrections were needed in content or format was editing undertaken. Materials are referenced to the original source by the citation (e.g., Vol. 1, No. 2, p. 3, 1974) that appears at the end of the items. Where the same material (e.g., announcement) appeared in more than one issue within a volume, that material is presented only once with the citation referencing each original source in which the item appeared.

Particular acknowledgement is extended to Gary J. Previts of Case Western Reserve University (previously with The University of Alabama) for his outstanding contributions as Editor of The Accounting Historian, and to Hans Johnson of the University of Texas, San Antonio for his services as section editor for Book Reviews and Doctoral Research. Appreciation is also extended to H. D. Walker, P. E. Black, and J. H. Josey for their preparation of indexes to Volume 1 (Vol. 2, No. 1, p. 6, 1975), Volume 2 (Vol. 3, No. 1, p. 11, 1976), and Volume 3 (Vol. 3, No. 4, p. 8, 1976), respectively, of The Accounting Historian. These indexes have been excluded from this publication because a cumulative index for The Journal is scheduled to be published in the future.

It is hoped that the reproducing of these volumes will enhance their availability and use to readers and researchers of accounting history.

Richmond, Virginia
Harrisonburg, Virginia
October, 1981

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Originally published quarterly as *The Accounting Historian*

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REFLECTIONS ON THE USES OF ACCOUNTING HISTORY

As our new organization of accounting historians begins its endeavors, we might pause for a moment and reflect on just what uses might be accomplished by efforts to attract more interest in accounting history. Each new member of The Academy, in his natural enthusiasm for the subject area, could easily outline several responses to the editorial question raised by this introductory note. I would like to offer the following suggestive views on this matter.

1. Every profession should take modest pride in its background and development. In fact, one of the attributes of any recognized profession is relative concern for, and its energy in, ferreting out items concerning its origin and evolution. Accounting should be no exception to this general prospective.

2. Study and research in accounting history are open to almost everyone having an accounting bent. The eagle eyes and ears of accounting historians will find few limits to possible surprise findings and important discoveries. In other words, everyone has an opportunity to make a contribution to the filling in of unknown details. Accounting history research is somewhat similar to the search for oil, that is, information regarding accounting history is where one finds it.

3. Many newcomers to the profession of accounting and corporate reporting, when they read the frequent comments in the literature of today concerning accounting problems and challenges, may not be aware that the current situation is so much better than the “old days” as to be almost shocking. Therefore, the study of accounting history should tend to overcome the discouragement with the present status of this field of endeavor. Analogies from the past might even assist in curing some of the present imponderables.

4. Still another important advantage of an interest in accounting history is that one soon broadens his or her understanding of several other disciplines, if the enthusiastic accounting historian has not already become familiar with these related study areas. The broadly defined student of accounting history will soon find his paths leading
to topics and materials in economic history, social and cultural development, semantics, literature, fiction, development of religions and related literature, politics, and perhaps even space travel in the future. (A secondary, but not to be overlooked advantage, is that a professional interest in accounting history may even give one good excuse for traveling widely throughout the world in pursuit of the keys which may unlock some of the long-time mysteries associated with the evolution of accounting.)

5. As brought out in recent items in *The Accounting Review* the cultivation of accounting history may be very useful in advancing the understanding of accounting by beginning accounting students. This is an almost overwhelming opportunity for accounting historians, since perhaps as many as four hundred thousand people of the world begin their study of accounting each year. Many of these newcomers are not planning to be accountants, but if their understanding of accounting is made easier or improved in quality and quantity, through the introduction of accounting history in various stages of the study, the usefulness feature of accounting history would cease to be a novelty.

In summary, the opportunities afforded through participation in The Academy of Accounting Historians are virtually unlimited today and as the decades march on through the twenty-first century, many other uses of accounting history will likely appear.

(Vol. 1, No. 1, p. 1, 1974)
NOW AND THEN: YOUR ROLE IN THE ACADEMY

The Academy of Accounting Historians has been formed to provide a vehicle for academicians and practitioners throughout the world to further their study in the many aspects of the evolution of accountancy. In order to successfully accomplish this goal The Academy must receive support from each member. The form which this support takes will likely be as varied as the backgrounds and interests of the membership. Support may come in terms of contributing suggestions and questions about what needs to be done or has been done in the study and teaching of our accounting heritage. Support may be giving your talents through a manuscript or digest on the particular subject you have developed. Support may be identifying and notifying others who would benefit in associating with our membership. And support may be assisting The Academy to obtain financial resources to support the programs and publications which must be set forth in order to establish The Academy as a clearing house of ideas.

Support of the goals of The Academy is not merely joining. Rather, support is participation and persistence. There cannot be any real and lasting success without these elements.

Each of us can begin now to participate by noting the contents of this issue of The Accounting Historian, and by reviewing the membership list to note others whose interests are similar to your own. Then initiate contact with others and/or develop materials in such a way that we can increase the interpersonal flow of information.

This simple prescription, Participate in order to Share, must be our mandate during the charter year of The Academy if we are to succeed in realizing the opportunity before us.

(Vol. 1, No. 1, p. 2, 1974)
INTERNATIONAL ACCOUNTING HISTORY SYMPOSIUM

During the period October 8-12, 1970, representatives of nearly twenty national accounting groups met in Brussels for the First International Congress of Accounting Historians. The result of this meeting was the formation of the Comite International Des Historians de la Comptabilite. Mr. Ernest Stevelinck was appointed the general secretary and a temporary headquarters was established at the College National des Experts Comptables de Belgigue (CNECB), Rue Du Congres, 49, Brussels, 1000.

This organization was to serve as a coordinating body and to:
1. inform members of relevant items in professional and scientific journals.
2. make efforts to have the study of accounting history and thought included in academic programs, up to and including the development of a theoretical plan and contemporary techniques.
3. publish a newsletter.
4. maintain contact with national and international scientific groups.
5. organize a second congress.

Mr. Stevelinck has been informed of the establishment of The Academy and has been told of our desire to participate in any future activities. We have also submitted, for consideration by the International Committee, the proposal that the second congress be held in North America.

The minutes of the first congress, a list of groups participating (to include delegates if known), and the list of articles on accounting history in British, Belgian, French, Italian, Scandinavian and German journals included therein can be obtained by writing A. R. Roberts, Secretary, The Academy of Accounting Historians, Middlebush Hall, University of Missouri, Columbia, MO 65201. Professor Dick Homburger, is presently preparing a translation of several of the papers presented in German. Copies of the French manuscripts (translated) can be obtained by writing The Academy.

(Vol. 1, No. 1, p. 3, 1974)
Edward Peragallo  
HOLY CROSS COLLEGE

CHALLENGES FACING TEACHERS OF ACCOUNTING HISTORY

All accounting historians are certainly in accord with Professor S. Paul Garner's "Reflections on the Uses of Accounting History," which appeared in the initial issue of The Accounting Historian.

One of Professor Garner's goals, however, does present some serious initial difficulties in its realization. He mentions, and rightly so, that "the cultivation of accounting history may be very useful in advancing the understanding of accounting by beginning accounting students," and he calls this "an almost overwhelming opportunity for accounting historians...." One must heartily agree with this, but the implementing of this "opportunity" presents formidable problems to both the accounting historian and the accounting teacher.

This article represents observations on a problem that has been bothering me for years. Given the subject matter to be covered, the many curriculum constraints we face, and at times the outright hostility to any accounting program, how does one go about introducing accounting history, particularly in a beginning course? I find it almost an impossible task. I do make token attempts to introduce some history whenever the subject matter lends itself, but the impact on the class is minimal and not very satisfactory. Perhaps the fellows of The Academy would benefit by considering these challenges facing the teachers of accounting history:

1. The structure of present introductory courses is dictated, to a large extent, by available accounting textbooks and these do not feature accounting history.

2. Many teachers of introductory accounting either lack an historical background or lack an interest in the historical development of accounting. Most are concerned solely with the present state of their discipline and its applications and uses in profit and non-profit enterprises.

3. A serious problem is the subject matter to be covered in a beginning course. At present this subject matter is extensive. It begins with the accounting cycle and continues with principles of valuation, partnerships, corporations, manufacturing, statement
analysis, management control, to mention some of the more important phases covered in the course. The point being made is that there is precious little time left, if any, to discuss historical developments of accounting. This means that introductory courses would have to be restructured to cover accounting history and this, of course, means new textbooks.

4. One observation perhaps should be made that may lead to a possible alternative. In other disciplines, it is not the normal practice, I believe, to undertake an historical development of a subject in an introductory course. Consideration, perhaps, should be given to separate accounting history offerings at, perhaps, the upper division level. Many graduate schools already include such offerings for Ph.D. candidates in accounting. Undergraduate schools, on the other hand, rarely, if ever, have such offerings available for students. Much spade work is needed before this can be brought about.

5. Finally there is a great need for rendering into the English language, original accounting historical data, which then may be made available for class use. Some work is being done, but much more is necessary. Professor Richard H. Homburger has been pressing for some formal program, properly funded, to expedite this task. The plan has merit and should be sponsored by The Academy.

These comments are made, not to discourage, but merely to state realistically some of the difficulties that have to be overcome if we are to generate the interest in accounting history which we hope for in academic circles throughout the world.

(Vol. 1, No. 2, pp. 1, 3, 1974)
We have, as accounting historians, all been subjected to some form of intellectual affrontery by non-historians who question the value of our pursuits. This is a rather uncomfortable feeling, and places us on the defensive—when indeed non-historians are the ones who may well have tarnished history's name. It is they, being so desperate for clever historical material about accounting, that have promoted and perpetuated apocryphal items in order to provide historical background in support of contemporary illustrations. The time has clearly arrived for us to take the offensive in citing these loose items and at the same time conduct research to develop valid replacements.

For example, the excellent bit of research by our colleague Mr. Albert Newgarden entitled "Goodbye, Mr. Hubbard" (The Arthur Young Journal, Spring/Summer 1969) destroys the mythical description of the "typical auditor" attributed to Elbert Hubbard. Haven't we all heard it? "...[A] man past middle life, tall, spare... with eyes like a codfish... as damnably composed as a concrete post..." But as Newgarden shows, it is fiction—or folklore, for Hubbard did not write or say it at all. Indeed the quote refers to "The Buyer" (Volume III, Selected Writings of Elbert Hubbard, 1922).

Yet modern comments on the image of accountants ("Young Man Be An Accountant," Esquire, Sept. 1961, p. 71) and writings dating back more than a quarter century (Theodore Lang, N.A.C.A. Bulletin, Sec. 1, July 15, 1947, p. 1,377) relish the use of this fable.

Even Professor Horngren along with Professors Burns and Hendrickson have been "taken in" during the last decade using Hubbard's "quote." Horngren is victimized twice however, his most recent edition (Chapter 6, p. 174, item 14) as well as a previous edition (Chapter 9, p. 291, item 15) both carry on the tale. While Burns and Hendrickson include the story from Esquire in their 1967 edition of The Accounting Sampler, (p. 296) they make no reference to it in their 1972 revision. Of one point there should be no question,
this myth needs to be put aside, as Mr. Newgarden suggests, once and for all.

It almost makes one wonder if Henry Ford ever said "History is bunk!" A fanciful use of this old historical barb is used to title a brief piece in *The Accountant* (England) (Jan. 17th, 1974, p. 74). The fact is that H. L. Mencken supplies testimony from Ford that the industrialist never made the statement (*A New Dictionary of Quotations*, p. 539). Ford's testimony was given on the witness stand July 15, 1919. Yet Professor Soltow, writing after Mencken's research was published, perpetuates the story as an opening line "grabber" in his work "Business in History and History in Business," (*MSU Business Topics*, Winter, 1963).

The object of all this review of historical apocrypha is really quite simple—historical statements made by non-historians, in particular, must be challenged by historians. Further, historians should provide contemporary topic writers with the "ammunition" of historical precedent to enable them to evaluate their work from validated premises rather than contrived ones.

Acts of such historical invention are forever appearing. Recently in the new text by Hobbs and Moore (*Financial Accounting, Concepts, Valuation, Analysis*, p. 66) an "adaptation" from Benjamin Franklin's Autobiography is stated as: "Identifying the more important financial statement is no easier than determining the more important blade of a scissors." When I inquired of Professor Hobbs, he referred me to *A Benjamin Franklin Reader*, p. 727—a selection entitled "Early Marriages Are Happy Ones," and a passage which says: "An odd volume of a set of books you know is not worth its proportion of the set, and what think you of the usefulness of an odd half of a pair of scissors?"

It is disturbing to consider the likelihood that future accounting students and teachers exposed to this "extremely free adaptation" will soon find someone wrapping Franklin's pseudo-statement in direct quote marks. So while Mr. Newgarden may have bid "Goodbye" to Mr. Hubbard, it was only in enough time to greet Mr. Franklin.

How frequently do we find this chain of accounting historical fact presented?

1. Many years ago someone said, "It can be imagined that a is x."
2. Later another then said, "It has been supposed that a is x."
3. Then, probably in *good faith*, a third writer says, "As so and so has stated 'a is x.'"
4. Such that another then says, “The truth of the matter is that a is x.”

In this somewhat unscientific way we develop the conceptual heritage that “a is x.”

Indeed, Henry Rand Hatfield, where are you now that accounting historians need you?

(Vol. 1, No. 2, p. 2, 1974)
A. R. Roberts, Secretary
THE ACADEMY OF ACCOUNTING HISTORIANS

ELECTRONIC METHODOLOGY:
ACCOUNTING ORAL AND VISUAL HISTORY

The Committee on Accounting History report (Supp. to Vol. XLV, Accounting Review, 1970) expressed the opinion that "there has been a dearth of . . . necessary preliminary gathering of data, . . ." which would facilitate and encourage research and writing in the area of accounting history. Source data, for purposes of historical study, is normally perceived to be in the form of books or other formal publications. However, the gathering of data today should not be limited to these materials alone. Electronic devices enable today's historian to gather and preserve unique event data which should become historically significant.

As early as 1938, Allan Nevins, the late Columbia University historian, advocated and put into practice the concept of oral history. Oral history is generally considered to be a systematic interview with someone knowledgeable in the area under study. Much oral accounting history already exists in the form of recorded transcripts of minutes, meetings and interviews. Now, however, electronic technology has permitted the expansion of this area of historical research by the use of visual recording through film, and video tape techniques. At least one major university maintains filmed interviews with important accounting personalities as a resource for potential historical study.

The concept of electronic history is widely used in many fields. The Oral History Association, for example, found recently that over 200 projects were operating throughout the U.S. with more being planned. In the last year Columbia University has published a 500 page catalogue of their oral history collection.

Many significant studies and books have been published which have as their primary source of data oral history. Plain Speaking: An Oral Biography of Harry S. Truman, which was published this year, is an outstanding example. Still, professional historians are divided as to the value of "electronic" history. Some feel that it is a source of unique information and vivid expression. Others feel that such
materials are rarely reliable and that recounted memories are a perpetuation of trivia.

An argument can be made that every man is his own historian and he will probably remember most vividly those things that were important to him. The adept interviewer can evaluate how much reliance he will place on the statements of the person being interviewed. This also assumes that the interviewer knows about the person and the subject matter of the interview.

In almost every accounting organization there are persons (e.g., partners, financial officers, senior faculty) who have had a role in shaping and changing accounting. In many instances they may be the only people alive who can provide an all-but-forgotten insight as to motives and arguments which can better explain why certain actions were taken.

Interviews with those who have recently been involved in major accounting issues can also provide unique insights since the actual events and emotions are still current in their thoughts. Such interviews could be made with the understanding that their statements would not be available for a specified time period. This type of data could be valuable to historians who compare the feelings of the moment with perspectives on the same issue made at a later date.

A few accountants have advocated and applied the techniques afforded the historians through electronic devices. Several universities and professional organizations have small collections of oral accounting history, but there does not seem to be a complete catalogue of the collections readily available. Further, there are probably several other such collections which have not been identified.

Research in accounting history has been hindered by the lack of primary data. Past formal efforts to preserve data from important events seem to have been few and not well publicized. When members of the Academy begin to engage in acquiring accounting history data by electronic means and provide this material in useable form it can be expected that the quality of historical analysis forthcoming will be greatly enhanced.

Funds for oral and visual history projects might be secured from the American Accounting Association. The April, 1972 issue of The Accounting Review, (p. 403) indicates that the Director of Research is authorized to “support projects involving taping of interviews with leading members of the accounting profession so their memories and knowledge are not lost.” Projects utilizing electronic methodology should also be initiated by accounting organizations,
under the supervision of an historian, as part of a planned archival routine. The FASB for example should initiate such an activity by preserving the discussions at their public hearings. The ideas which support such key contemporary issues as Research and Development or Price Level Adjustment might thereby be better documented when, at some future time, our own generation is placed under the historian's magnifying glass.

(Vol. 1, No. 2, p. 3, 1974)
The State of Bookkeeping in Upper Germany at the Time of the Fuggers and Welsers

By Dr. Hermann Kellenbenz
University of Cologne

I. Since the work of Penndorf on the subject, appearing in 1913, substantial new research has been done and considerable progress been made. Among the authors being mentioned are the following:

Prior to World War II:

After World War II:
Raymond deRoover, Wolfgang Stromer von Reichenbach, Goetz, Freiherr von Poelnitz, Hanns Linhardt, and his students Hartmut Schiele and Manfred Ricker.

II. Bookkeeping developments in Germany can be observed since the end of the 13th century. The earliest books are in Latin; but since the middle of the 14th century, a gradual change to the German language can be observed. The earliest available sources come from the hanseatic cities of Lower Germany, such as Luebeck and Rostock. Their approach to bookkeeping procedure is very conservative and no traces of double entry are noticeable in these early records.

In South Germany, more reliance was placed on the Italian method at an early stage, considerably earlier than the publication of Pacioli’s Summa. It was customary to send the sons of South German merchants to Italy to study the Italian double entry method—Jacob Fugger visited there in 1473; thus South German firms, in Nuremberg and other cities, developed bookkeeping under the Italian method. The transition from Roman to Arabic numerals was
III. The development of the bookkeeping system of the Fuggers is traced in some detail. Each branch maintained a Journal, Obligations Ledger (Schuldbuch) and an Inventory Ledger (Gueterbuch). The Obligations Ledger contained all the personal accounts and a cash record with receipts and disbursements. Transactions involving receipts and issues in the Inventory Ledger were related to reciprocal entries in the cash record (Obligations Ledger). Entries reciprocal to the entries in the books of the branches were made on the books of the Augsburg Home Office, and balances were reconciled with those of the branches.

Inventories were taken from time to time—not necessarily every year, inventory figures being determined at current values. A balance sheet was drawn in account form in conjunction with the inventory, and profits were determined by comparison with the last balance sheet. One such report is available, covering the period from December 31, 1527 to December 31, 1533.

IV. The enterprise of the Welsers was considerably smaller than that of the Fuggers. While we know that 250 books were in existence for the years 1534-1575, only fragments of some books have come to us.

Transactions were first recorded in subsidiary records, then posted to the Journal and to the Main Ledger. We have no inventories or balance sheets from the Welsers, but have such reports from another firm—Anton Haug, Hans Langnauer and Ulrich Linck—from the years 1531-1551. They contain 12 inventories and balance sheets. All accounts of this period are in bilateral form, with references to related entries.

V. These developments are also reflected in the literature of the period. Books to be mentioned in this connection are the earliest German texts on bookkeeping such as Heinrich Schreiger (1518), Johann Gottlieb (1531), Gottfried (1546), Ellenberger (1537), and Schweickert (1549). These texts illustrate and demand, in varying degrees, the procedures related to bookkeeping, inventories, and balancing practiced by the early German merchants.

Survey of the Development of Auditing in Germany

By Rosa-Elizabeth Gassmann
Librarian of the Institute of Auditors in Germany

According to Penndorf, the Fuggers and Welsers were the first private enterprises in Germany having their books audited. The first
audits were internal audits; but later on, external audits were employed for the purpose of control. Aside from this, there were independent auditors appointed by the courts in case of disputes or business failures. An early example of such an external audit dates back to 1578. A major purpose of such early audits was the discovery of fraud.

The number of early audits was relatively small; only since the industrial revolution did their number increase. The corporate form of business led to compulsory examination of financial records. At the time there were no mandatory qualifications prescribed for examiners; but communal authorities and chambers of commerce were permitted to lay down guidelines for their qualifications.

The University of Leipzig was instrumental in introducing a program for the training and certification of auditors. Professional organizations also began to subject their members to professional examinations. The first uniform examination was prescribed in 1924. In 1931 mandatory examination of year-end financial statements of corporations was introduced.

The function of the examiner of financial statements was expanded through legislation of 1959 and 1965. Included were the examination of the entire financial report, as well as the full examination of enterprise relations with affiliated concerns. Aside from this, mandatory examination was expanded to include non-corporate enterprises of a certain size.

The preceding presentation is in no way meant to be complete; but it shows that the scope of independent examination has been expanded to constitute a comprehensive guardianship, not only in the interest of the enterprise under review, but also of the economy as a whole.

(Vol. 1, No. 2, p. 4, 1974)
Quite often the accounting historian can locate bits of accounting lore in unexpected places. A case in point is the Code of Hammurabi.

Every school child learns of this Code, but the usual historical emphasis is placed on the importance the Code had in learning how to decipher the hundreds of thousands of Mesopotamian clay tablets that contain the literary brilliance of the early Sumerian, Babylonian, and Assyrian Empires. Historians stress the Code's importance as the earliest known code of law.¹

Members of The Academy of Accounting Historians know well the literary and legal importance of the Code, but they can appreciate, too, the contributions the Code made in the development of commercial record-keeping, the seeds from which our profession grew.

To review a bit, Hammurabi was the sixth king of the first Babylonian dynasty, who ruled with considerable ability and success for an approximate reign of forty-three years, somewhere around 2200 B.C., according to many authorities.² His Code of Laws outlined a system of law and custom which had developed from remotest antiquity to Hammurabi's time. A French expedition under M. de Morgan in 1901 discovered on the acropolis of Susa the large block of black diorite upon which the Code was inscribed. On the top front of the stele is a bas-relief of Hammurabi receiving the Code from the Sun-god. Five columns (about one-eighth of the Code) have been destroyed; the remaining 44 columns contain 248 separate provisions relating to the civil and criminal law of the time. Some of the sections of the Code expressly mention commercial records and thus make a place for themselves in the history of accounting. For example:³

Section 7: If a man purchase silver or gold, man-servant or maid-servant, ox, sheep, or ass, or anything else from a man's son, or from a man's servant without witnesses or contracts, or if he receive [the same] in trust, that man shall be put to death as a thief.⁴
The startling severity of this early section states clearly the importance of preparing written records of commercial transactions. These records, or contracts, were inscribed on clay tablets and thousands have been unearthed and translated by archaeologists. Certainly here is an early law that has implications of accounting development. Commercial records *had* to be kept. Certainly the Code has literary importance, but this one section alone can delight the accounting historian with an unexpected find.

Other sections are presented below:

**Section 37:** If a man purchase the field or garden or house of an officer, constable, or tax gatherer, his deed-tablet shall be broken [cancelled] and he shall forfeit his money, and he shall return the field, garden, or house to its owner.

**Section 48:** If a man owe a debt, and Adad⁵ inundate his field and carry away the produce, or through lack of water, grain have not grown in the field, in that year he shall not make any return of grain to the creditor, he shall alter his contract-tablet, and he shall not pay the interest for that year.

**Section 100:** . . . he shall write down the interest on the money, as much as he has obtained, and he shall reckon its days and he shall make returns to his merchant.

**Section 104:** If a merchant give to an agent grain, wool, oil, or goods of any kind with which to trade, the agent shall write down the value and return [the money] to the merchant. The agent shall take a sealed receipt for the money which he gives to the merchant.

**Section 105:** If the agent be careless and do not take a receipt for the money which he has given to the merchant, the money not receipted for shall not be placed to his account.

**Section 122:** If a man give to another silver, gold, or anything else on deposit, whatever he gives shall show to witnesses, and he shall arrange the contracts [and] then he shall make the deposit.⁶

**Section 123:** If a man give on deposit without witnesses or contracts, and at the place of deposit they dispute with him [i.e., deny the deposit], that case has no penalty.

**Section 128:** If a man take a wife and do not arrange with her for the [proper] contracts, that woman is not a [legal] wife.

**Section 264:** If a shepherd, to whom oxen or sheep have been given to pasture, receive as his hire whatsoever was agreed upon and be satisfied, and he let the cattle or sheep decrease in num-
ber, or lessen the birth-rate, according to his contracts he shall make good the birth-rate and the produce.

In addition to the above sections which expressly mention the keeping of records, the Code included many provisions (such as Section 273 below) which imply the necessity to record and to keep information.

Section 273: If a man hire a labourer from the beginning of the year until the fifth month, he shall pay 6 se of silver per day; from the sixth month until the end of the year he shall pay 5 se of silver per day.

Furthermore, nine other sections mention “bringing to account” in case of disputations. This act suggests the examination of records.

From these sections of the Code of Hammurabi, it appears that records on clay tablets, corresponding to our modern business papers, were required by law in most important transactions. These requirements certainly accelerated the growth of commercial record-keeping and furthered the development of our profession. And the Code illustrates rather well the fascinating little side-trips the accounting historian can enjoy as he browses through the general history of man.

FOOTNOTES

2 Hammurabi was a contemporary of Abraham according to many writers and is identified by several Bible scholars with Amraphel of Genesis xiv:1.
5 A god.
OLD WINE AND . . . THE NEW HARVARD BOTTLE


What is somewhat disconcerting to the historian who reads this well written piece is the lack of adequate reference to the interesting and important precedent episodes involved in the controversy over interest as a cost that date back fifty years and more.

Accounting historians, familiar with the evolution of income determination theory are aware of the host of early writers who became embroiled in this issue. Indeed the early arguments over treatment of interest cost (both paid and imputed) spurred publication of countless articles and commentaries along with a relatively sound but since unheralded work Interest as a Cost (C. H. Scovell, Ronald Press, 1924, 254 pp.)

Advocates of interest costing included some of the most respected academicians and practitioners of the period—William Morse Cole, J. Lee Nicholson, John R. Wildman, DR Scott, D. C. Eggleston, Thomas H. Sanders and G. Charter Harrison.

In opposition was a formidable and, perhaps, politically more prominent group, and in the sense of the outcome, the success of their position may have been in large part because of such political strength. As early as 1911, Arthur Lowes Dickinson criticized advocates of interest inclusion. Dickinson's allies included R. H. Montgomery, Jos. F. Sterrett, and George O. May.

In the 1921 yearbook of the N.A.(C).A., then a newly formed group, a point by point summary of the interest debate was published. Later a special bulletin of this group (No. 61, New series, June 15, 1923) dealt with the issue and cited one of the earliest empirical investigations in modern accounting—a questionnaire circulated among members seeking to determine opinion concerning the interest matter.

It is evident that the interest topic has had a complex evolution. This explains the unsettling feeling which one experiences when
reading Professor Anthony's work noting its lack of reference to this treasury of prior thought.

It would benefit us as historians to consider the significance of this omission and the matter of repackaging this vintage issue in its new and appealing Harvard vessel. As such it betrays the ineffectiveness of accounting history to date—in that this type of oversight would have been less likely had the history of accounting thought and related issues been part of the basic training of research oriented accountants. In exposing aspiring researchers to such matters as a part of the educational process each would also become more firmly grounded in the theory of accountancy and be capable of moving ahead from established points thereby eliminating "reinvention" of each theoretical wheel.

Professor Anthony has reinvented the "interest wheel," but he has also proposed innovations in interest measurement/distribution and in the concept of an "interest pool." On balance then he has been a victim of the lack of both ready historical awareness and current historical literature on the subject—items for which the historian is ultimately to blame.

Professor Anthony's work is overall a timely contribution in the theory area. He calls for the reexamination of a point which was not "resolved" on the basis of merit—but merely tabled in years past. He has pointed to a paradigm of accepted economic theory and the lack of a suitable corollary in accounting theory. This then is not another of those hollow prestigious publications (Rex non potest peccare) but a legitimate inquiry.

The regrettable point from the view of accounting history and the efficient use of intellectual resources, is that so much ground already conquered has had to be rewon. The lesson for both historian and non-historian is simple: Historical events (such as the early interest controversy) of which no one generally knows or pays heed are as good as non-existent.

While we can expect that the monograph which Professor Anthony is writing on this subject will contain historical references let us hope that it also spurs fruitful historical inquiry.

(Vol. 1, No. 3, p. 2, 1974)
BIOGRAPHY AND ACCOUNTING HISTORY

Special areas of historical research are manifold. Historians can elect to study a specific period, a school of thought or a personality. The latter area and its relationship to gaining the fullest appreciation of the past is the topic of this essay.

It may be a distinct failing of accountancy to be rather unconcerned about its history, and perhaps more so about attempting to preserve the essential records about the human beings who created our present condition. It is the purpose of the biographer to forge these—"living links"—to capture the personality, habits, and the role of a person in the interacting environment of an age so that we can trace the events, ideas and institutions of the period to the important human elements.

Norman E. Webster, a twentieth century historian of American professional accounting, felt "that every lasting institution is the lengthened shadow of a person." History, to him, was "the story of the lives of persons in the form of associations and societies." The question that faces the biographer is: "What formed the person?"

Often an exceptional person acquires a "public personality," which is perpetuated through stories. The person is usually known for the positions attained or because of a list of notable achievements. As time passes the stories become subordinated to the list of achievements. The further passage of time diminishes the value of even the achievements until finally the personality is only remembered by a short biographical sketch and a dated list of accomplishments. When such record of a distinguished personality is all that remains, the character and personality of this exceptional person, along with his aims and motivations, are all but lost.

Biography acts to sharpen the perceptions about the subject area under study. Why and how the person acted becomes more meaningful as does the appreciation for the entire environment in which the subject lived.

How, for instance, can anyone claim to be a student of English history without knowing the biographies of the Tudor family? Six-
teenth century western culture from politics to religion was shaped in large part by the character of Henry VIII. The fascinating insights about his "life and loves" bear ready witness to the merits of this historical method.

And how many of us, again reflecting on English royalty, associate the term "Victorian (prim and proper)" with the character of Queen Victoria? Yet this is a misconception in the view of modern biographers. In contemporary terms she may have been quite a swinger had it not been for Prince Albert. She was far from prudish, but the consort certainly was and he influenced her actions and her image quite remarkably.

Today the history of accounting is taking place before our eyes and the key people, whose personalities are woven into the fabric of the age, may well go unheralded in a short while because we fail to grasp the full value of capturing their personalities through biography.

Biography as a type of accounting history is worthy of research effort. However, it is very important that the researcher realize that he is undertaking a formidable task. The biographer should study the basic psychological and behavioral patterns of personalities and become familiar with them. For in shaping a biography the writer has the responsibility of portraying a person for posterity.

(Vol. 1, No. 4, p. 1, 1974)
"FASBing": ABRACADABRA AGAIN?

The release of the report of the Study Group on the Objectives of Financial Statements—the “Trueblood Committee Report”—in October, 1973, has begun to set in motion a chain of events and will likely be the initial step in a significant episode of accounting history.

This brings up the point that the deliberation now taking place with regard to developing a conceptual framework for the Trueblood Objectives requires the attention of accounting historians in the form of historical analysis and interpretation of the previous attempts to develop a structure for accounting.

A recent paper on the history of the conceptual frameworks of accounting and reporting by William G. Shenkir, an FASB staff member, will hopefully be but the first of many fine efforts by researchers to relate the frameworks of the recent past to the needs of the present and future.

Unfortunately a “crash” program of historical analysis about these past attempts at conceptual “structure-neering” will likely fall short of satisfying the need for a complete sketch in enough time to have an impact on the current deliberations. The profession is fortunate then to have a student of history such as Mr. Shenkir heading up the FASB’s project on this subject. His interests tend to assure that the past—what was—will not be overlooked in relation to what is (the positive state) and what ought to be (the normative objective).

There is nothing “magical” about a conceptual framework—that is it will not, if invoked as a “soothe saying,” cure all of accounting’s ills. But it should serve as a substantial guide for the daily decisions faced by the accountant in the front lines of practice. Too often the practitioners, in perhaps justifiable skepticism about such “novel” proposals, have dismissed the worth of conceptual models for accounting—before either the model or the practitioner has had a fair chance to become acquainted.

Indeed a study, from the historian’s view, of the practitioner’s immediate or ultimate willingness to follow such “frameworks” is needed. There seems to be a “time lag” between the promulgation
of a conceptual model and its effective and habitual use by the practitioners. The thrust of a general historical analysis could serve to identify and isolate major factors in this "lag." These elements might be the educational disparities between proponents of the framework and the general level of practitioners; or the practical naiveté of scholars who suggest the normative scheme; or the lack of an efficient means of transferring of the new standard of knowledge in terms which can be readily equated among all parties.

What is needed, and is being sought by accounting historians, is a way of making both an immediate and lasting impact on the method of conceptual framework construction. For how can there be any significant progress in the attempt to develop warranted structures for accounting if there is a lack of material on the history of modern accounting thought which would enable others to reflect on past efforts, rekindle the spark of formerly sound notions and respond to the changes evident in the modern environment.

(Vol. 1, No. 4, p. 2, 1974)
HENRY WHITCOMB SWEENEY

By A. N. Mosich
University of Southern California

Henry Whitcomb Sweeney made significant contributions to both the academic and professional segments of accounting. Although his most famous work is in price-level accounting, his writings also embraced accounting theory, taxation, cost accounting, government contract accounting and auditing. His achievements as an accountant, professor, author, lawyer, and public servant have been an inspiration to many. Sweeney's distinguished career included service as Pentagon aide in 1951-53 and Deputy Assistant Secretary of Defense in 1964-65.

Sweeney was born in Springfield, Massachusetts on September 12, 1898, and died on September 1, 1967. He attended Amherst College and received B.A. (1919), B.S. (1920), M.S. (1921), M.A. (1924), Ph.D. (1936) and LL.M. (1960) degrees from Columbia University. He also earned the LL.B. degree from Georgetown University in 1940.

In 1924, at the age of 26, he chose accounting valuation for his doctoral dissertation topic under the guidance of Professor Roy B. Kester. The requirements for his dissertation would cause many current doctoral students to wince—the dissertation had to be an original contribution to knowledge, be published, and prove practical in application.

In 1925 he accepted a position on the audit staff of Price Waterhouse & Co. in New York City where he worked until 1935. Prior to this time he was learning and teaching. He became a CPA and while teaching at the University of Wisconsin had written Bookkeeping and Introductory Accounting, published by McGraw-Hill Book Company in 1924.

In May 1927, he submitted the first draft of Stabilized Accounting, about 400 typewritten pages, in a nation-wide Economics Contest and won the $500 prize. A condition of the award was that it had to be ready for publication within two years. Sweeney let the prize lapse so he could continue to improve his work. Early in 1933 he
passed an oral defense of his third voluminous draft of *Stabilized Accounting* but was unable to find a publisher.

In 1934 he married Mae Edith Fichter, and then in the spring of 1935 he withdrew from business for two and one-half months to revise and shorten *Stabilized Accounting* for publication. The plan he developed was to publish lengthy explanations as journal articles and refer to them by footnote so that the exposition of the book would thereby be complete. In 1936, one thousand copies of the book were printed by Harper.

In 1935 Sweeney commenced government service—as a supervisory bank examiner and then as Chief Accountant for the Navy Contract Appeals Board. In 1943 he accepted a Washington partnership in a New York City law firm, but quickly learned that 22 years of accounting experience was not readily transferred to the practice of law. He therefore opened a CPA office and in 1944 resigned from the law firm to specialize in government contracts and income taxation in order to utilize his knowledge of both law and accounting.

From 1936 to 1944, Sweeney was a professor of accounting at Georgetown, and he was also a professor of law at Georgetown Law School from 1941-58. He taught accounting as adjunct professor in the Graduate School of Business at Columbia from 1956 to his death in 1967.

*Stabilized Accounting* was a new and complete treatment of accounting for gains and losses from changes in purchasing power. Today accountants and businessmen are fully aware of the deficiencies in accounting for dollars representing various price levels. But at the time Sweeney wrote it was necessary to painfully explain how historical cost accounting failed to provide for maintenance of purchasing power through maintenance of capital. Sweeney believed that a monthly cost-of-living index was the ideal deflator, because men hold money for its ultimate purchasing power of general goods and services.

*Accounting Research Study No. 6: Reporting the Financial Effects of Price-Level Changes*, published by the AICPA in 1963, essentially adopts the scheme worked out by Sweeney. In Sweeney's review of ARS No. 6 in the October 1964 issue of *The Accounting Review* he stated: "To review the Study's main concepts, therefore, places this reviewer in the anomalous position of practically reviewing his own work." Unfortunately Sweeney did not live to witness adoption in 1969 of *APB Statement No. 3: Financial Statements Restated for General Price-Level Changes*, which included guidelines for preparing financial statements adjusted for changes in the general price levels.
At the meeting of the American Accounting Association in 1937, Sweeney was told that he was fifty years ahead of his time. The time has come for us to catch up with Henry Whitcomb Sweeney.

(Vol. 1, No. 1, p. 4, 1974)

DR SCOTT
By James R. Morton
The University of Alabama

A profile of DR Scott is especially appropriate in these times of increasing awareness of and concern over the social importance of our traditional institutions. As one of the early interdisciplinary contributors to the accounting literature, Scott is regarded by many present day readers to have been far ahead of his time in this regard. Indeed, his most famous work, *The Cultural Significance of Accounts*, is as contemporary today as it was at the time of its publication in 1931.

DR Scott was born October 24, 1887 near Montecello, Missouri and died February 8, 1954. The anterior initials, DR, in Scott’s name are not, as one might first believe, his first and middle initials. Rather, the capital letters DR, without periods and without a space between them, were taken from the initials of his father’s name, David Roland Scott, to comprise his entire first name.

Scott attended the University of Missouri from 1907 to 1910 earning the degrees of Bachelor of Arts and Bachelor of Science in journalism. He was a Fellow in Economics at the University of Missouri during 1910-1911, and was Austin Scholar at Harvard University during 1916-1917. It was from Harvard University that Scott received his Doctor of Philosophy degree in 1930.

Scott spent most of his life in Missouri, and most of his working years at the University of Missouri. He began his teaching career, however, in 1911 as an instructor at the University of Michigan. In 1914, after two years as a reporter for the *Detroit Times*, he returned to the University of Missouri as an instructor. With the exception of a brief period in 1918 and 1919, while he served as a statistician with the U.S. Army in Tours, France, Scott remained on the University of Missouri faculty until he died. Scott was promoted to assistant professor of economics in 1917, to associate professor two years later, and to professor of economics the following year, 1920. In 1930, he became chairman of the newly formed department of ac-
counting and statistics and his title was changed to professor of accounting and statistics.

Scott was married on April 28, 1920, to Miss Carrie Lind Pancoast, and had one son, Wallace Pancoast Scott. Professor Scott's academic and professional affiliations included: the American Accounting Association, of which he was vice-president in 1941; vice-president of the American Association of University Professors; several professional economics organizations; and various local and national honorary and social organizations.

In addition to *The Cultural Significance of Accounts*, Scott authored another book, *Theory of Accounts*, both of which were published by Henry Holt and Company. He also authored 26 articles which have been reproduced in *Collected Writings of DR Scott*, Robert L. Kvam, Editor, in connection with the 50th Anniversary celebration of the School of Business and Public Administration which Scott was so instrumental in forming.

In his classic work, *The Cultural Significance of Accounts*, Professor Scott describes the objective of his book as follows:

> In making an attempt to formulate an orientation for accounts, the writer does not undertake to relate them to a static standard or ideal. His purpose is rather to show their place in a process of social development. What is aimed at . . . is the presentation of a series of snap shots, as it were, upon which the reader is expected to exercise his imagination in constructing the outlines of an organizing process of contemporary cultural evolution. (pp. 3-4)

Having thus set the stage, Scott proceeds to relate the concept of economic market control to a shifting of cultural orientation from a subjective to an objective outlook. It was, according to Scott, the prevalence of an individualistic, subjective philosophy which characterized the cultural period that was dominated by market control; and the importance of market control had begun to wane as the subjective philosophy gave way to a more "... matter-of-fact, impersonal, objective viewpoint. . . ."

Thus, Scott saw the competitive market becoming less and less applicable to current economic affairs. Accounting theory, on the other hand, had become more and more independent in its viewpoint until it was becoming a source of guidance to legal and administrative authorities in making decisions affecting social and economic phenomena. As a result, Scott contended, "... they [accounts] control such phenomena as well as interpret them to the
extent that they control the actions of men which constitute social phenomena." (p. 283)

In an article, "The Basis for Accounting Principles," appearing in The Accounting Review (December, 1941), pp. 341-349, Scott proposed three basic "principles" which testify to the intensity of his conviction regarding the destiny and responsibility of accounting in society. The cornerstone of accounting, Scott said, is justice; the remaining principles, truth and fairness, were supplemental, yet subordinate, to that principle.

When contemplating our current status, one's attention is called to the enormous amount of time and effort the accounting profession has committed in recent years to the construction of a complex, often arbitrary, and sometimes conflicting maze of rules and objectives merely to keep abreast of a changing socio-economic scene prophesied decades ago in the writings of a man who had only initials for a first name, and who seldom ventured from the University of Missouri campus.

(Vol. 1, No. 2, p. 5, 1974)

JOHN BENNETT CANNING
By William Robert Smith
University of Southern California

In 1929, Canning wrote The Economics of Accountancy. The book was destined to have a significant effect on the development of accounting theory. Canning, then Professor of Economics at Stanford University, undertook the task for the purpose of making the work of the professional accountant intelligible to economists. He went far beyond his objective out of frustration with the quality of contemporary writings on accounting and the procedural emphasis of texts. He constructed what he perceived to be the existing state of accounting theory based on his observation of practice. Most important, he did this critically. Assuming an audience of professional economists and accountants, he sought to bridge the conceptual and communications gaps that separated the two disciplines.

Canning's influence on accounting thought, apparently slight in the early days following publication of his book, has grown with the passage of time. His book has become required reading for generations of graduate students. His writings appear to have heavily influenced the thought of many current writers.

Canning was born in Huron, Michigan, in 1884. He received a Bachelor of Philosophy degree in political economy in 1913 and a
Doctor of Philosophy degree in economics in 1929, both from the University of Chicago. Between 1915 and 1917, he was an instructor in political economy at the University of Chicago. After military service in World War I, he went to Stanford University as Assistant Professor of Economics where he remained until 1941. During World War II, he was with the War Food Administration of the U. S. Department of Agriculture. Following his retirement from Stanford in 1946, he served as the U. S. representative on the Quadripartite Council in Berlin examining problems of food and agriculture in the occupied areas.

*The Economics of Accountancy* was Canning's Ph.D. dissertation. It was the culmination of a decade of study into the unexplored areas of convergence between accounting and economics. He was ideally suited to the task. He was primarily a statistical economist and was attracted to accounting by the wealth of empirical data it provided. Canning's accounting credentials were excellent. At Stanford, he built up the curriculum in accounting and headed the division of accountancy within the department of economics. His program marked a sharp divergence from other accounting curricula of his era. It explored the relationships between accounting and economic theory. His programs attracted a distinguished group of graduate students. He was an active member of the American Association of University Instructors in Accounting, predecessor of the American Accounting Association. In addition, although not a CPA, he served as a member of the Board of Examiners of the California State Board of Accountancy from 1921 to 1929.

Canning was not a prolific writer. Also, he was an individual of shifting interests. *The Economics of Accountancy* was his only book. He wrote on accounting up to 1933. In the early 1930s, he became engrossed in problems of fiscal policy and early in the depression era advocated deficit spending as a primary stimulant to recovery. Subsequently, he became involved in areas of social concern such as social security and unemployment insurance. Also during the 1930s, he was advocating health insurance programs and was a member of the Advisory Board of the California Medical Association. In the late 1930s, his interests shifted to problems of agricultural policy and food distribution. He left Stanford in 1941 and served in the area of food distribution with the Federal Government until his retirement in 1948. He died in 1962.

Canning's contemporaries provide us with a composite picture of him as a rugged individualist of strong personal and professional integrity who held strong views and was always ready to break new ground regardless of consequences. In today's environment, he
Profiles

might be described as an avowed liberal and somewhat of a political activist. He supported the New Deal, social programs, teachers’ unions and Harry Bridges. His espousal of causes unpopular with the business community resulted in threats to cut off financial support to Stanford University.

Canning was the first to synthesize the underlying concepts of accounting in terms of economic concepts of valuation and income. He developed a system of rigorous definitions and examined closely the nature and valuation of assets, liabilities and proprietorship and the measurement of income. His numerous criticisms of the state of the art were spiced with proposals for reform. Canning’s work was truly pioneering. He drew heavily on the writings of Irving Fisher, and particularly on Fisher’s *Nature of Capital and Income*. Speaking before the Symposium on Appreciation at the University of Illinois in late 1929, Fisher referred to his *Nature of Capital and Income* as the first attempt to bridge the gap between economics and accounting but described Canning’s work as “a much better book for this purpose.”

The *Economics of Accountancy* is an insightful and penetrating analysis of accounting theory and practice. It is a popular cliché among book reviewers to state that the book under discussion should be part of the library of all graduate students, teachers and practitioners. Canning’s book belongs there to be sure, but not as an historical curiosity, but rather as a current guide providing a basis for solutions to a large number of today’s unresolved problems in accounting measurements and analysis. It is vital, alive, and relevant to the 1970s.

(Vol. 1, No. 3, p. 6, 1974)

F. R. M. de PAULA

By Stephen A. Zeff
Tulane University

Frederic Rudolf Mackley de Paula was a man in advance of his time. Almost five decades prior to the publication of the Solomons Report, which is now being studied by the accounting profession in the United Kingdom and Ireland, de Paula argued for a partnership between the universities and the accountancy bodies. In the 1930s, still a period in which secrecy dominated the disclosure practices of U.K. companies, de Paula, as financial controller of a large British company, popularized the use of consolidated financial
statements and pioneered in more informative reporting. In testimony before the Cohen Committee on Company Law Amendment in 1944, and as a member and chairman of an influential committee of the Institute of Chartered Accountants in England and Wales in the 1940s, de Paula played an important role in the implementation of several notable reforms in corporate financial reporting.

F. R. M. de Paula was born in 1882. Upon completing his articles and passing the intermediate and final examinations of the English Institute with honors, he was admitted as an Associate in February, 1906. He became a Fellow of the Institute in 1915. From 1909 until the outbreak of the World War, he was engaged in the practice of public accounting. During the War, he occupied a succession of administrative posts in Government service, concluding with a tour of duty in France. He resumed the practice of public accounting following the war, and joined the staff of the London School of Economics. In 1924, he was named Reader in Accounting and Business Organization, and in 1926, upon the retirement of Professor L. R. Dicksee, de Paula succeeded to the Sir Ernest Cassel Chair of Accountancy and Business Methods. He continued in the practice of public accounting and as occupant of the Chair until the end of 1929, when he was appointed Controller of Finance of Dunlop Rubber Company, Limited. Shortly before World War II, he took leave from Dunlop for a period of service in the War Office. He left Dunlop in December, 1941, to become vice chairman and joint managing director of Harding, Tilton & Hartley Ltd., from which he retired in March, 1945. He served as a director of a number of companies and was an officer of the Federation of British Industries (today part of the Confederation of British Industry) and of the British Institute of Management. During the 1930s and 1940s de Paula contributed articles to The Accountant, The Economist, and other journals, and gave frequent lectures to professional societies. A collection of his most important writings and addresses were published in Developments in Accounting (Pitman, 1948), which has become a standard work on the subject, now in its thirteenth edition.

De Paula began to take an interest in reform in the 1920s. In a pair of letters to The Accountant in 1926 and 1928, de Paula regretted that the accounting profession had taken so little interest in the academic study of accountancy. His proposal that the five years of training of an articled clerk be divided evenly between practical experience and whole-time university study might well have shocked the conservative leaders of the English accountancy profession, who seemed to look upon the universities as an altogether alien force. De Paula fashioned an eloquent argument for
the importance of academic study and research to the future of the profession, yet almost 50 years later it would appear that the English profession had not accepted de Paula's thesis.

During the 1920s, his time divided between accounting practice and university lecturing, de Paula began to read widely in the American literature on new ideas in the presentation of accounts. "These attracted me greatly," he later wrote, "and I grafted many of them into my teaching, and in the year 1929 I persuaded the board of a public company, of which I was the auditor, to present its accounts in accordance with these new ideas." As chief accounting officer of Dunlop Rubber, he continued his crusade. In Dunlop's 1929 accounts, issued in 1930, assets and liabilities were grouped into current and noncurrent categories, rather than in the legalistic mode adopted by virtually all other companies. Proposed dividends were incorporated in the balance sheet, and dividends were shown net of income tax. It has been the almost universal practice for companies not to reflect in the balance sheet the dividends which the directors had proposed and were to be acted upon at the annual general meeting. In order that shareholders could appreciate the effect of their ratification of the directors' action, de Paula believed that the proposed dividends should be shown in the balance sheet submitted at the annual meeting. In the 1931 annual report, Dunlop expanded its directors' report to include a review and explanation of the year's accounting results—a commentary not then provided by British companies. The 1931 year-end balance sheet contained, perhaps for the first time in Britain, comparative figures for 1930, and all the amounts in the financial statements were shown in even pounds, omitting the shillings and pence. Dunlop's 1933 accounts attracted the greatest attention. In that year, the company issued both consolidated and parent-company financial statements. No law required the publication of consolidated accounts, and few companies had ever done so in Britain. Through his company's 1933 accounts, de Paula launched a campaign to gain acceptance for this form of reporting. This series of innovations in the Dunlop accounts was acclaimed in the pages of The Economist and The Accountant, both of which had been criticizing companies for their uninformative reports to shareholders.

In 1941, members employed in industry and commerce ("non-practicing members") of the English Institute sought representation on the Institute's General Council, which had until then been composed solely of members in practice. The following year, compromise was reached by which the General Council created a Taxation and Financial Relations Committee made up of practicing and non-
practicing members. It was the first English Institute committee with non-practicing representatives. The Committee promptly requested authority from the General Council to draft Recommendations on Accounting Principles, and the permission was shortly given. De Paula was the Committee's first Vice-Chairman and was Chairman between 1943 and 1945. During the Committee's first three years, a time when a new Companies Act was in the making, the Committee, with de Paula as a leader, prepared several drafts of recommendations which, once approved by the General Council, were favorably received by the Cohen Committee on Company Law Amendment. A number of the Recommendations dealt with subjects on which de Paula had been advocating improvement for several years. Although no Recommendation appeared on the subject of consolidated accounts, de Paula ably argued for this reform in his testimony before the Cohen Committee. Others, including the London Stock Exchange, had joined in support of consolidated statements, but de Paula had been one of the staunchest proponents. In the end, the Cohen Committee reported in favor of group accounts, and they were required for the first time in the Companies Act, 1947.

In 1943, de Paula was selected as the first non-practicing representative on the Institute's General Council, reflecting the esteem in which he was held by the practicing and non-practicing members alike. He remained on the General Council until his retirement in January, 1950.

De Paula was a forward-thinking member of the profession who rendered valuable service in private practice, government, industry, higher education, in the councils of the Institute, and as an author. Any assessment of his career must conclude with the judgment that de Paula had a considerable impact on the pace and scope of the transition of published accounts from mere legal documents to informative reports to shareholders.

(Vol. 1, No. 4, p. 6, 1974)
BOOK REVIEWS


Reviewed by Kenneth S. Most
Texas A & M University

This university press publication of a history of standard costing, a previously unpublished 1944 doctoral dissertation, fills a curious gap in the English language literature. Charles Weber's history, in German, dates from 1960, but covers only the American contribution. Sowell reviews evidence of cost calculation and bookkeeping before the late 19th century and identifies Garcke and Fells, an engineer and an accountant, as the first to recommend integrated financial and cost accounting. He traces the transformation of English cost estimating procedures into systems of standard costs and emphasizes the influence of engineers throughout.

Shortly before 1900, American and English accountants took up the engineering ideas of standards, comparison with actuals and analysis of variances; starting with Emerson and Nicholson (1908-9), American theory and practice prevailed. The two national influences, however, met in the person of Charter Harrison, an English born and educated accountant who practiced in the USA, and who started laying the foundations of the theory of standard costing around 1911.

Besides tracing the progress of cost estimating in English manufacture, including the medieval guilds, and the influence of the scientific management movement on cost accounting, Sowell devotes chapters to the history of accounting for materials, labor and "burden"; his remark on the paucity of principles in works on standard costing rings as true today as it did in 1944. It is interesting to note that neither direct standard costing nor the behavioral problems which arise out of the influence of wage premium systems on the development of standard costing, was important enough to merit attention thirty years ago.

The only major defect in Sowell's argument is his distinction between an estimate and a standard, which remains unclear throughout the book. In one place it lies in the fact that "an estimate is a cost which will be as nearly representative as possible of the actual costs to be incurred," but some of the standard cost pro-
cedures illustrated are inconsistent with this objective. In another place, the criterion for standard costs appears to be that the elements of the estimate are recorded, filed and indexed; in yet another, that work is first organized using scientific method before the cost figures are determined. Nevertheless, this book is a masterly survey of a complex subject and its sponsors are to be thanked for making it available to accounting scholars at this time.

(Vol. 1, No. 2, p. 6, 1974)


Reviewed by Marc J. Epstein
California State University, Los Angeles

Though Yamey, Edey, and Thomson provided an introduction and overview to the development of accountancy in England (*Accounting in England and Scotland: 1543-1800*, London: Sweet and Maxwell, 1963), no comprehensive study had been made of the development of accounting in this period in England. Further, though the Sombart thesis is a well accepted notion, a rigorous test of that thesis had not been conducted. James Winjum successfully completes both of these tasks. He provides the reader with an analysis of historical material gathered during his research in England along with a comprehensive examination of the development of accounting in postmedieval England. Central to the entire study is the test of the Sombart thesis that double-entry bookkeeping was “both a manifestation of the spirit of capitalism in its formative decades as well as a propulsive agency furthering a significant economic and cultural development.” Through an examination of extant accounting treatises and textbooks and merchant accounts of England (1500-1750), Winjum finds the proof necessary to support the thesis.

England was chosen for the study because of the extended period of economic growth it saw beginning in 1500. The accounting treatises analyzed provided insight into the developing sophistication of the double-entry system and the uses of double-entry bookkeeping in commerce. Sombart found order and organization necessary for an enterprise to prosper. The order is derived from the double-entry system and the double-entry system provided an impetus for economic growth and acquisition. Through the quantification of business transactions, the double-entry system provided a
rational order for the entrepreneur. Winjum demonstrates the significant role accounting played in the economic development of Europe in the Middle Ages.

Over the last few years, discussion has continued on the validity of the Sombart thesis. The contribution of this test of the thesis is obvious. It is also important to note the research methodology employed. Winjum’s study provides the results of extensive investigation into both treatises and original records and provides a thorough discussion of the previous support of the thesis by influential scholars. “Scissors and paste history” is clearly not being used here in this carefully researched study.

In previous years, numerous articles have been published summarizing various extant merchant journals of the Middle Ages. Winjum’s book binds all of this information about English accountancy (1500-1750) into a strong statement on the role of accounting in the economic development of capitalism.

The inclusion of account records of thirteen merchants and the East India Company proves to be of substantial value. The records of the East India Company provide a unique opportunity to discern the differences in business methods used by the joint stock companies and the individual merchant. Perhaps the primary difference was that the East India Company was interested in internal control in addition to the profit orientation of the individual merchant.

The book is a major contribution to the literature of accounting history generally and English economic and accounting history specifically. The reader would have been aided substantially by an index, but that is only a minor detraction. The book is highly recommended as evidence of quality accounting history research.

(Vol. 1, No. 3, p. 4, 1974)


Reviewed by Turgut Var
Simon Fraser University

Since accounting history is the study of the evolution of accounting thought, practices, and institutions in response to changes in the environment and societal needs, a book aimed to assist in teaching this discipline should consider the objectives very carefully—otherwise the book may become irrelevant and voluminous. The main success of Professor Chatfield lies in his efforts to be concise and
relevant to current accounting issues. As indicated in the preface of the book, the objective is to elevate basic accounting history from a state of scattered articles and books into a formal teaching aide. Less stress on earlier developments and more emphasis on more recent issues make this book readily adaptable to a variety of instructional purposes. Inclusion of an extensive bibliography to each chapter provides a valuable guide to readers who may wish to further study a particular item. Therefore, the book can be used by undergraduates in accounting as well as by graduate students who lack previous exposure to accounting and accounting history.

The objective of being relevant and concise, of course, required the author to employ limitations. First, as its title suggests, it is a book of history of ideas rather than a chronicle of events or collections of facts as compared to earlier books on accounting history in Europe. The second limitation affects the scope of the book considerably and to a certain extent constitutes a weakness. This limitation results from the assumption that accounting history is mainly the story of the economically dominant nation of the time. Therefore, the earlier chapters are devoted to developments in Italy; from the seventeenth through the nineteenth centuries, England occupies the main emphasis; the last chapters that deal with current issues are centered on the American experience.

It is natural for a reader to question this assumption because it introduces a bias. This is especially felt in discussion of accountancy and capitalist development in Chapter 8. Exclusion of some of the recent findings which give the Sombart thesis a fair trial tends to increase this bias. Moreover, Chapter 2, Medieval Account Keeping, (which is based on Professor Chatfield's earlier article, "English Medieval Bookkeeping: Exchequer and Manor") contradicts this dominant nation assumption. Probably a shorter chapter with reference to the original article would be more appropriate.

Part 2, Accounting Analysis in the Industrial Era, is very well written. Consideration of various movements for various purposes, i.e., auditing, professional development, cost accounting, government and business budgeting is given in short but very informative and consistent chapters. Reading these chapters one "feels" the different pace of progress and problems during the industrial era. This section should prove very useful not just to accountants but to lawyers, administrators and others interested in the evolution of financial planning, reporting and control.

The last five chapters constitute Part 3, A History of Accounting Theory, which mainly deals with the development in the United States. However, various references to developments in continental
Europe give the reader a very sound background in understanding the U.S. developments in accounting theory. Chapter 16 contains a description of the "discovery and exposition of the theoretical framework which governs accounting practice and within which the specifics of modern theory have evolved." After reading this chapter, one can begin to make headway in analyzing many current issues.

Unfortunately, the book contains several typographical and other printing errors. Of course such errors do not reduce the value of this great and pioneering work in the field of instruction of accounting history.

(Vol. 1, No. 3, p. 5, 1974)

Michael E. Parrish, Securities Regulation and the New Deal (Yale University Press, 1970, 270 pp.).

Reviewed by Hugh Hughes
Georgia State University

The New Deal, broadly perceived as a reform movement, has been the subject of previous comprehensive studies. As Parrish notes in his introduction, he is concerned with illuminating "a portion of the larger debate: the relationship between American businessmen and reform." He attempts to identify the reformers, their motivations, and the consequences of reform.

To accomplish his goals, he concentrates on the issue of securities regulation—primarily through an analysis of the Securities Act of 1933, the Securities Exchange Act of 1934, and the Public Utility Holding Company Act of 1935. The analysis begins with a discussion of "blue-sky" laws and the efforts of the then recently formed Investment Bankers Association to promote uniformity of state and federal securities regulation laws before and during the twenties. The major portion of the book is then devoted to an in-depth study of the evolution of pertinent provisions of each of the three acts mentioned above, including an analysis of other competitive and ultimately unsuccessful bills.

A large number of individuals and groups played a part in developing, inhibiting, and modifying this legislation both before its passage and upon its subsequent administration by the Securities and Exchange Commission. From historical studies, government documents, etc., and more importantly from personal diaries, correspondence, and papers of individuals important to the outcome of securities legislation, Parrish assembles a virtual panoramic cast
of characters including senators, representatives, Wall Street lawyers, bankers, the Roosevelt administration and attendant New Dealers, the New York Stock Exchange, stockbrokers, the Federal Reserve Board, scholars, the Federal Trade Commission, several Congressional committees, pressure groups and accountants.

This is no Cinderella tale which Parrish relates—it is a study of legislation incessantly attacked by detractors who in some instances do manage to dilute or eliminate what appear to have been worthwhile reforms. The personal papers are particularly helpful here in shedding light on the feelings and frustrations of both advocates and foes of these measures and of the philosophies motivating them.

An important feature of the book is that it is not primarily concerned with the accounting profession or accounting practices. Accountants, as the list above notes, are but one of a number of parties whom Parrish attempts to place in perspective, and it is this perspective that today's accounting practitioner or professor should find of most benefit. The development of the SEC's philosophy toward accountants, for example, is seen against a larger background of its relationship to the business community generally.

To the accounting historian, the book is significant for this same perspective, for the evolutionary study of a government institution of primary importance to accountants, and for its methodology. In conclusion, I feel the author readily accomplished his objective. Parrish's *Securities Regulation and the New Deal* is a pat hand.

(Vol. 1, No. 4, p. 4, 1974)
OTHER FEATURES

BOOK MART

—Wanted: Journals of Accountancy, editions prior to 1942; Correspondent A.

—Available: pre-1920 bound volume, Annual Reports, American Institute of Accountants; Correspondent AA.

—Names and addresses of book dealers who advertise out of print works in accounting can be obtained by writing the offices of The Academy.

(Vol. 1, No. 1, p. 3, 1974)

—Wanted: Single or Multiple copies of Professional Accounting in 25 Countries, New York: AICPA, 1964; please quote price per volume and condition. Correspondent KK.

—Available: Joint Publisher Catalog of Economics and Business/Accounting Materials; Marketing Services Division. The Lehigh Press Inc., 7001 North Park Drive, Pennsauken, New Jersey 08109.

(Vol. 1, No. 2, p. 6, 1974)

—Copies of Thomas G. Higgins, CPA, An Autobiography, can be obtained by members of The Academy by writing: Albert Newgarden, Director of Communications, Arthur Young & Co., 277 Park Avenue, New York City 10017. Copies are limited and are offered with the compliments of the firm.

—Studies show that an estimated 97% of nonfiction books printed between 1900 and 1938 will not last more than 50 years. The problem: Widespread use of modern, inexpensive paper manufactured in a chemical process that results in rapid deterioration. [William J. Barrow, book restoration expert, Richmond, Virginia.]

—Wanted: Single or Multiple copies of Professional Accounting in 25 Countries, New York: AICPA, 1964; please quote price per volume and condition. Correspondent KK.

(Vol. 1, No. 3, p. 4, 1974)
—Professor Williard E. Stone has approximately 150 accounting titles which he is offering for trade. Contact him at Accounting Department, College of Business Administration, University of Florida, Gainesville, Florida 32611.

—The personal library of the late Paul Martin Green, former Dean of Business, The University of Illinois, is available in listings to persons interested in bidding on the entire collection. The holdings include several complete series of accounting and economic periodicals and several hundred books in the area of Accounting, Business, Economics, Finance, Government, and Social Sciences. For information contact Professor Clive Dunham, College of Business, The University of Illinois, Urbana, Illinois 61801.

(Vol. 1, No. 4, p. 2, 1974)

CONTACT NOTES

—The 20th anniversary meeting of the Business History Conference was held in Wilmington, Delaware, March 1-2. The 1975 meeting will be in Evanston, Illinois during the last week of February. For more information about this group, write Prof. Fred Bateman, Dept. of Economics, Indiana University, Bloomington, Indiana 47401.

—The American Institute of Decision Sciences (Southeast Chapter) will establish an archives and appoint a curator/historian. For information contact Professor Thad Green, Mississippi State University.

—Ron G. Dryen is convener of The Accounting History Committee of The Accounting Association of Australia and New Zealand. Consult your Academy list for his address to inquire for more information about this group.

—The Scottish Committee on Accounting History (R. Parker, convener) may be contacted through Miss Anna B. G. Dunlop, Assistant Secretary, c/o The Institute of Chartered Accountants of Scotland, 27 Queen Street, Edinburgh EH2 1LA.

—The English Accountants’ Historical Society’s activities can be determined by writing M. W. E. Glaudt, Senior Lecturer in Accounting, Dept. of Economics, University College of North Wales, Bangor LL57 2DG, Great Britain.

(Vol. 1, No. 2, p. 4, 1974)
Other Features

—The Ealing Business History Seminar (Ealing Technical College, London, Prof. D. J. Oddy, coordinator) sponsored papers on "Accounting in the Nineteenth Century," at the conference held on January 18, 1974. A principal paper was delivered by Prof. G. A. Lee of Nottingham on the concept of profit in British Accounting, 1760-1900. Prof. S. Pollard was chairman of the forum discussion on application of accounting principles to business records. The next seminar is planned for November 8th.

—Convener of the Accounting History Society (England) is John Freear, Esq., University of Kent. Dr. G. A. Lee, the University of Nottingham, is Hon. Secretary.

—Williard E. Stone of Florida presented a paper at the Southeastern Regional Conference of the American Accounting Association entitled "Accounting Records History: The Virginia Cobbler—A Case Study." At the same Conference, held at Memphis State University, during April, Gary John Previts of Alabama presented a paper entitled "Schools of Thought: A Technique for Historical Research."

—The Sun Oil Company has designated the Eleutherian Mills Historical Library (Wilmington, Delaware) as the depository for its business archives. The first segment of the company's records to be processed covers the period 1889-1963.

—John M. Anderson, Falkirk, Scotland may be contacted for information about the library holdings of the Scottish History Society.

(Vol. 1, No. 3, pp. 4, 5, 1974)

—The Herwood Library of Accountancy, partially documented in a 1938 catalogue which lists holdings of over 1200 pre-1900 accounting texts, has been entered into the collection of the Langsdale Library, The University of Baltimore.

—Information about the activities of the Oral History Association can be obtained by writing George Ellsworth, Western Historical Quarterly, Utah State University, Logan, Utah 84321.

—The National Endowment for the Humanities is funding a 13-week dramatization called "The Adams Chronicles 1750-1900." It will be produced by WNET and telecast nationally over the PBS System during 1975-1976.

—The 21st annual meeting of the Business History Conference is scheduled to be held at Northwestern University February 28-
March 1, 1975. For information write Professor Fred Bateman, BU 670, Indiana University, Bloomington, Indiana 47401.

—Professor Geoffrey A. Lee, Secretary of The Accounting History Society, announces the annual meeting of that organization as having been held on [date omitted in original].

—"The Pisan Document from Philadelphia"—a fragment of a naval account dated in the first half of the 12th century, has been reported to The Academy by Professor Tito Antoni, Quartiere Diaz 21, 55049 Viareggio, Italy. It contains a series of entries relative to the direct costs sustained by a shipowner and trader of Pisa for the construction of a galley.

(Vol. 1, No. 4, pp. 3, 5, 1974)

HISTORICAL ANTECEDENTS

Additions to "Parker—1965"


—"Neither Pietra nor Flori," (Correspondence), Henry Rand Hatfield, Journal of Accountancy, February, 1943.

Other Features


(Vol. 1, No. 3, p. 3, 1974)


(Vol. 1, No. 4, p. 4, 1974)

HISTORICAL POTPOURRI

—“The earliest relationship that ever existed, was the relationship between buyer and seller, creditor and debtor. On this ground man first stood face to face with man. No stage of civilization, however inferior, is without the institution of bartering. To fix prices, to adjust values, to invest equivalents, to exchange things—all this has to such an extent preoccupied the first and earliest thought of man, that it may be said to constitute thinking itself.” Business Power, (J. F. Tapley Co., 1910) quoting Friedrich Nietzsche.
—"Not to know what happened before one was born, is always to be a child." Cicero, 80 B.C. as quoted in The Wall Street Journal, "Letters," October 11, 1973.


—"After love, book collecting is the most exhilarating sport of all." Yale University Press Catalogue, Fall, 1973, quoting A. S. W. Rosenbach.

—"Science is attained by study, art by practice; and without a combination of both, the student's attainments must be superficial. Many expedients have been devised whereby the toil of study might be saved. But let no one be reduced to idleness by specious promises. Excellence can only be attained by labour." Double Entry Elucidated, London, 1849, quoting the author B. F. Foster, Found in "History Tells. . . ." The Australian Accountant, September, 1973.

(Vol. 1, No. 1, p. 3, 1974)

—"By act of Parliament in one thousand seven hundred and fifty-two, the first day in January was appointed to be the beginning of the year for all purposes. Priestley." Oxford University Press Calendar Sale Catalogue, 1973-74, p. 1.

—"[W]hoever wishes to foresee the future must consult the past; for human events ever resemble those of preceding times." The Future as History, R. L. Heilbroner, p. 21.

—"The doomsayers work by extrapolation; they take a trend and extend it, forgetting that the doom factor sooner or later generates a coping mechanism. I have a rule for this situation too, which is absolute: you cannot extrapolate any series in which the human element intrudes; history, that is, the human narrative, never follows, and will always fool, the scientific curve. "History as Mirror," B. Tuchman, The Atlantic, as quoted in The Wall Street Journal, January 2, 1974, p. 6.

—"History? The British never remember it. The Irish never forget it. The Russians never make it. And the Americans never learn from it." Fulton J. Sheen.

—A "common human failing is the tendency to put on dark glasses when it comes to the lessons that history might teach us," "The

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—"Although double-entry bookkeeping was being practiced in the city states of Italy during the 15th century and during the following century gradually spread throughout the lands of Western Europe, it was not until the reign of Peter I (1689-1725) that the concept of double entry percolated into Russia." D. T. Bailey, "Accounting in the Soviet Union," *The Certified Accountant*, (England), March, 1974, p. 99.

—"History records change, but it does not necessarily record constant progress. The two ideas change and progress are not to be equated. To know that, and to appreciate it, is to help one to understand and live with the present. That is why a sense of history is the sign of an educated man." John Cardinal Carberry, "A Sense of History," *The Wanderer*, June 6, 1974, p. 4.


—"Some modern Zealots appear to have no better knowledge of truth, nor better manner of judging it than by counting noses." Jonathan Swift in "Why History Repeats Itself," (A Comment), *The Freeman*, June, 1974, p. 326.


—"The brouhaha over full disclosure is of relatively recent vintage, as, indeed is the subject of annual reports. No one knows for sure just when or by whom the first was issued. But one source accords the honor to a chap named Anticles, who served as a secretary to the Board of overseers in charge of building the Parthenon in 434-433 B.C. Fragments of his accounts, engraved in
stone, have been found on the Acropolis." Eric Aiken, "Full Disclosure," Barron's, April 15, 1974, p. 12.

(Vol. 1, No. 3, p. 3, 1974)

—"The history of the numerous attempts to set standards, here and elsewhere, tells us that the Achilles' heel of the FASB is its reliance on voluntary cooperation. It tells us that reliance on voluntary, willing 'adherence' to the standards of an agency without explicit power of enforcement is illusory. Management will cooperate when it has no other choice, or when it suits its own goals and objectives, but not otherwise." Maurice Moonitz, "Obtaining Agreement on Standards in the Accounting Profession," Studies in Accounting Research #8, American Accounting Association, 1974, p. 87.

—"A page of history is worth a volume of logic." Oliver Wendell Holmes, as cited in Watergate Hearings, July 30, 1974.

—"The fundamental precepts of sound management and accountability, applied of necessity to business, are not being applied in the social and environmental sectors. . . . Archaic tradition dominates our budgetary and appropriations processes, with little, if any, attention paid to whether the job is being done." David F. Linowes, The Wall Street Journal, July 23, 1974, p. 16.

—"I believe that it would be difficult to set bounds to the possibilities of American development. The inventive genius of the people, their adaptability to all circumstances, their tenacity of purpose, their wonderful energy, and the fabulous resources of the country all make it certain that the United States will reach a degree of power and prosperity hitherto unexampled in human history." Henry Clews, Twenty-Eight Years in Wall Street, New York: J. S. Ogilvie Publishing Company, 1887, p. 716.


—"The illusion that times that were are better than those that are, has probably pervaded all ages." Horace Greeley as quoted in The Times-Picayune, New Orleans, August 21, 1974, p. 10.

—"History is a vast early-warning system." Norman Cousins, Reader's Digest, September, 1974, p. 24B.
—"Americans reflect a notable lack of historical-mindedness, and this myopic concentration on the here-and-now can be troublesome. Not bothering to look up the facts, we often find ourselves making current decisions based on what 'everyone knows' to have been demonstrated by some previous episode. In some cases what 'everybody knew' turned out to be surprisingly unrelated to the historical facts. This historical myopia may simply be unfair. According to a recent article . . . , for example, four decades after he left office and a decade after his death Herbert Hoover, we are now perceiving, looks a good deal better than what 'everybody knew.' When misperceptions assume the force of historical facts through sheer repetition, however, public policy can also become a casualty." Paul W. McCracken, "Let's Read the Minutes," The Wall Street Journal, August 29, 1974, p. 8.

—"Notwithstanding the dangers of naiveté or presumptuousness, I think the developments of the 60's might be summarized in a few succinct statements. First, there was the maturing of the Accounting Principles Board, conceived in the late 50's, into a significant, constructive and controversial force. Second, there was the explosion of litigation against accountants, particularly in cases of national significance involving members of the 'Big Eight.' This development coincided with the increase in securities litigation in general resulting from the imaginative application by federal courts of Rule 10b-5, an achievement abetted in no small part by the resourcefulness of private practitioners. Third, there was the increasing restlessness of the Securities and Exchange Commission, which for many years, despite clear statutory authority to intervene in the accounting area, had followed a policy of self-restraint. Fourth, there was the development of the cults of disclosure, earnings per share, and growth through acquisition, all of which directly impinged upon, and called into question, historically sanctified accounting principles." A. A. Sommer, Jr., "Survey of Accounting Developments in the 60's; What's Ahead in the 70's," The Business Lawyer, November, 1970, p. 207.

—"Many of the foreign writers are unaware of the numerous accounting texts of the 14th and 15th centuries already published in Italy during the time period of their respective investigations while too many base their authority on the unreliable Paciolo." The Origins of Double Entry (Business Administration and Market Conditions in the 14th and 15th Centuries), Thomas Zerbi, Milan, 1952, pp. 5-6.

(Vol. 1, No. 4, p. 5, 1974)
HISTORY IN PRINT


(Vol. 1, No. 1, p. 2, 1974)


"A Significant Year (1873) in the History of Bookkeeping in Japan," Kojiro Nishikawa, Kaikei (Accounting), (Japan), March, 1974.


"Pions Inscriptions; Confused Accounts; Classification of Accounts: Three Historical Notes," Basil S. Yamey, in Debits, Credits, Finance and Profits.


Review of:


Review of:

(Vol. 1, No. 2, p. 2, 1974)

Review of:
*Forging Accounting Principles in Five Countries: A History and an Analysis of Trends*, S. A. Zeff.


Review of:


(Vol. 1, No. 3, p. 5, 1974)


Review of:


Out of the Past

Timeless Thoughts on Accounting

—"With the widespread recognition of the importance of accounting in solving present day problems of government and industry, practitioners and teachers of accounting have an unparalleled opportunity to make a constructive contribution. If we do not, the lawyers of the Securities and Exchange Commission and other Governmental agencies will do it for us." Andrew Barr, "Comments on 'A Statement of Accounting Principles,' " *Journal of Accountancy*, April, 1938.

—"Accountancy . . . is a science, and erudition; and not, as some have seemed to suppose, a mere collection of approximative and hardly certain rules indicated by observation and intuition, and to
be applied with tact and wariness." Charles Waldo Haskins, May 1, 1900, as quoted in *The American Accountant*, August, 1929, p. 15.

—"The Income Tax had widespread attention in the week before March 1, when well nigh everyone discovered he had forgotten to make a return of the gains, profits and income which had accrued to him in 1916." *The Nation's Business*, March, 1917, p. 45.

—"No accountant should attempt the work of a professional auditor unless he is able to take such a broad view of a balance sheet that he can see not only what it contains but what it should contain." R. H. Montgomery, "Professional Ethics," *Journal of Accountancy*, December, 1913, p. 96.

—"Accountants are frequently asked to prepare estimates of future earnings for the purpose of publication in the prospectus and it would be well to consider whether such a request should or should not in general be complied with." Arthur Lowes Dickinson, "Duties and Responsibilities of the Public Accountant with Regard to New Issues of Stocks and Bonds," *Journal of Accountancy*, November, 1905, p. 24.

—"The use of arithmetical illustrations to prove or even to explain an economic theorem is fraught with danger." Henry Rand Hatfield, "On the Unreliability of Arithmetic," *Journal of Accountancy*, October, 1942, p. 355.

—"Time was, two or three decades ago, when secretiveness in the nth degree was preserved in corporate affairs. Publicity of financial statements was shunned, lest it give aid and comfort—ammunition even—to the enemy." "Then and Now," *Haskins & Sells Bulletin*, November, 1926.

(Vol. 1, No. 2, p. 5, 1974)

—"As I have looked over the history of accounting and read the textbooks and compared what they said with my own experiences, I have felt that the accounting profession has not had a very accurate idea of the history of its own thinking. In 1902, when I became a partner in Price, Waterhouse & Co., business income was a concept that was of interest to very few except those engaged in business or finance. That being so, the accountant could probably take his concept from business and the business-

—"The development of financial statements has essentially been by trial and error. Statements have been evolved by observing the best current practice and innovations, and imitating them. At certain key points in accounting history the courts, or more recently, regulatory commissions, have made pronouncements; or new statutory provisions have been introduced—but such court decisions and new legislation have simply followed and codified developing practice." Howard Ross, C.A., The Elusive Art of Accounting, Ronald Press, 1966, p. 19.

—"Nowadays not many railroad systems have sinking funds on their bonds, and those that still have such are usually carrying along unmatured issues which were created twenty-five or more years ago. The theory in the early days of railroad financing was that bond issues should gradually be retired through future earnings, but as, in later years, the growing earning power of the American railroads became more and more the basis of capitalization, the sinking fund idea was gradually abandoned. Today, a 'permanent debt' is regarded as the normal thing for the railroad corporation, just as it has become in modern times the normal thing for governments to have permanent debts. This process results, of course, in capitalizing the earning power of future generations, a custom which has become a cardinal principal of all modern corporate enterprise." John Moody, How to Analyze Railroad Reports, Moody's Investor Service, 1916, pp. 187-188.


—"Arithmetical gymnastics have their proper place, but they should not be found among the requirements for entrance to the accountancy profession." Jos. E. Sterrett, "Education and Training of a Certified Public Accountant," Journal of Accountancy, November, 1905, p. 7.

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—"The fact that the work of the Accountant is not undertaken with a philanthropic motive does not prevent it from promoting a philanthropic result. Good accountancy is the beginning of business justice, and business justice, fairness in the transactions of

—"Whether business is public, semi-public or private, it has come to hinge on accounts. The most significant thing in current institutional development relative to the adjustment of economic interest is not a shifting of responsibility from economic to governmental machinery. It is rather a shifting of responsibility to accounting processes of adjustment and an organization of economic control about accounts . . ." DR Scott, The Cultural Significance of Accounts, p. 236.

—"In process of time, no doubt, as the truly professional character of an accountant's services become better known the courts will give to accountancy the recognition of courtesy, but it is much to be doubted if there will be at any time such legal protection for the accountant as there is for the lawyer. Accountants do not make the laws." "Editorial," Journal of Accountancy, June, 1916, p. 445.

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RESEARCH NOTES


(Vol. 1, No. 1, p. 2, 1974)

Forthcoming: A Bibliography of Accounting History, The Scottish Committee on Accounting History.

(Vol. 1, No. 2, p. 6, 1974)

RESEARCH RESOURCES

—Professor Robert Sterling's Scholar's Book Co. (Box 3344, Lawrence, Kansas 66044) has 14 reprint titles available. Among the selections are Hatfield's Accounting (1927), Paton's Accounting Theory (1922) and Sprague's Philosophy of Accounts (1907). Write for a list of titles and prices. Quantity discounts available.


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(Vol. 1, No. 2, p. 4, 1974)
Other Features

—*Redovisningens Utveckling* Historia Fran Bildskrift till dator, (The Development of Accounting from the Hieroglyphs to the Computer), Axel Grandell, Abo: Finland, 1972, 121 pp.


—The March, 1974 issue of Kaikei (Accounting) published in Japan contains eight full length scholarly articles commemorating the centenary of the adoption of Western bookkeeping in Japan.


(Vol. 1, No. 3, p. 3, 1974)


Published by eGrove, 1975


"Lest We Forget—Lest We Forget!" X. Bender Tansill, a study of pioneers of U.S. Accounting available through the library of AICPA, New York.

The fall, 1974 issue of History of Political Economy, includes three articles of interest:

"Value in the History of Economic Thought," by Ronald Meek.
"The History of Economic Thought as Intellectual History," by W. J. Samuels.

A Computer-Based Catalogue of Selected Pre-1900 Accounting Texts according to National Union Catalogue Location and Author Surname (A-D), Research Grants Committee, The University of Alabama, Gary John Previts, Director, Project #823.


The 1971 Winter and Spring issues of Daedilus (Journal of the American Academy of Arts and Sciences) contain over twenty
articles on the topics of "The Historian and the World of the Twentieth Century" and "Historical Studies Today." Authors include Kuhn, Habakkuk, Stone and Finley.

An exhibition catalogue of various types of accounting works in the German language, consisting of 138 titles of interest to accounting historians, is available from Vervand de Wirtschaftsprüfer, Dusseldorf, (Zur Geschichte der Rechnungswegung im engeren deutschspachigen Raum), Hermann Kellenbenz, June-July, 1971, 40 pp.

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THROUGH THE AGES


During the past decade he visited the United States and several other countries to work on accounting history projects. The Accounting Educators of Australia and New Zealand have planned to bring out a special issue of their publication Accounting Education dedicated to his memory. The issue will consist of his unpublished papers and commentaries.

The loss of Professor Hain's talent and enthusiasm represents an event that has saddened his colleagues and deprived the history movement of a needed authority and force. Those who now have the opportunity to advance the goals of accounting history can be consoled by the abundance of material Peter has bequeathed. This legacy affords the opportunity of insuring that his tireless efforts will be remembered through the ages.

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Three contributors to the literature of accounting history have passed on since the first issue of The Accounting Historian was prepared.

Thomas G. Higgins, former senior partner of Arthur Young & Co., died December 29th. His autobiography was published in 1965. Born in 1900 in Ireland, he emigrated to the United States in 1921.

Robert M. Trueblood, born in North Dakota in 1916, succumbed February 7th. Co-author of William Werntz: His Accounting Thought,
published by the AICPA in 1968, his work for the Study Group of the Objectives of Financial Statements was only recently completed.

A noted accounting historian, **Professor A. C. Littleton**, died at the age of 87 in Salt Lake City on January 13. He served actively on the faculty of the University of Illinois from 1915 to 1952, having received his doctorate in 1931. His important work *Accounting Evolution to 1900* was reprinted in 1966. A member of the Accounting Hall of Fame at The Ohio State University, Professor Littleton's accomplishments are well known. An article, "The Long Shadow of a Scholar," by Professor V. K. Zimmerman (*The International Journal of Accounting Education and Research*, Spring, 1967) portrays the role of Littleton in professional accounting circles.

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Since the publication of the April newsletter we have learned of the death of the following associates.

**A. Busch-Sorensen**, Denmark.

**Federigo Melis**, author of *Storia della Ragioneria*, (1950), Italy.

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Announcement

Working Paper Series

Carey's "Heritage" Leads Series

WORKING PAPERS INAUGURATED

In order to provide a vehicle for the exchange of ideas among members of The Academy, a Working Paper Series has been inaugurated, with the first five numbers being:


It is believed that this method of promoting the exposure of historical research will assist in developing new work, while also providing feedback on existing materials and serving as a means of providing both new and established writers with access to an audience both interested and qualified to comment on the subject matter.

Manuscripts submitted for the series should conform to the format described in The Accounting Review, April, 1973, pp. 442-3, with footnotes at the end of the paper. All material should be in final form suitable for reproduction, as the working paper editor will not rework manuscripts. While any length is acceptable, manuscripts of from eight to thirty pages are deemed to be most manageable in terms of reproduction equipment to be used.

The policy with regard to this series is decidedly liberal, intending to create an atmosphere which will stimulate research, writing and exposure of ideas. Members are requested to submit only those papers which represent their best effort. Further, it is expected that the exposure of such research among fellows of The Academy will be characterized by a respect for the rights of those parties presenting the paper, without prejudice to subsequent publication of unique ideas.

Each entry will be distributed to members on a request basis. Entries and requests should be addressed to The Academy, Box 6999, University, AL 35486. Members are entitled to a complimentary copy of each working paper. Requests for multiple copies may be subject to a charge for printing and postage. Non-members may obtain any paper by sending $1 per copy (printing and postage) along with their request, to The Academy offices.

Manuscripts submitted by non-members of The Academy should be sponsored by an Academy member and will be entered in the series as resources permit. Entries will be placed in the series on a first-come, first-serve basis.

(Vol. 1, No. 2, p. 1, 1974)

Additional numbers have been accepted for The Academy's recently inaugurated Working Paper Series. The titles and authors are:

Announcement

14. "Developments in Turkish Accounting" (tentative title), by Turgut Var, Simon Fraser University.

New titles in the Series will include the following:

For information regarding procedure to submit manuscripts in the series see the preceding page.

(Vol. 1, No. 4, p. 3, 1974)

New Orleans Meetings to Include History Topics

CHATFIELD TO SPEAK AT 2ND ANNUAL MEETING

The annual meeting of the American Accounting Association in New Orleans, August 19-21, 1974 will be the scene of several activities involving Academy members. The two seminars on historical subjects which have been authorized by AAA President Robert Anthony will be presented by AAA members associated with The Academy.

One seminar will feature Professor Dick Homburger's paper on the "State of Accounting History." Other presentations in this session will include Professor Clifford Brown (Rochester Institute) speaking on "The Emergence of Income Reporting" and Professor Tom Johnson (Western Ontario), who will discuss nineteenth century cost-management information systems and methodological problems in the examination of evidence related to such systems. Professor Gary John Previts, President of The Academy, will preside.

Another seminar will include topics with a distinct contemporary flavor. Professor Dick Brief's views on "The Evolution of Accounting Responsibility" and Professor George Benetton's paper on "Required Disclosure Laws: England and the United States—An Historical Comparison," will be followed by Dr. Bill ShenkIr's thoughts on "What History Tells the FASB?" Mr. ShenkIr is a Technical Advisor to FASB member Donald Kirk. Professor A. R. Roberts, Secretary of The Academy, will preside.

Each seminar paper will include commentary provided by selected reviewers. Copies of the papers will be available at the sessions.
**Announcement**

The second annual business meeting of The Academy will take place Tuesday evening, August 20th at 8 p.m. Tentative location for the meeting is the Fairmont Hotel. Professor Michael Chatfield (Cal. State—Hayward) will speak to the membership about his forthcoming book *A History of Accounting Thought* (Holt, Rinehart and Winston). Professor Chatfield has several contributions to the history literature to his credit, including *Contemporary Studies in the Evolution of Accounting Thought* (Dickenson, 1968) and an “Outline for an Accounting History Seminar,” (Collegiate News and Views, October, 1967). His talk will include recommendations for the use of his recent works in courses on accounting theory and accounting history.

(Vol. 1, No. 1, p. 1, 1974)

**ACADEMY INCORPORATES**

The Academy of Accounting Historians will be incorporated under the laws of the State of Alabama effective January, 1974. As a result of the activities of the first meeting of The Academy in Quebec City during August, 1973, the President of The Academy has prepared and circulated to several of the members who were present at the formative meeting, drafts of the proposed by-laws which will be offered for membership review at the second business meeting in New Orleans.

The corporation will have three directors, W. Baker Flowers, S. Paul Garner and Gary John Previts, all residents of the State of Alabama. The directors of the corporation will serve principally in a legal capacity in order to comply with the statutes of incorporation. The by-laws call for the election of a Board of Trustees, in addition to officers, to serve in administering the purposes of The Academy. A nominating committee to propose names to fill elective offices will report to the membership before the annual meeting. Nominations for office will also be accepted from the floor at the time of elections.

The corporation will afford the members of The Academy the opportunity to encourage benefactors to provide financial assistance to The Academy when the appropriate not-for-profit tax status is attained in early 1974.

(Vol. 1, No. 1, p. 3, 1974)
Announcement

NEW ORLEANS REMINDERS

The second annual meeting of The Academy of Accounting Historians will be held at 7:30 p.m., Tuesday, August 20th in the Gold Room, Mezzanine floor, The Fairmont Hotel, New Orleans. Election of representatives, financial matters and plans for the coming year are part of the agenda. Prof. Michael Chatfield of California will address The Academy and discuss his new work *A History of Accounting Thought*.

Two seminars on historical matters are scheduled as part of the AAA program in New Orleans. Each session will feature three papers. The first session is Monday, August 19th at 3:15 p.m. The second session will be Tuesday, August 20th at 2:30 p.m. Consult the program for room locations.

(Vol. 1, No. 3, p. 1, 1974)

MEMBERSHIP INCREASES

Since The Academy was formed in Quebec last year, it has continued to grow in membership. Membership is nearing the two hundred mark and includes associates from nine nations. The Academy, which was incorporated as a not-for-profit organization in December, 1973, has recently received notice of a ruling by the Internal Revenue Service that grants The Academy tax exempt status.

(Vol. 1, No. 3, p. 2, 1974)
Announcement

MEETING AGENDA
Tuesday, August 20th 1974
Gold Room, Fairmont Hotel
New Orleans, Louisiana

The tentative agenda for the annual meeting of The Academy has been established and is set forth below. Additional matters for the agenda should be sent to The Academy by August 1, 1974.

Old Business
a. Secretary's Report (Prof. Roberts)
   1. Membership
   2. Financial
b. President's Report (Prof. Previts)
   1. Introductions
   2. Incorporation
   3. Tax Status
   4. Newsletter
   5. Working Papers
   6. Acknowledgements
   7. Other

New Business
a. Budget proposal and dues adjustment
b. Representative structure
c. Meeting plans
d. Publication plans
e. Adoption of Bylaws
f. Other business

Elections
a. Nominations (Prof. Hughes)
b. Ballot

Presentation
a. Professor Michael Chatfield,
   A History of Accounting Thought

Adjourn

(Vol. 1, No. 3, p. 3, 1974)
Announcement

NOMINATIONS

Members wishing to offer names in nomination for the elections to be held at the annual meeting should send their choices to Prof. H. P. Hughes, c/o Dept. of Accounting, College of Business, Texas Tech University, Lubbock, TX 79409. Offices open for nomination include all officer positions and positions on the board of trustees. All suggestions should be made before August 1, 1974.

(Vol. 1, No. 3, p. 5, 1974)

BROCHURE AVAILABLE

A brochure describing the objectives and functions of The Academy can be obtained from Prof. A. R. Roberts, Secretary of The Academy. The leaflet describes the history of the organization and details the purposes of Academy activities. It also contains a membership application form. Please avail yourself of these circulars in order to make The Academy known to persons who are interested in the study of accounting history.

(Vol. 1, No. 3, p. 5, 1974)
(Vol. 1, No. 4, p. 2, 1974)

HUMOR? HELP!

The editorial board of The Australian Accountant, a leading professional monthly magazine, has been endeavoring to develop a series of articles, coordinated by The Academy, which would reflect in "a humorous or lighthearted vein" . . . "the vast changes in accounting and financial management over the years or, on occasions, to point out how certain basic premises remain unchanged despite changes in environment."

These contributions would be limited to one page in the journal (approximately 700 words) and should refer to direct quotations or other specific historical references.

Academy members who wish to enter manuscripts for this purpose should submit their material to "Australian Column," c/o The Academy of Accounting Historians, P.O. Box 6999, University, AL 35486.

(Vol. 1, No. 4, p. 1, 1974)
Announcement

AD HOC COMMITTEES FORMED

The appointment of several ad hoc committees and informal steering groups, to be formed for service in the coming year, is now taking place. The committees, and their chairmen are:

1. Research Committee, Professor Konrad Kubin, VPI.
2. Translations Committee, Professor G. A. Lee, Nottingham.
3. Taxonomy and Bibliography Committee, Professor Nabil Hassan, Kent State.

The informal steering groups will deal with the general issues of:
1. The 2nd International Meeting of Accounting Historians.
2. The feasibility of a regular periodical being prepared under the auspices of The Academy.
3. Developing the appeal and usefulness of historical materials for practitioners and firms.

These groups are under the direction of R. H. Homburger, W. E. Stone and M. N. Newman, respectively, and will be soliciting the response of Academy members during the year.

The committees have been charged with specific duties and are expected to have completed progress reports for the annual business meeting in August, 1975.

Comments and inquiries about the committees and groups should be addressed to the individual listed as responsible for the area. Correspondence may also be routed through the offices of The Academy.

(Vol. 1, No. 4, p. 1, 1974)

HALL OF FAME ADDS R.M.T.

Robert M. Trueblood has become the first entrant since 1968 to be elected to the Accounting Hall of Fame at The Ohio State University. Mr. Trueblood, chairman of the board of the firm of Touche, Ross & Co. until his death last February, chaired the AICPA Study Group on the Objectives of Financial Statements. The report of the "Trueblood Committee" was first generally circulated in October, 1973, and reflects the two years of inquiry made regarding the needs of financial statement users.

The formal presentation of the Hall of Fame award was made at The Ohio State breakfast during the recent AAA annual meeting in New Orleans.

(Vol. 1, No. 4, p. 2, 1974)
Announcement

ACADEMY AWARDS

The first presentations of the President's "Hourglass Award," recognizing signal contributions to the literature of accounting history, took place in New Orleans during the second annual business meeting of The Academy.

Stephen A. Zeff, Professor of Accounting, Tulane University, was the recipient of the 1973 Hourglass for his work *Forging Accounting Principles in Five Countries: A History and an Analysis of Trends*, Champaign, Ill.: Stipes Publishing Co., 1972.


(Vol. 1, No. 4, p. 2, 1974)

OFFICIALS ELECTED AT SECOND MEETING

Lively floor discussion and an address by Professor Michael Chatfield marked the well attended second annual meeting of The Academy of Accounting Historians at the Fairmont Hotel in New Orleans, August 20th, 1974. (See earlier announcement for the meeting agenda).

Adoption of by-laws and the election of officers and trustees for the coming year concluded the business portion of the meeting. Elected to positions as officers for a term of one year beginning January 1, 1975, were:

President: Gary John Previts, The University of Alabama
Vice President: Richard H. Homburger, Wichita State University
Vice President: Maurice S. Newman, Haskins & Sells
Secretary-Treasurer: A. R. Roberts, The University of Missouri

Trustees elected for terms beginning January 1, 1975, are:

S. P. Garner, The University of Alabama, (3 yrs.)
S. A. Zeff, Tulane University, (3 yrs.)
M. J. Epstein, California State University, Los Angeles, (3 yrs.)
M. Wells, University of Sydney, (2 yrs.)
W. E. Stone, The University of Florida, (2 yrs.)
V. K. Zimmerman, The University of Illinois, (2 yrs.)
P. K. Seidman, Seidman and Seidman, (1 yr.)
K. S. Most, Texas A&M University, (1 yr.)
W. G. Shenkir, Financial Accounting Standards Board, (1 yr.)
Announcement

Copies of the by-laws, as approved at the meeting, can be obtained by writing A. R. Roberts, Secretary-Treasurer, 30 CAPA UMC, Columbia, MO 65201. The minutes of the meeting may also be obtained by writing Dr. Roberts.

(Vol. 1, No. 4, p. 3, 1974)

MEMBERSHIP INFORMATION

Persons interested in associating with The Academy should direct inquiries to Professor Alfred R. Roberts, Secretary, The Academy of Accounting Historians, 30 CAPA, University of Missouri, Columbia, MO 65201. Dues for 1974 are $5, and should accompany application. At the recent annual meeting, dues for the year 1975 were approved at $10.

(Vol. 1, No. 2, p. 1, 1974)
(Vol. 1, No. 3, p. 4, 1974)
(Vol. 1, No. 4, p. 5, 1974)
THE ACCOUNTING HISTORIANS JOURNAL

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The University of Alabama

Volume 2, Numbers 1-4 1975

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Decision-making in business depends in part on a knowledge of costs and their structure and behaviour. Yet in the literature of economics the analysis of costs in relation to business decisions does not go back far in time. The business man would have looked in vain in Adam Smith's *The Wealth of Nations*, 1776, for any helpful consideration of the issues involved. The intellectual sparring between economists and accountants on the nature of costs and their significance for business decisions began only in recent decades—on such matters as the indivisibility of certain costs and their allocation among activities; the relevance of marginal rather than of average costs; the distinction between escapable and inescapable costs; and the significance of thinking in terms of opportunities foregone rather than of money costs incurred.

Almost contemporaneously with *The Wealth of Nations*, a treatise on bookkeeping and accounts was published which shows a lucid awareness of several of these critical issues, especially of the futility of attempting to allocate common or joint costs or of treating as a separate "profit centre" an activity which is inflexibly and inseparably linked with other activities. This book is Robert Hamilton's *An Introduction to Merchandise*, 2nd edition, 1788, of which Parts IV and V relate to bookkeeping and accounts. The author, then professor of philosophy in the Marischal College, Aberdeen, was also known for his contributions to political economy. He clearly had an intimate knowledge both of economic problems and also of business and accounting practice.

The interest of Hamilton's discussion of the treatment of costs in accounts has been recognized in the literature on the history of accounting. Nevertheless it is worth recounting again what he said on the subject, by noting three examples. (a) He explains that "when the American trade was open," ships built in the northern provinces were bought by English merchants, who usually after one or more voyages brought them to England for sale. Hamilton ob-
serves: “As the purchase of the ship and the success of the voyages are properly but one adventure, they are joined in the same account, and the gain estimated on the whole” (p. 405). (b) He explains the appropriate treatment of the importation of “a cargo of different kinds of goods which could not well be separated, such as iron and deals; of which the one is necessary for ballast, and the other to complete the lading . . . .” A single account should be opened: “as we are obliged to import both together, it is the success of the whole that we should inquire into” (p. 408). (c) The example which has attracted most attention is the case of the linen manufacturer who buys “rough flax” and engages in all the successive processes which finally yield white linen. He explains that “if all these branches of business were necessarily connected, and the manufacturer had no other choice than to purchase the rough flax, and carry on the successive operations, it would be sufficient to keep his books in a form that should exhibit the gain or loss on the whole.” By contrast, however, “if he has an opportunity of beginning or desisting at any stage of the manufacture, his books should exhibit the gain or loss on each operation separately.” Even if he should choose to engage in all the operations, “it is proper that he should have a separate view of the success of each” (pp. 487-488).

Discussion of costs of this calibre are not to be found in bookkeeping treatises before Hamilton (or indeed for a long period after him). Oddly enough, one of the very minor and partial exceptions to this generalization is provided by the first published exposition of bookkeeping, that by Luca Pacioli in his *Summa* of 1494. Pacioli advises that a merchandise expenses account be opened for expenditures each of which was incurred on behalf (collectively) of different lots or kinds of merchandise. He explains that it is tedious to spend time on small amounts anyway (“pero che de minimis non curat praetor”); further, if a single payment is made for the packing or transporting of a collection of various kinds of goods, “you cannot determine the cost for each of these goods. And so is born that account called expenses of merchandise account . . .” (“. . . che non potresti a ogni mercantia carattare la sua spesa. E pero nasce questa partita chiamata spesa de mercantia . . .”).

The points made by Pacioli about the charges-of-merchandise account can be found, separately or together, in later treatises. But it was not until Hamilton’s book that the discussion of costs and their relevance for known decisions was fully articulated and elaborated.

(Vol. 2, No. 1, p. 1, 1975)
In the last decade economic historians have been stirred to what has been called a "New Economic History" which uses quantitative tools along with the standard qualitative judgmental implements found in the historian's toolbox. While accounting history, as adolescent as it is, does not presume to need a "quantified" overhaul, nonetheless it would seem that some attention would be warranted with regard to the use of these methods in analyzing blocks of accounting artifacts not yet added to the main stream of historical knowledge. For example, a recent paper presented at the history session in New Orleans referred to available annual accounting statements (internal and external of large publicly held firms). Archival data of this same corporate era is known to be available both on the continent and in the far east as well. Much of this information and the classificatory scheme it follows affords a continuous type of evidence which could be used to develop series of "micro-accounting" cases which could lend themselves to quantitative analysis and inference with regard to the accounting policy and trends within. These new inferences would assist accounting historians who are seeking to explain portions of the evolution of various disclosure techniques and the relationship between such techniques and their environment—political, education and economic.

A call for innovative usages of quantification is by no means the limit to what historical pathways might be cleared. Indeed the accounting history of the 19th century, at least in this country, is a vast and relatively unmapped territory which has been crossed only by a few hearty prospectors—and they have found the era rich with a lore of important accomplishment. In another section of this issue Professor Stone recalls the "Who Was Who in American Accounting in 1909?" It would be much more difficult to identify the "Who's Who" of 1825 or 1850 or 1875. Yet there were skillful and articulate practitioners of accountancy then just as now. The names of Thomas Jones of New York, Ira Mayhew of Boston, E. G. Folsom of Albany, S. W. Crittenden of Philadelphia and George Soulé of
New Orleans are but a few of those whose accomplishments have been all but lost in the history of professional accounting in this country.

In a project to develop a computer-based catalogue of pre-1900 accounting texts, I have noted that the following quantities of material are representative of publications (including multiple editions) on accounting subjects during the 19th century:

<table>
<thead>
<tr>
<th>Period</th>
<th>Number of Accounting Texts</th>
</tr>
</thead>
<tbody>
<tr>
<td>1800-25</td>
<td>78</td>
</tr>
<tr>
<td>1826-50</td>
<td>126</td>
</tr>
<tr>
<td>1851-75</td>
<td>58</td>
</tr>
<tr>
<td>1876-99</td>
<td>12</td>
</tr>
</tbody>
</table>

These totals are not cumulative in any sense—for they represent the holding of American libraries of texts prepared in many countries and include only authors whose surnames end in the letters A-D. Hopefully as research continues in this area a complete author-alphabet catalogue will emerge which will detail the locations of all pre-1900 accounting texts, although the current focus is on the 19th century.

It would seem that a determined effort on the part of historians to recapture this “lost century” would not only result in widening the perimeter of our understanding of how many 19th century companies (such as the New York, Newfoundland and London Telegraph Co. founded by Cyrus Field in 1854) accounted for their capital ($1.5 million in the case of Field’s venture) and further, how costs in laying the Atlantic cable were treated. Investigations into how accounting was done for such enterprises would be of value in developing a more complete catalogue of the developments in accounting thought.

Students of the history of economic thought well know Professor Joseph Schumpeter’s great work, *History of Economic Analysis*, and appreciate its role in providing a synthesis of economic doctrine over the ages. There is no parallel to this work in the literature of accounting history just as there is not a historical and systematic treatise on the stages of accounting change as found in economics, (for example *The Stages of Economic Growth* by W. W. Rostow). Perhaps, though, the recent writings of Adolph Enthoven, in his *Accountancy and Economic Development Policy* along with the recent works by Elliott, Zeff and Winjum will serve as a catalyst for more historical effort in this area.
Indeed the challenges facing accounting historians—namely to initiate meaningful applications of quantitative analysis, to recapture a "lost century" of accounting history and to build toward a more complete literature about the history of accounting thought and development—will come to be met in time. As we plan to undertake our particular research in the days and months ahead it would be well if each of us would select one of these "vacuum areas" for consideration. If it is found to meet one's interest, then it's about time to begin to pump it full of life giving enthusiasm.

(Vol. 2, No. 1, p. 2, 1975)
WHO WAS WHO IN ACCOUNTING IN 1909?

The early 1900s were a Horacio Alger time when self improvement, particularly in business knowledge, was a way of life for aspiring people. A large number of business encyclopedias enjoyed a wide distribution. One such compendium, *Accountancy and Business Management*, with the modest subtitle "A General Reference Work on Bookkeeping, Accounting, Auditing, Commercial Law, Business Organization, Business Management, Banking, Advertising, Selling, Office and Factory Records, Cost Keeping, Systematizing, etc.," offered the complete "common body of knowledge" for the young business person in seven small volumes. First published by the American Technical Society in 1909 and copyrighted in Great Britain it enjoyed at least some success for it was revised in 1920.

The twenty-one authors and collaborators included eight accountants and the imposing list of "eminent authorities" consulted in its preparation contained sixty names of whom thirty-eight were accountants. It can be assumed that the forty-six accountants are a good cross-section of the leading accounting authors of the time. The following list with their brief biographical sketch contains many well known to all of us; others may not have come to your attention.

AUTHORS AND COLLABORATORS

Arthur Lowes Dickinson, F.C.A., C.P.A.

James Bray Griffith
Formerly Head: Department of Commerce, Accountancy and Business Administration, American School of Correspondence.

Charles E. Hathaway
Cost Expert.
Chief Accountant, Fore River Shipbuilding Company.

William M. Lybrand, C.P.A.
Of the firm of Lybrand, Ross Brothers & Montgomery, Certified Public Accountants.
F. H. Macpherson, C.A., C.P.A.
Of the firm of F. H. Macpherson & Company, C.P.A.s.

Robert H. Montgomery
Of the firm of Lybrand, Ross Brothers & Montgomery, C.P.A.s.
Editor of the American Edition of Dicksee's *Auditing*.
Formerly Lecturer on Auditing at the Evening School of Accounts, and Finance, University of Pennsylvania and the School of Commerce, Accounts and Finance of New York University.

H. W. Quaintance, LL.B., Ph.D.
Head, Accountancy and Business Administration Department, American School of Correspondence.

**AUTHORITIES CONSULTED**

Horace Lucian Arnold
Specialist in Factory Organization and Accounting.
Author of "The Complete Cost Keeper," and "Factory Manager and Accountant."

W. R. Bassett
Author of "When the Workman Helps" and "Accounting as an Aid to Business Profits."

Elmer H. Beach
Specialist in Accounting Methods.
Editor, *Beach's Magazine of Business*.
Founder of *The Bookkeeper*.
Editor of *The American Business and Accounting Encyclopedia*.

Harry C. Bentley, C.P.A.
Fellow of the American Association of Public Accountants.
Author of "The Science of Accounts," and "Corporate Finance and Accounting."

Frank Broaker, C.P.A.
Ex-New York State Examiner of Certified Public Accountants.
Ex-President, American Association of Public Accountants.
Author of "American Accountants' Manual."

Stirling H. Bunnell, Ph.D., M.E.
Author of "Cost Keeping for Manufacturing Plants."

Roger N. Carter
Author of "Advanced Accounting."

A. Hamilton Church
Author of "The Proper Distribution of Expense Burden."

Dr. F. A. Cleveland
Of the Wharton School of Finance, University of Pennsylvania.
Author of "Funds and Their Uses."
Lionel C. Cropper
Author of "Bookkeeping and Accounting."

Clarence M. Day
Author of "Accounting Practice."

Lawrence R. Dicksee, F.C.A.
Professor of Accounting at the University of Birmingham.
Author of "Advanced Accounting," "Auditing," "Bookkeeping for Company Secretary."

Paul J. Esquerre

Leo Greendlinger, M.C.S.
Instructor in Accountancy in School of Commerce, Accounts, and Finance, New York University.
Editor of C.P.A. Question Department of The Journal of Accountancy.
Author of "Accounting Problems."

Joseph Hardcastle, C.P.A.
Formerly Professor of Principles and Practice of Accounts, School of Commerce, Accounts, and Finance, New York University.
Author of "Accounts of Executors and Testamentary Trustees."

Charles Waldo Haskins, C.P.A., L.H.M.
Author of "Business Education and Accountancy."

Henry R. Hatfield
Dean of the College of Commerce, University of California.
Author of "Modern Accounting."

Joseph French Johnson
Dean of the New York University School of Commerce, Accounts, and Finance.
Editor, The Journal of Accountancy.
Author of "Money, Exchange, and Banking."

D. A. Kelster
Author of "Corporation Accounting and Auditing."

Roy B. Kester, C.P.A.
Instructor, School of Commerce, Columbia University.
Author of "Accounting Theory and Practice," and "Elements of Accounting."

C. E. Knoeppel
Specialist in Cost Analysis and Factory Betterment.
Author of "Systematic Foundry Operation and Foundry Costing," "Maximum Production through Organization and Supervision," and other papers.
George Lisle
   Author of "Accounting in Theory and Practice," and "Account
   Keeping in Principle and Practice."
   Editor of "Encyclopedia of Accounting."
George A. McDonald, B.S. in Economics and
Irving D. Rossheim, B.S. in Economics, LL.D.
   Instructors in Wharton School of Finance and Commerce, University of Pennsylvania.
   Authors of "A First Year in Bookkeeping and Accounting."
St. Clair V. McKenzie
   Author of "The Modern Balance Sheet."
L. B. Moffatt
   Director of Pierce School, Philadelphia.
   Author of "Manual of Bookkeeping and Accounting."
Edward P. Moxey, Jr., A.M., Ph.D., C.P.A.
   Professor of Accounting, University of Pennsylvania.
   Author of "Accounting Systems," and "Principles of Factory Cost Keeping."
John F. J. Mulhall, P.A.
   Specialist in Corporation Accounts.
   Author of "Quasi Public Corporation Accounting and Management."
Francis W. Pixley
   Author of "Auditors, Their Duties and Responsibilities," and "Accountancy."
J. J. Rahill, C.P.A.
   Member, California Society of Public Accountants.
   Author of "Corporation Accounting and Corporation Law."
Harry M. Rowe, Ph.D.
   Author of "Commercial and Industrial Bookkeeping," "Business
   and Office Practice," "Business Bookkeeping and Practice," and 
   "Bookkeeping and Accounting."
John W. Schulze
   Author of "The American Office," and "Accounts Practice."
Charles E. Sprague, C.P.A.
   President of the Union Dime Savings Bank, New York.
Herbert G. Stockwell
   Author of "Essential Elements of Business Character," and "Net Worth and the Balance Sheet."
Frederick Tipson, C.P.A.
   Author of "Theory of Accounts."
Charles Mck. Van Cleve
   Author of "Principles of Double-Entry Bookkeeping."
Frank E. Webner, C.P.A.
   Author of "Factory Costs."
Clinton E. Woods, M.E.
   Specialist in Industrial Organization.
   Formerly Comptroller, Sears, Roebuck & Co.
   Author of "Organizing a Factory," "Unified Accounting Methods,"
   and "Woods' Reports."

How many of these names did you recognize?

(Vol. 2, No. 1, p. 4, 1975)
ACCOUNTING FOR FOREIGN CURRENCY TRANSLATION: CURRENT PROBLEMS IN HISTORICAL PERSPECTIVE

Present accounting for foreign currency translation is in a sad state. Several pressing problems have not been covered adequately by authoritative pronouncements; yet, at the same time there exists a multitude of alternative accounting principles which seriously hampers intercompany comparisons. Moreover, present translation procedures largely reflect the economic environment and political conditions that prevailed several decades ago. To overcome these inadequacies the FASB and others interested in accounting for international operations are currently striving to develop new translation standards. It is the purpose of this paper to contribute to these efforts by retracing the evolution of accounting for foreign operations to gain a better understanding of the current problem. Furthermore, such a historical review lends perspective to the need for promulgating standards which are relevant to the significantly increased and still growing international business operations in an era characterized by fairly frequent and material changes in foreign exchange rates.

Historical Perspective of Current Practice

Bulletin No. 92 entitled “Foreign Exchange Losses” was the first official pronouncement on accounting for foreign operations. Issued in 1931 by the American Institute of Accountants, it promulgated what has become known as the “current-noncurrent translation method” with exceptions sanctioned for (1) receivables protected by forward exchange rates, (2) inventory purchased prior to a devaluation of the foreign currency, where the net realizable value of the merchandise exceeds (as a result of inflation in that country) the dollar acquisition cost of the inventory and (3) long-term liabilities if the company has receivables, which are translated at the current rate, particularly where these receivables could be applied to retire the long-term debt.
Reasons for translating fixed assets at historical rates were not given. Presumably the Institute’s Committee on Accounting Procedure agreed with Ashdown who states that fixed assets are not intended for sale, but for use in the business of the foreign subsidiary; consequently, the value of these assets to the company does not vary with changes in exchange rates. Since Ashdown, to whose article Bulletin 92 explicitly refers, admitted however that under special circumstances fixed assets might preferably be translated at rates other than those prevailing at the time these assets were acquired, it is unfortunate that the Bulletin did not reveal reasons for requiring—without any exception—the use of historical exchange rates for translating fixed assets.

Also of historical interest is the disclosure that Bulletin 92 was issued in response to numerous and severe fluctuations in foreign exchange rates. Consequently, its accounting principles may not necessarily be the best for translating foreign financial statements during eras of relative stability in the international monetary system.

Moreover, the fact that Bulletin No. 92 was hastily issued in December 1931 (just in time for the preparation of the year-end financial statements) after deliberations for only about one month suggests that the underlying theoretical rationale may not have been investigated thoroughly.

The absence of a sound theoretical basis became all too apparent in 1933, when the application of the current-noncurrent translation method typically resulted in foreign exchange gains instead of losses. The Special Committee on Accounting Procedure settled the widespread uncertainty about the proper treatment of such gains by issuing the “Memorandum on Accounting for Foreign Exchange Gains” (Bulletin No. 117), which introduced the following logical inconsistency: It advocated that translation gains are to be deferred when the revaluation of the foreign currency, which gave rise to the gain, may reverse. On the other hand, it required that translation losses have to be realized currently—presumably even if there are indications that the drop in the value of the foreign currency, which caused the loss, is likely to be transitory.

Bulletin 117 is also of historical interest from another point of view. Issued on December 27, 1933, again just barely in time for the preparation of the year-end financial statements, it reaffirms the earlier observation that current translation methods have been developed hastily on an ad hoc basis with apparently little regard for a sound theoretical foundation.

The conservative element introduced in this memorandum was stressed even more in ARB No. 4. It cautioned against the con-
solidation of foreign subsidiaries since assets and earnings located abroad stand in some degree of jeopardy, so far as ultimate realization in U. S. dollars is concerned. The solution to this issue was seen in the all purpose remedy of “adequate disclosure.” ARB 4 suggested four possible disclosure procedures and left the door open for still other alternatives.

Despite the resulting decrease in comparability, the authors of ARB 4 found powerful support for their warnings and call for conservatism in the SEC. The Commission’s Accounting Series Release No. 11 stated that the consolidation of foreign subsidiaries operating in territories affected by war or currency restrictions may be misleading, and it barely stopped short of generally prohibiting the consolidation of such subsidiaries.

In 1941, the Research Department of the American Institute of Accountants reemphasized that greatest care should be taken to ascertain whether foreign earnings are or may be made available in the United States before such earnings are consolidated with those of American companies. It concluded that there may be instances where it is no longer appropriate to even translate separate foreign financial statements into U. S. dollars, so that the only course is to present them in their respective foreign currencies.

The 1949 statement of the Research Department of the American Institute on “Accounting Problems Arising from Devaluation of Foreign Currencies” also deals with a crisis situation. It was issued for the purpose of commenting on foreign exchange problems arising from the “. . . recent wholesale devaluation of currencies by some twenty-five countries.” Unfortunately this statement only added to the complexity by recommending various other translation procedures, instead of first clarifying the objective of translation and addressing itself to the question whether the current-noncurrent method is logically sound.

In addition, this statement contradicted itself in parts. Arguing for charging material losses from devaluation to retained earnings in order not to distort net income, the Research Department was very certain that “. . . the recent [1949] devaluations of foreign currencies are such that they cannot be considered recurrent hazards . . . ,” although its warning against consolidating foreign subsidiaries was based partially on the uncertainty of the international monetary system.

Many of the Research Department’s recommendations were later incorporated together with ARB 4 into Chapter 12 of ARB 43, which was modified in 1965 by APB Opinion No. 6. This opinion officially sanctioned the monetary-nonmonetary translation method as an ex-
ception to the current-noncurrent method. Most of the credit for promulgating the monetary-nonmonetary distinction is probably due to Hepworth’s 1956 study entitled *Reporting Foreign Operations* and the 1960 NAA research report on *Management Accounting Problems in Foreign Operations*, which attacked the current-noncurrent distinction because it reflects the use of an established balance sheet classification for a purpose to which it is not relevant. The 1971 APB Exposure Draft on “Translating Foreign Operations” and ARS No. 12 dealing with “Reporting Foreign Operations of U. S. Companies in U. S. Dollars” were also very critical of the current-noncurrent translation method.

The most recent official pronouncement affecting accounting for foreign operations is FASB Statement No. 1 which requires the “Disclosure of Foreign Currency Information.” It does, however, not supersede, alter, or amend any translation method promulgated previously, and it specifically disclaims any intention to imply that one method is more acceptable than another.

In summary, the historical review of the evolution of accounting principles for foreign currency translation reveals that current practice is based on principles which have been developed during periods characterized by (1) wars and political instability, (2) major upheavals of the international monetary system, (3) run-away inflation with significant differences in the inflation rates of various countries, (4) relatively minor international operations in comparison with today’s multitude of significant multinational business linkages, and (5) a perception of international operations as being “foreign”—in the original sense of that word—to U. S. companies. Moreover, it is probably fair to say that the *ad hoc* solution of pressing practical problems had precedence over the development of a logically consistent set of translation standards which are based on a sound theoretical foundation. Thus accounting standards for foreign operations have been developed largely during crisis situations to cope with exceptional circumstances, and—barring the existence of standards for normal international economic and political relationships—their use has been extended to also cover non-crisis situations for which they were not originally intended.

*Implications for the Future*

Some of the more important implications of this historical review for present and future efforts in developing sound translation standards are as follows:
(1) Resist the temptation to patch up translation problems by hastily promulgating standards in time for the preparation of the year-end financial statements. If such short-stop "solutions" are unavoidable, follow up immediately to determine whether the new standards are logically and theoretically sound.

(2) Clarify the objective or objectives of foreign currency translation before standards are promulgated, since the determination whether an existing or a newly proposed translation method is defensible on theoretical grounds can only be made once agreement in principle has been reached on the objectives of foreign currency translation. The FASB discussion on the objectives of translation represents a significant step in the right direction; however, it partially lost its effectiveness because it was stated in terms of what the appropriate unit of measure should be (Issue Four), and because it was buried in a grocery list of other issues, many of which would automatically cease to exist once the objective of translation is clarified.

(3) State the reasons for adopting certain translation principles and rejecting others. Such a disclosure does not only help in evaluating whether the promulgated translation standards are logically sound, but it also assists in preventing that standards intended for war-time and other abnormal situations become accepted permanently even after these situations ceased to exist.

(4) Develop translation standards for normal economic and political relations among countries and, if necessary, supplement these standards with others designed to cope with unusual situations. Such an emphasis on relatively normal international relations would further prevent the perpetuation and use of accounting standards reflecting the exceptional conditions of decades past.

FOOTNOTES

1 The book value of U. S. direct investment abroad is currently about $100 billion, compared to only $8 billion at the beginning of 1931.
4Research Department, American Institute of Accountants, "Foreign Operations and Foreign Exchange." *Journal of Accountancy*, January 1941, p. 27.

5Additional disclosure provisions for foreign operations can be found in paragraphs 6 and 8, Chapter 12, ARB 43; paragraph 13 in connection with paragraph 12, APB No. 22; paragraph 8, APB No. 19 in connection with APB No. 22; paragraphs 23 and 30, APB No. 30.


(Vol. 2, No. 1, pp. 5, 7, 1975)
A SPECULATION ON THE ORIGINS OF ACCOUNTING

Now is not the precisely tactful time to ask anthropologists as to the exact moment and place of man's emergence. The road to knowledge has been strewn with pitfalls in the form of practical jokes provided by man and nature. The Piltdown Man was an obstacle to progress for years and it was a little unkind that the first almost complete skeleton of Neanderthal Man was that of a poor fellow who suffered badly from arthritis. Lately, discoveries in Africa have added two million years to the previously conceived time scale.

But these are not of present concern; the chimera of the Missing Link is no longer pursued and it can be accepted that "homonids" were a separate development from the apes.

All that is necessary is to postulate individuals who stood and moved on two legs, had binocular vision and who could throw a stone on the run. This modest specification seems scarcely adequate and the American author J. B. Cabell gives a vivid description of the plight of these creatures.

For it was unpleasantly apparent that man did not excell in physical strength, as set against the other creatures of a planet whereon may be encountered tigers and elephants. His senses were of low development, as compared with the senses of insects; and, indeed, senses possessed by some of these small contemporaries man presently found he did not share, nor very clearly understand. The luxury of wings, and even the common comfort of a caudal appendage, was denied him. He walked painfully, without hoofs, and, created naked as a shelled almond, with difficulty outlived a season of inclement weather. Physically, he displayed in not a solitary trait a product of nature's more ambitious labour. . . . He, thus, surpassed the rest of
vital creation in nothing except, as was beginning to be rumoured, the power to reason; and even so, was apparently too magnanimous to avail himself of the privilege.

For the sake of effect the author here omits any reference to that quality which has gained for man such success as he may have achieved, that is his all embracing mediocrity.

The immediate problem of personal inadequacy was resolved, on the evidence, by forming a group. This appears to be a basic instinct and is demonstrated as being current by Anthony Jay's "Corporation Man."

Quite expansive anthropologists suggest that the first group was that of the family: this opinion being based on the study of apes which these experts have already shown as not being from the same line of descent.

The human infant is a hostage of fortune for far too long to allow a father, two or so mothers and their progeny to become a viable group. If groups were family based they would need to include uncles and aunts to provide about ten able-bodied adults. Such a group would be able to place its members strategically to corner game and present a united hostile front to predators. It would be about this time that man ceased to be on the menu of carnivores and he has remained off it ever since (the leopard being an honourable exception).

At the beginning use would be made of such stones and branches as recommended themselves by their size and weight. Soon there would be some improvement by fabrication such as breaking stones with the intention of creating sharp edges and hardening rubbed points on branches by controlled application of fire. This stage of development would not call for counting: the group would not think "there are only nine of us—who is missing?" but, more simply "Where's Fred?"

But as weapons improved (sharp stones lashed to a straightish piece of wood) their relative success on more than one occasion would be noticed and soon recording notches would be scraped on the shaft. Counting had begun, but was destined to make a long detour through astronomy and astrology before returning to the mundane use of accounting.

As Cabell says, man is the only animal who plays ape to his dreams: the others are content with a full belly for the time being but man has to improve his standard of living. This perpetual discontent urges him to seek betterment in any direction.
In a primitive society the possibilities were limited to hunting to provide hide, sinews and horn when there was meat in store. This in turn would draw attention to the relative inadequacy of the weapons being used. The clubs might not be too bad but the spears needed to be improved. The bashing together of two flints in the hope of producing fragments which would be suitable spearheads was not satisfactory. In the course of time the addition of a hammer and a piece of wood to the two flints made it possible to produce controlled shapes by knapping. Thus the creation of true artifacts began.

As successful groups survived generation after generation the experts began to emerge, first the better hunters and later the better flint knappers. The time came when the group decided that it would be advantageous to have the best flint knapper stay in camp and carry on his specialty rather than join the hunt. This was a momentous decision based, however instinctively, on comparative cost; additionally it involved a new concept, barter.

Once the idea of cost was acted upon in this way it is possible to measure it. The illustration shows a flint spearhead of comparatively recent time, possibly Cro-Magnon and about 30,000 years old. It is a sophisticated piece of work as is illustrated by the notches at the head of the tang to make easier the secure binding to the shaft. (It is not sufficient to drive a spear in; it must also be capable of being pulled out.) It is unlikely that flint could produce anything better and such spearheads may have been co-existent with the first weapons made from metal.

The flint used originally was large in relation to the finished product so that controlled removal of the surplus material was the first process, followed by the more skilled work of the actual shaping. The scrap rate was appalling and the nearer completion the greater the risk of disaster. Offsetting these difficulties was the skill of the knapper who, in the postulated situation, was maintained by the group. It appears unlikely that the illustrated article could have been produced in less than a day's work. Assuming this, it is clear that the group paid at least one day's food for the knapper and those, if any, whom he considered to be his dependents: additionally he would need the occasional hide or fur. Any payment less than this would cause him to rejoin the hunting party. The group had thus to provide a living wage and would have to pay the same to any other expert (such as a potter) for the exclusive use of his craft.

As time drifted by, the groups coalesced into tribes and the tribes into small nations. This development had the effect of bringing the
craftsmen together so that they gradually learned to work on a co-operative basis. That this was so is illustrated by the numerous sites in Britain and Europe where the production of flint tools was on a scale that fully justifies the appellation of a business. It is axiomatic that these businesses assured at least their full keep to those taking part. A productive operation on this scale predicates a means of disposing of its products advantageously. Since there was no substitute for the barter transaction, the market was developed in order that people could bring their products to an agreed point and there to chaffer for their own particular needs. In their early phases, the users of these markets would not need records, however, the status of a nation necessarily implies some degree of control of the nationals. As always man was in pursuit of an improved standard of living and none more so than those in control of the nation at any one time. Such officials would find it necessary that their various markets should be conducted in an orderly manner and those jour- neying to or from them should not be subject to brigandage or taxation to an intolerable degree. Granted such stable circumstances the nations grew and those who ensured the most stability grew to be the largest.

We now reach the dawn of civilisation which, to avoid contro- versy, is here assumed to be the development of a written language. Writing ensures that knowledge and information can be stored for use in the future: without it a luxurious barbarism is all that can be achieved.

From the best information available the first civilised nations (within the above definition) developed, in the Western World, amongst the valleys and delta of the Tigris and Euphrates.

As these great nations grew it was imperative that there should be revenue for the court and the executive officials. This revenue, still taken in kind, consisted primarily of quotas of agricultural products and customs duties on imports. Thus, regrettably, the oldest records of accountability are those of the tax gatherers. Their age would seem to indicate that they were a very early feature of civ- ilised life and also that official records had a better chance of survival than the more ephemeral records of the traders. By this time the markets were permanent and well established to the extent that the trade needed for the most part the services of merchants and middle-men. These sophisticated men would not find it sufficient merely to wait for the merchandise to arrive in a market but would send out trading caravans and ships. These would have to have something in the nature of a ship's manifest and there would be a
super-cargo to record the disposition of the goods going out and those brought back as the result of the barter.

It is quite evident that the absence of any common denominator of value was a positive hindrance to the flow of trade. This was realised in high places and King Hammurabi of Babylon passed certain laws, one of which was that silver should be the measure of wealth and the means of exchange. This is the classic definition of money and the enactment must have made life easier for all concerned including the tax gatherers. One further refinement was needed and this came about in the Kingdom of Lydia in the same geographical region where, in about 700 B.C. the first coins were struck. It may not be totally irrelevant that the most famous King of Lydia was Midas.

This invention was so universally convenient that the use of it spread through the then known world at a speed which was historically without precedent; because it was only a few hundred years before Christ overturned the tables of the money changers in the Temple at Jerusalem.

Coinage gave the first opportunity for the bookkeepers to work in common terms and archaeological finds indicate that full advantage was taken of this. Much of what we know about such bookkeeping has had to depend on the capacity of the record to survive; clay tablets can last, wax or papyrus do not. In fact the scarcity and expense of writing materials was for a thousand or more years detrimental to the survival of accounting records and indeed the material on which they were written was re-used wherever possible; this is confirmed by Dr. Lee's recent paper "The Oldest European Account Book: a Florentine Bank Ledger of 1211." Dr. Lee shows that the personal account was established in the 13th Century. It was about this time or a little later that bookkeeping slid quietly into the mainstream of Western philosophy when the bookkeepers held that for every debit there is a credit. This specialised concept was to be given universal meaning and application by Newton's third Law, that for every action there is an equal reaction.

(Vol. 2, No. 1, p. 11, 1975)
ACCOUNTING HISTORY, THE ACCOUNTING HISTORIAN, AND THE FASB

The Financial Accounting Standards Board—a "bold new effort" in self regulation by the private sector—became the official rule-making body for financial accounting and reporting on July 1, 1973. The Wheat Report, Establishing Financial Accounting Standards, which led to the formation of the FASB was based, in part, upon an historical study of the rule-making efforts of the Accounting Principles Board. At this early juncture in the FASB's tenure, it seems appropriate for those interested in accounting history to: (1) consider the possibilities for their participation in the on-going work of the FASB; and (2) take note of the sources that will be available for study of the FASB in the future.

It is well to remember that each historical era is capable of forgetting. As George Santayana stated, "those who cannot remember the past are condemned to repeat it." The "due process" built into the FASB's Rules of Procedure provides an opportunity for the accounting historian to participate in the work of the FASB by drawing attention to the historical dimensions of a contemporary problem. By bringing his analytics to bear upon problems currently under consideration, the accounting historian may provide a rather unique input to the Board.

As stated in the FASB's Rules of Procedure, once a subject is added to the technical agenda, the "due process" cycle that may be followed includes: participation by a task force in the preparation of a discussion memorandum, a public hearing normally held after at least 60 days notice, and issuance of an exposure draft of the proposed Statement of Financial Accounting Standards usually for at least a 60-day comment period. This cycle may involve longer comment periods when considered necessary by the Board and also

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may be shortened to as few as 30 days when the Board believes that sufficient information is available to enable it to proceed quickly. It is also possible for the discussion memorandum and public hearings to be eliminated entirely. For those projects in which a discussion memorandum is issued and the complete “due process” cycle is followed, historical studies pertaining to the problem that are available during the period that the FASB staff is preparing a memorandum could be very useful. Since a discussion memorandum is oriented to decision issues, an historical study that focuses on the relevant issues raised in the past and which analyzes past reporting practices could be of assistance in framing current issues. It also may be appropriate to present certain historical analysis in a letter of response to a discussion memorandum or exposure draft.

At some point in the future, if it has not already been started, someone will undertake a study of the FASB's work, perhaps isolating on one or several of the technical projects that led to a Statement of Financial Accounting Standards. The researcher of such a study will find that a “documentary evidence trail” is available. For a specific technical project, this trail may include the following: news releases on the project that have appeared in the financial press as well as possible discussion in a regular issue of Status Report, the FASB's newsletter; a discussion memorandum and public record consisting of letters of comment on the issues raised in the memorandum; a transcript of oral testimony presented at the public hearing; an exposure draft that includes an appendix giving the bases for the Board's decision; the letters of comment on the exposure draft; and the Statement of Financial Accounting Standards, also with an appendix indicating the bases for the Board's final decision. In addition, the minutes of the Board's meetings are available for review, and although they do not contain the substance of a debate, from a study of them, the progress of a project can be traced. This trail provides the documentary materials for an historical study of a Board decision.

In discussing the documentary materials that are available as a result of the FASB's “due process,” a pertinent question for accounting historians to ponder is: how should a policy decision on a financial accounting standard be studied? In other words, what methodology is appropriate for analyzing the materials related to such a decision? Although a complete discussion of the previous questions is beyond the scope of this paper, it might be noted that when studying a policy decision, the problem and the sets of ideas offered as solutions should be analyzed through the institutions in-
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involved—in the case of accounting, for example, through the FASB and the SEC—and through the underlying political process consisting of different parties with diverse interests. Policymaking is more than a polarized process in which a decision of “for or against” is reached. Rather, it is a matter of choosing among many interrelated considerations. The accounting historian should seek an understanding of the “political” considerations involved in the establishment of a financial accounting standard and the particular alternatives and more subtle points that were considered during the deliberations.

In summary, these comments have been offered to encourage those interested in accounting history to participate in the FASB’s “due process” and to indicate the sources that will be useful for an inquiry into the work of the FASB.

Communicating analytical and explanatory notions via examples is largely dependent upon characterizations of popular knowledge. Something is said to be "hard as a rock" or "cold as ice." Such analogies are but one of the important ways of conveying "meaning" in an expression. Analogies are a pretense. Other forms of communicative pretending include the type of calculation which accountants undertake to "pro forma" financial statements in order to bring about results "as if" certain circumstances would have occurred. "As if" techniques are also used in history via "counterfactual" analysis or as critics call it, "iffy" history. Counterfactual hypotheses have been used by economic historians to attempt to identify important variables in the predominant trade models of the past. A favorite slant is to inquire: "Would there have been significant westward expansion in the 1870-1890 era if transportation capabilities were limited to horse drawn vehicles and river transport—i.e., railroads were absent?" Of course, debate over such a premise can well be without end. Yet if carefully used in balance with other forms of historical research, counterfactual analysis can train the inquirer to better discern key elements in the environment. Such discrimination adds to the appreciation of the interdependence of the human and random factors which influence progress.

What would accounting historians learn from an inquiry which asked: "Would a CPA profession exist today if accounting leaders at the turn of the century had not secured legal recognition and statutory protection?" How much more would we appreciate the complexities of our current and past evolution as the result of such an investigation? A useful pretense? Perhaps.

There are more common means of pretending used in our day to day dealings, of course. Accounting and economic theorists place heavy burdens on the pretenses of ceterus paribus (other things being equal) and mutatis mutandis (with the necessary changes) such that anyone not fully alert to the significance of these notations is likely to be unaware of the intended meaning of the passage encompassed by them.
This gambit is itself a pretense—intended to trigger thought about analogous reasoning methods which are usable and useful to accounting historians. One might well conclude that such methodology is much like a parachute. It must be opened in order to be of value to the individual in its harness.

IN ALL MY YEARS

It was in the early twenties that the ferment for reform in the accounting profession began to manifest itself. The chief instigator was Durand W. Springer, an outspoken AIA charter member. I had known him from the days he had served as the principal of Ann Arbor High School which I had attended. Still earlier he had been a member of the staff of the Detroit Trust Company—a small group whose function was to investigate and report on the affairs of both prospective seekers of loans and those to whom loans had been extended. He had pioneered for many years as the secretary and moving spirit of the Michigan State Board of CPA Examiners.

Durand Springer was a cool, forward, blunt individual who could not stomach the leisurely ways of the elite who in those days dominated the Institute’s activities—such as they were. Heading that elite group was A. P. Richardson, a nonaccountant and an import who has often been referred to as the epitome of a perfect English gentleman, and with whom Springer never ceased to be at issue. Noting the rising flood of certified financial statements containing conjured-up valuations of assets, overstated profits, understated liabilities, and the beginnings of inflated income statements free from unfavorable operating losses “charged to surplus,” Springer had urged as early as the reorganization of the Institute in 1916 that links be established with state societies, that uniform principles and standards be agreed to and even that centrally devised CPA examinations be promoted. His adjurations had fallen on deaf ears. And so, in 1922, backed by a loyal and enthusiastic band of Institute supporters, he established the American Society of CPAs and inaugurated a monthly journal, The Certified Public Accountant. He served as the Society’s one and only secretary until its absorption by the Institute thirteen years later—after Richardson had disappeared from the scene, the stock market had crashed, the Great Depression had begun, and signs of contrition were being displayed by the Institute’s management. During its existence the ASCPA had made serious inroads on the AIA membership; and, among other things, uniform examinations had been initiated (I was their begetter) and...
for several years had been adopted by as many as thirteen states. For two years before his retirement Springer became a member of the Institute staff and an assistant editor of the Journal of Accountancy. At no time was he a status seeker: he was a dedicated leader; a leader the younger members of the profession looked up to, a leader whose contributions to a new and more vigorous profession have been all but overlooked.

Another dissident in the twenties was Arthur Andersen, under whom I had studied during the early days of his professorship at Northwestern University (he was at that time an advocate of a "Statement of Application of Funds" that began with "sales," not "net income"—a reform which the AICPA, even now, has failed to recognize). At the First International Congress of Accountants in St. Louis he had challenged the profession to adopt common standards and a common language, the elements of which might be assigned a uniform interpretation. He chose the much manipulated "earned surplus" as a characteristic term crying for definition. Would the profession ever be able to look ahead far enough to envision its meaning as one acceptable to business management, investors, investment analysts, financial journalists, and the world at large?

Arthur continued his challenge; and in 1929, the year the market crashed and incriminating tirades against an all-too-accommodating profession were being launched from all sides, a committee on the definition of earned surplus headed by Arthur Andersen was authorized by the Council of the Institute; John Medlock, a local PW partner who had been associated with me on the Illinois Board of CPA Examiners, along with myself, were members. After two years of circulated drafts, we came up with a report and definition (similar to the present concept of retained earnings). Both were promptly rejected by the Institute Council. The most quoted argument supporting the Council's action at that time was that such a definition—in fact, any restrictive definition—would excise the indispensable element of judgment from an auditor's findings. The brusqueness of the turndown ended Arthur Andersen's activities within the Institute.

The Council's action had aroused a considerable amount of criticism by a number of Institute members including Bob Montgomery. He proposed a committee on terminology which was established forthwith with himself as chairman, followed two years later by his withdrawal and appointment of myself to succeed him. The committee solicited definitions from the academic world as well as from practitioners and in 1936 reported to the Council one thousand
definitions in tentative form. Again the Council rejected the report and abolished the committee.

Montgomery then suggested that I go it alone: that the experience I had gained from these two abortive attempts would stand me in good stead. And so, I have found myself, even today, still engrossed in the business of extracting essences from the accountant’s language.

There had been still another development. The American Association of University Instructors of Accounting (AAUIA), founded in 1916, was beginning to chafe at the bit. The vast discredit that had fallen on the accounting profession during the years following 1929 had given rise to serious questions concerning professional training. Accounting curricula had been dealing mainly with the mechanical, amoral processes through the operation of which published financial statements had been emerging. No basic standards for these end products of the accountant’s art had been agreed to; inherited custom had been the leading guide. The least of the charges against the profession was complacency: the truckling to management’s desire to make a showing through puffed up valuations and overstated profits, at the same time carefully abstaining from revealing their accounting origins. In short, procedures to which accountants had all too often unwittingly subscribed had added substantially to the promotion not only of the inflation of the 20’s, but also of deceptive practices underlying management’s representations to investors. The public interest had not figured in the accountant’s activities. Accounting curricula had become the target and were being regarded as the real source of permissive practices. Teachers of accounting had become thoroughly alarmed. Proposals were being made for an authoritative statement of principles on which there could be common academic agreement.

At the December 1935 annual meeting of the Association I had testified that during the seven-year period I had been the editor of the Association’s quarterly journal, I had been besieged with papers setting forth the need for such a statement along with arguments supporting it. Some, having observed the apparent determination of the AIA to maintain the even tenor of its function as a gentlemen’s club, were advocating immediate AAUIA action. And, with the attending members now thoroughly aroused, action became the order of the day: a change of name to American Accounting Association, a membership extension to the practicing profession and all others interested in the development of accounting principles, a five-man executive committee as the Association’s governing body, a commission to that committee for the immediate drafting of principles on
which financial statements could be based, and which might stand some chance of general acceptance. As the first president of the revamped association, I was ably supported by the other committee members, particularly by Howard Greer, the retiring president of the old association. Together we labored for three months on a brief tentative draft of principles we believed most worthy of observance in the preparation of financial statements, and with the suggestions and approval of the other committee members, the overwhelming supporting vote of the circularized Association members, and, I should add, with an insertion to appease Bill Paton, it was published in the June 1936 issue of The Accounting Review.

There you have it: a quick summary, within this allotted space, of one individual’s observations, participation, and survival in the midst of dynamic undercurrents during the 20’s and early 30’s. To the inimitable Durand Springer must be attributed much of the push—all too suddenly perhaps, despite the lapse of years—given to a dormant profession into its hectic preoccupations of today, some of which have already led to decisions and pronunciamientos growing out of involved concepts that will have to be retraced if the output of accountants is to continue as assimilable reading matter for the laity: a laity that in the end may well include the bulk of the profession.

(Vol. 2, No. 2, pp. 4, 6, 1975)
According to the recent membership roster of the American Accounting Association, Japan ranks third in number of members, next to the United States and Canada, surpassing other English speaking countries, including England and Australia. It seems then that Japan is among those nations where studies in accounting have gained great popularity. It is quite natural, however, that Japan, an important nation economically, ranks third in relation to interest in the study of accounting, since accounting is a necessary skill useful to business management.

Accounting Historians in Japan are likewise active in many areas of the history of accounting.


A Tokyo firm has published 200 facsimile copies of Pacioli's *De Divina Proportione*, (1509). Another Tokyo publisher has issued *Testamenti de Fra Luca Pacioli*, arranged with the original on the left-hand pages and the Japanese version on the right-hand pages, accompanied by a short explanation by Professor Asahi Nakanishi. In addition, another author, a former student at Nikon University, has translated Pacioli's Bookkeeping Treatise and published it at his own expense quite recently. He used Brown and Johnston's *Paciolo on Accounting* as a model for his book, but has rendered it from the original Italian text of the first and second editions attaching thereto a photographic reproduction of the original treatise of the second edition. Whether the accounting academicians of Japan will accept this work as another valid Japanese version of Pacioli's treatise is yet to be known. Furthermore, the Second Edition of Pacioli's treatise has been published in Japan for the first time.
Modern industrialized Japanese society had its beginning about one hundred years ago, so in the recent years many centenary observations occurred reawakening an interest in the study of history. The year 1973 marked the centennial of the adoption of Western Bookkeeping methods in 1873, and the Japan Accounting Association sponsored several historical programs in commemoration of the occasion, including lecture meetings, compilation of a bibliography of works on bookkeeping and accounting in Japan, and a special study by a group of professors in the History of Development of Accounting in Japan. The lecture meetings were held twice during 1973 and included the following topics:

1. Development of the Bookkeeping Method Native to Japan and the Western Method Imported. Eichiro Ogura
2. Development of Business Accounting and Accounting for Social Cost. Yasuichi Sakamoto
3. Accounting Education, Old and New. Rintaro Aoki
4. A Significant Year (1873) in the History of Bookkeeping in Japan. Kojiro Nishikawa
5. Development of Corporate Financial Statements in Japan. Ichiro Kantano

A combination of the bibliography has just begun and will take a few years to complete. As to the progress of the Study Group, Professor Kurosawa reported at the recent annual meeting of the Association held at Nagasake University on June 19. He asserted that the study of the science of accounting in Japan had begun with the late Professor Naotaro Shimono's thesis, "An Essay on Some Accounting Problems" and "The Nature and Form of Balance Sheet." The former was his doctoral dissertation at the Tokyo University of Commerce in 1927 and the latter was a paper submitted to the International Accountants' Congress, 1929. The group will continue the study of the origins of this subject—the history of modern accounting thought—for another year.

In contrast to the historical projects of Japan being undertaken by the Japan Accounting Association, other areas of interest are being pursued by individual Japanese accounting historians. In general, they seem to be inclined to research specific topics dealing with the influence of Western accounting. This is supported by the topics of this list of some significant historical works published in Japan during the last five years.


4. Seminary-room of Accounting, Kansei-gakuin University; *Historical Studies in Contemporary Accounting*, (1973). This is the commemorative issue for the 60th birthday of Prof. Kojima and includes 16 essays of which one refers to Japanese accounting.


Japan is one of the oldest nations in the world and yet one of the "newest." Western bookkeeping methods came in on the top of the native indigenous method which had been firmly established for centuries. Both of these systems developed quite peculiarly in the modern nation of Japan. Yet Japanese accounting historians have not directed a great deal of their research toward these matters perhaps because they consider them too provincial. Nonetheless it would appear that more Japanese accounting scholars must accept the challenge of doing research into these matters in the years to come.
FOOTNOTES

1Japanese Version of Pacioli's Bookkeeping Treatise by Koichi Honda.

(Vol. 2, No. 3, pp. 1, 7, 1975)
HISTORY AND HUMAN NATURE

I now understand why Bill Peterson, former Florida State football coach, in accepting membership in the Florida Hall of Fame is reported to have said, "I am very appreciative of being indicted." The instinctive reaction to being so selected is to defend what one has done.

I accept this Award from you, Mr. President, and the members of this Association, but in particular from the Board and Faculty Committee of Ohio State University. To me, this is a high compliment from a body of dedicated women and men. After a lifetime in the accounting profession, I now realize that the academic community is the only continuing arm for progress that we have in the profession. I did not always hold this viewpoint. It is probably the only change in my appraisal of the profession that I have made in nearly 50 years. The reason I never gave adequate weight before to the academic force in the profession, was because I could not bring myself to believe that the academic community was the only coordinated, continuing force, from generation to generation, for advancement in the profession. By comparison, we in practice were and are inclined to accept as true the saying "that one man can make a vast difference for evil, but he cannot make much of a difference for good." Yet, a philosophical friend told me that while this view is a melancholy truth of history and human nature, the public is still unwilling to accept it as it, i.e. the public, naively continues to hope for a "Great Deliverer."

Professor Burns was kind enough to tell me that the presentation of this Award was to precede breakfast and that only a few minutes of acceptance would be in order. Had I not been forewarned, I had in mind to chisel in stone a few last descriptive comments on the lack of proficiency in the profession and in the retrogressive governmental regulations that are preventing fair accountability. Now,
however, I will use the additional minute I have left to record one thought. A thought which I hope will encourage all those young so-called crusaders whom you, ladies and gentlemen, have molded in your classrooms and who have already joined the practicing arm of the profession or are yet to come into it. They will in true David-Goliath style hurl themselves against the stone wall of professional apathy and political government regulation until they too will have used up their available life span and then ask themselves—"for what purpose?" I ask them to remember that reliance on "evolution" as a means for change is a law of nature and for nature only. For man, reliance on evolutionary change for progress is an environment that spawns revolutions and invites irresponsible governmental edicts. These in turn trigger haphazard change—usually mislabeled as "advancement" in accounting as well as in civilization. I say to these young individual crusaders never leave to evolutionary change or government edicts the job of achieving the professional standards that are so badly needed by the suffering public. Such a course leaves progress to changes by revolution with all the attendant damage that revolution entails to the accounting profession or to any other of life's pursuits. My conclusion and my challenge to the future practicing accountant is to prove that the public is right in the valuation of individual effort and that each individual has a shot at being the Great Deliverer. The free-thinking, competent, practicing, individual accountant can and does make a mighty force for good. That force can counteract all the evil that is perpetrated by the apathy of other individuals, or groups, or by the everlasting mediocrity of most regulatory government personnel. Let it never be said that individual effort will not benefit the public which we are all dedicated to serve.

The Accounting Hall of Fame was established in 1950 at The Ohio State University by the Faculty of Accounting in the College of Administrative Science and with the approval of the Board of Trustees of the University, for the purpose of honoring accountants who have made or are making significant contributions to the advancement of accounting since the beginning of the twentieth century. This year the 35th accountant has been elected to the Hall.

While selection to the Hall of Fame is intended to honor the people so chosen, it is also intended to be a recognition of distinguished service contribution to the progress of accounting in any of its various fields. Evidence of such service includes contributions to accounting research and literature, significant service to professional accounting organizations, wide recognition as an authority in some field of accounting, and public service. Obviously, a candidate, if living will have reached a position of eminence from which the nature of his contributions may be judged and his continuing influence may be reasonably forecast.

Annual election to the Accounting Hall of Fame is declared by a Faculty of Accounting Committee upon the canvass of a single ballot of a Board of Nominations. The sole purpose of the canvass is to determine the individual whom the Board of Nominations, by its ballot, has entered into the Hall.

Nominations and the election to the Accounting Hall of Fame by the Board are made annually by mail in two steps. Individual members of the board are asked to nominate one or two living or deceased accountants for possible election to the Hall of Fame. The faculty committee receives these preliminary nominations and prepares a ballot containing names alphabetically listed of not more than four candidates who have been nominated most frequently. The single candidate each year who receives the most votes on the ballot is entered into the Hall.

Evidence of election to the Accounting Hall of Fame takes three forms. A certificate signed by the President of The Ohio State University and a representative of the Board of Nominations and issued...
under the seal of The Ohio State University is presented to each person elected (or to the representative of the person elected). The names of the elected persons are inscribed on a scroll, and a photographic portrait of each person elected and the citation attesting to the election are permanently displayed, together with the scroll, in the corridors of Hagerty Hall. Presentation of the certificate takes place at the American Accounting Association convention.

The 35 elected members of the Accounting Hall of Fame are:

Arthur Edward Andersen
Thomas Coleman Andrews
George Davis Bailey
Andrew Barr
Carman George Blough
Samuel John Broad
Percival Flack Brundage
John Lansing Carey
Arthur Lowes Dickinson
Marquis George Eaton
Harry Anson Finney
Arthur Bevins Foye
Paul Franklin Grady
Henry Rand Hatfield
Roy Bernard Kester
Eric Louis Kohler
Ananias Charles Littleton
Perry Mason
George Oliver May
Hermann Clinton Miller
Robert Hiester Montgomery
Lloyd Morey
William Andrew Paton
James Loring Peirce
Donald Putnam Perry
Thomas Henry Sanders
Hiram Thompson Scovill
Elijah Watt Sells
Leonard Spacek
Charles Ezra Sprague
Maurice Hubert Stans
Victor Hermann Stempf
Joseph Edmund Sterrett
Robert Martin Trueblood
William Welling Werntz
The Board of Nominations is an international one; it consists of forty-five accountants chosen from public practice, governmental and industrial practice, and the universities. Members are chosen for set terms. Over 150 accountants have served on the Board of Nominations.

The Faculty of Accounting at The Ohio State University does not participate in nominating candidates for the Accounting Hall of Fame, and no member of the Faculty of Accounting is eligible for membership on the Board of Nominations. Neither is a member of the Faculty of Accounting eligible for nomination or election to the Hall of Fame. In addition to the functions previously suggested, the Faculty of Accounting determines matters of policy, which are confined to operating procedures.

(Vol. 2, No. 3, p. 4, 1975)
IN ALL MY YEARS: ECONOMIC AND LEGAL CAUSES OF CHANGES IN ACCOUNTING

"Changes are coming from within and from without, and concern over how to handle changes being pressed by divergent forces pervaded the 96th annual gathering of commercial bankers." The idea of change affects all business and related professions. This short article suggests a few of the changes in business conditions that materially affected the evolution of accounting in hope that accounting historians will emphasize why changes in accounting occurred as well as when they were developed.

Household Economy as Factory Economy. During the reigns of the Tudors in England, the members of the Guilds took materials to their homes, where they spun yarn and were paid by businessmen (usually piece-rate) upon the delivery of the yarn. The businessmen needed to know that they were receiving all the yarn they were due for the material supplied to the workers, therefore, "standards of material cost" were developed early in the evolution of cost accounting.

As factory manufacture developed, the efficient use of the factory space and equipment became so important that production engineers developed "scientific management." The most prominent of these production engineers developed incentive methods of paying labor costs; these wage systems were named after the engineer who developed them.

S. P. Garner wrote that in 1887 "Garcke and Fells showed a thorough understanding of the accounting for materials, and that their system has been little improved on since that time . . . however, they were not so clear on the handling of overhead." Garcke and Fells also treated very carefully the flow of labor costs through the ledger accounts, and were among the earliest cost accountants to recommend a strict tie-in between the cost accounts and the general accounts.

Most of the voluminous writings of the production engineers who developed the subject Scientific Management, are found in the

The evolution of the distinction between the outlays chargeable to factory inventories and outlays not so chargeable was shown to be long and involved by Garner. Two very important subjects involving factory overhead prior to 1920 were "interest as a cost" and the allocation of burden to production. In 1916, the literature on the subject of interest as a cost had reached such a stage that C. H. Scovell devoted a whole section of his Cost Accounting and Burden Application to the topic. In 1913, J. Lee Nicholson in his very famous textbook devoted four chapters to the allocation of burden costs to the special factory orders or to the product on its productive labor and machine (or process) methods; this emphasis greatly exceeded the space devoted to the collection, analysis and control of burden.

Business Cycles. Before 1920, business slumps were largely caused by financial and currency troubles rather than by abnormal factory production. However, in 1921 the war production economy caused excessive inventories and Section 6 of the 1921 Yearbook, National Association of Cost Accountants contains six different articles under the general subject of The Distribution of Overhead Under Abnormal Conditions.

Up to 1900, idle factory time was the relatively unimportant result of breakdown in machinery, etc. In 1900-1901, A. Hamilton Church wrote a series of cost accounting articles that made him famous almost overnight. Church did an excellent job charging burden costs to the production factors and secured a reasonable periodic burden rate per machine hour: any unabsorbed burden in one period due to unusual idle time was charged to production the ensuing period. The theoretical errors in this procedure could be ignored if the number of idle hours was small and the concept of correct periodicity of costs had not yet become important; both conditions existed when Church proposed the use of a supplementary rate for idle time loss. However, by 1930 the conditions had changed and Church no longer advocated the use of the supplementary rate per hour for idle time loss.

Depreciation. With the increasing investment in factory buildings and machinery, came an increase in the emphasis on depreciation. In 1921, the American Institute of Accountants published a comprehensive 1578 page bibliography of accounting literature to December, 1920; pages 343 to 679 were devoted to depreciation, depletion and obsolescence. Henry Rand Hatfield in the 22 pages devoted to the subject of depreciation in his classic book wrote a
remarkable development of the mathematical and legal aspects as of 1909. In 1915, E. A. Saliers wrote 200 pages in the first edition of his *Principles of Depreciation*, but by 1939, the revised work (third edition) had increased to 481 pages. Treasury Decision 4422 several decades ago had a profound effect on the reporting of deduction for depreciation on income tax returns.

**Inflation and Stabilized Accounting.** The footnotes to Chapter 16, of Newlove and Garner, *Advanced Accounting, Volume I*, indicate that stabilized accounting, which reflects the financial effects of inflation, was pioneered by the work of H. W. Sweeney.

**Income Tax Law.** The passage of the U.S. Income Tax Law in 1913 had a remarkable effect on accounting procedures. Many of the important accounting topics of today are direct outgrowths of income tax regulation, for instance:

- Retail method of inventory.
- Installment sales of merchandise and of real estate.
- Last-in, first-out method of pricing material requisitions.

**Business Budgets.** While the underlying forecasts, which are tied into the master schedules, may, for the sake of simplicity, be illustrated using data from a department store, they are often illustrated using factory data; Bartizal gave an unusually complete set of this factory data. G. A. Welsch in his very thorough study of the evolution of budgeting found the following:

1. The first recorded description of the flexible budget was by John Mann in 1904 in an article on “on-cost” (or burden) in Volume 5 of *Encyclopedia of Accounting* (George Lisle, editor). This remarkable article developed the charges of a productive department for three different levels of activity and introduced the now well-known break-even point chart.

2. In 1922, J. O. McKinsey (*Budgetary Control*) applied the principles developed in governmental accounting to individual business units. This publication is the first complete “benchmark” in the history of business budgeting.

3. A tabulation of the number of magazine articles on budgeting in the *Industrial Arts Index* showed no articles for the years 1913-1919, 13 for 1920-21, and 32 for 1922-1923. These articles were restricted to the static or fixed budget.

4. The first published article on flexible budgets as such was entitled “A Technique for the Chief Executive” by J. H. Williams (*Taylor Society Bulletin*, April 1922). This article is historically important because it presented a formula for separating the fixed and variable elements in semi-variable costs.

6. The fluctuations in industry in the 1930's and 1940's greatly increased the interest in flexible budgets. Many magazine articles appeared and the following books were historically important: Walter Rautenstrauch (The Successful Control of Profits—Forbes, 1930); F. H. Rowland (How to Budget for Profit—Harper, 1933); C. E. Knoeppel (Profit Engineering—McGraw-Hill, 1933); J. H. Williams (The Flexible Budget—McGraw-Hill, 1934); and F. V. Gardner (Variable Budget Control—McGraw-Hill, 1940).

The difference between actual figures and budgeted figures may be analyzed either by formulas or by use of charts. Schlatter deserves great credit for his use of graphs for flexible annual budgets, flexible monthly budgets, differential costs, effect of changing fixed expense on differential costs, and effect of change in volume on profit.44

Uniform CPA Examinations Prepared by American Institute of Accountants. Prior to the preparation of a recommended uniform CPA examination in 1917, the various states gave their own examination and stressed the accounting problems of their important industries25 and legalistic accounting; the importance of legalistic accounting may be judged from the excellent Legal Department that was run for over a decade in The Journal of Accountancy and from the chapters in advanced accounting texts on partnerships, receiverships, statement of affairs, realization and liquidation account, and decedents' estates. However legalistic accounting was still important in 1950 and Newlove and Garner devoted most of Volume 2 to their Advanced Accounting to these topics. After the introduction of uniform CPA examinations, process costs, mathematics of finance, and standard costs tended to replace the emphasis on legalistic accounting.

Actuarial Mathematics for Accountants. The early books on mathematics for accountants26 used "i" and "j" for the effective interest rate per year and the nominal interest rate per year. Newlove and Garner27 chose to reduce all interest rates to an effective interest rate per payment period thereby reducing the number of annuity formulas involved and they secured amortization and accumulation tables with the figures ready for journalization (availability of a calculating machine was assumed).
FOOTNOTES

3Short discussion of the more important early wage systems with their underlying formulas (Taylor, Halsey, Rowan, Gantt, and Emerson) is given by G. H. Newlove and S. P. Garner, Elementary Cost Accounting, Boston: D. C. Heath and Co., 1941, pp. 141-149.
6Garner, ibid., p. 111.
7Garner, ibid., pp. 122-142.
19Ibid., pp. 478-487.
20Legalized under Revenue Act of 1938.
27Newlove and Garner, Advanced Accounting, Volume I, op. cit., pp. 204-240.

(Vol. 2, No. 3, p. 6, 1975)
"IT IS UP TO US." - - - ARNOLD J. TOYNBEE

Professor Arnold J. Toynbee, one of the most outstanding intellectual figures of our time, died in October at the age of eighty-six. His vast erudition, accompanied with astonishing industry and magnificent style, made him a prolific writer on numerous and disparate subjects—ranging from works on the Armenian genocide of 1915 to his well-known twelve-volume work, A Study of History. Alongside his scholarly achievements, Toynbee worked for his government during both World Wars and was a member of the British delegation to the Paris peace conferences in 1919 and 1945. Showered with honorary degrees both at home and abroad, Professor Toynbee will be remembered as a great historian and a man—in the testimony of those who knew him personally—of extraordinary modesty and humility.

Born in London on April 14, 1889, Toynbee received a classical education at Balliol College, Oxford. After graduating in 1911, he studied briefly at the British Archaeological School in Athens, where, we are told, he first entertained a philosophy about the decline of civilizations. In 1912 he became a tutor and fellow in ancient history in his Alma Mater. After World War I, he was appointed professor of Byzantine and modern Greek studies at the University of London. Some years later, in 1925, he accepted a joint appointment: Research Professor of International History at the University of London and Director of Studies at the Royal Institute of International Affairs. While holding this position at the Institute, he issued his annual Surveys of International Affairs which soon became well recognized sources of reference. He had travelled and lectured extensively.

Like the German philosopher Immanuel Kant and many others before him, Toynbee, too, believed that there must be an order or design in history. It was repugnant to him to think of the history of mankind as a chaotic, disorderly, fortuitous flux. This necessity for a meaningful view of history assumes in Professor Toynbee's Study a moral or religious character. If the religious basis of his work is latent in the first six volumes (the first three volumes were published in 1934 and the next three just before the outbreak of the
Second World War), it becomes abundantly clear in the next four. In an essay, Toynbee presents his view of the historical process in a few brush strokes: "While civilizations rise and fall and, in falling, give rise to others, some purposeful enterprise, higher than theirs, may all the time be making headway, and, in a divine plan, the learning that comes through the suffering caused by the failures of civilizations may be the sovereign means of progress." Stated briefly, Professor Toynbee sees an all-encompassing purpose in history; namely, that civilizations are, so to speak, steppingstones for man to move towards richer and deeper religious insights.

An undertaking of such magnitude—a study of history—called for an appropriate unit of study. Accordingly, Toynbee took for his unit whole civilizations, rather than the traditional "nation-states." He contended that the proper unit of historical study must be a civilization and not the fragmented concept of nationality. His approach to the study of history was an attempt to show the essential vitality and interrelatedness of human affairs or, to put it more succinctly, to bring forth the living and unified process of history. It also served the purpose of widening the limits of our historical knowledge and help us appreciate the importance of a general and comprehensive treatment of events. Professor Toynbee's vision of the philosophical contemporaneity of all civilizations was in itself a repudiation at attempts to treat the past as if it exhibited a single linear progression and to study it on a kind of scholarly assembly line. To try to apply the methods of physical science to the study of human affairs was, in the eyes of Professor Toynbee, like treating living beings as though they were inanimate.

In his massive Study, Toynbee poses the existence of twenty-one developed and five "arrested" civilizations and proceeds to analyze them empirically and comparatively. He does this by utilizing his vast and lively knowledge of the history of man very expertly. It must be added that his style of writing contributes in no small measure to the overall engaging atmosphere of his work. Special mention should be made of Toynbee's footnotes which often lead to significant observations. In this staggering one-man task, Toynbee attempts to explore the whole of human history and to give us a synthetic view of it. While the ultimate meaning Toynbee ascribes to the general direction of human civilizations is essentially of moral or religious nature, the kernel of his theory explaining the recurrent rise and fall of civilizations seems to lie in two, basic ideas.

Civilizations, Toynbee holds, develop in response to environmental challenges of special difficulty. The challenge should be
neither too severe to stifle progress, nor too favorable to inhibit creativity. Such challenges find response among the creative minority who provide leadership to a passive majority. We find the creative minority to be generally mystically inspired. It must be underscored here that Toynbee, unlike nineteenth-century historians minimizes the importance of geographical and racial qualities as germinal challenges. For Toynbee, the breakdown of civilizations is as a result of the inevitable commission of the sin of arrogance (hubris, overweening pride or self-confidence) manifested in such things as nationalism, militarism, and the tyranny of a dominant minority. This moral breakdown brings with it its own retributive justice (nemesis). Thus civilizations break down because they fall prey to the nemesis of creativity. The creative people having become reactionaries, no longer constitute an “elite creative minority” but simply an “elite dominant minority.”

Toynbee was not the only major speculative historian of the twentieth century. A decade or so before him, another historian of the cyclical theory, the German scholar, Oswald Spengler, had published his erudite Decline of the West. The title of Spengler’s work was itself symptomatic of the widespread pessimism of the times. To whatever extent Toynbee was influenced by his predecessor, there are important points of divergence between the two which can hardly be overlooked, nor should they be. Spengler presented the history of mankind as a succession of self-contained cultures, each expressing its own special character. By comparing classical antiquity with its modern Western descendant, the author of the Decline claims to be able to discern in all cultures biologically-conceived life cycles (birth, youth, maturity senescence, death), resembling that of an organism. Moreover, such cycles follow a fixed timetable. In the absence of any explanation why this should be so, one is left to infer that this is a law of nature. This mechanistic interpretation had a certain appeal at a time when behaviorist theories were gaining in popularity. Concerning our own Western civilization, Spengler believed that it had already reached its zenith and was now in a state of rapid decline.

In contradistinction to Spengler’s view of history, Toynbee does not regard civilizations similar to animal organisms, inexorably condemned to decline and die. Toynbee tries to temper a predominantly deterministic mode of thought with reservations: allowing a place for human free will and the possibility of divine intervention. As regards our own civilization—Western Society—Toynbee indicates that it does not have to be necessarily doomed to extinction.
To quote: "We are not doomed to make history repeat itself; it is open to us, through our own efforts, to give history, in our case, some new and unprecedented turn. As human beings, we are endowed with this freedom of choice, and we cannot shuffle off our responsibility upon the shoulders of God or nature. We must shoulder it ourselves. It is up to us." (Italics supplied.) It is indeed up to us to respond creatively to the challenges of our time.

In a climate of scholarship which had become skeptical of speculative system-building, the breadth of Professor Toynbee's views and generalizations could not have gone uncriticized. Nor did they. Yet, Toynbee's singular work remains a stimulating answer to the ever-increasing tendency of specialization in modern historical research.

FOOTNOTES

2Ibid., p. 39.

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(Vol. 2, No. 4, pp. 1, 2, 1975)
HISTORICAL VIGNETTE: BENJAMIN FRANKLIN ON ACCOUNTING

It's a shame in a way that Henry Rand Hatfield was seemingly unaware of Thomas Jefferson's concern for and considerable knowledge of accounting (See Shenkir, Welsch and Bear, "Thomas Jefferson: Management Accountant," The Journal of Accountancy, 1972) when he wrote his famous essay, "An Historical Defense of Bookkeeping." His "company one keeps" arguments, upon which he felt accounting's respectability should be partly based, would have been all the stronger had reference been made to a man of such stature, accomplishment, knowledge and wisdom as Thomas Jefferson.

It would be interesting to have had Hatfield's comments on not only Jefferson, but another of the founding fathers as well—Benjamin Franklin. Franklin's autobiography contains an interesting reference to the "knowledge of accounts." How (or whether?) Hatfield would have used this reference is quite debatable. The extract is from Chapter VI, Self-Education, of the autobiography.

In 1733 I sent one of my journeymen to Charleston, South Carolina, where a printer was wanting. I furnished him with a press and letters, on an agreement of partnership, by which I was to receive one third of the profits of the business, paying one third of the expense. He was a man of learning, and honest but ignorant in matters of account; and, though he sometimes made me remittances, I could get no account from him, nor any satisfactory state of our partnership while he lived. On his decease, the business was continued by his widow, who, being born and bred in Holland, where, as I have been informed, the knowledge of accounts makes a part of female education, she not only sent me as clear a state as she could find of the transactions past, but continued to account with the greatest regularity and exactness every quarter afterwards, and managed the business with such success, that she not only
brought up reputably a family of children, but, at the expiration of the term, was able to purchase of me the printing-house, and establish her son in it.

I mention this affair chiefly for the sake of recommending that branch of education for our young females, as likely to be of more use to them and their children, in case of widowhood, than either music or dancing, by preserving them from losses by imposition of crafty men, and enabling them to continue, perhaps, a profitable mercantile house, with established correspondence, till a son is grown up fit to undertake and go on with it, to the lasting advantage and enriching of the family.

(Vol. 2, No. 4, p. 3, 1975)
Our present economic system displays a vital interest in the financial structure of business firms and the causes of changes occurring over time. Significant contributions toward analysis of such developments, stem from both the academic and practicing sectors of the accounting profession. Certain conspicuous aspects of these transitions will be reviewed here, more in terms of the broad facets without strict recognition of the overlaps in their chronology.

The "Where-Got—Where-Gone" Statement

With respect to analyzing financial changes, the earliest landmark coming to mind is the one described by Cole in his discussion of the "where-got—where-gone" statement. His portrayal was phrased to include the changes in all balance sheet items, although his illustrations dealt primarily with working capital. He said, "Sometimes the conversion of one type of asset or liability into another is of great importance, for it may affect general solvency." Furthermore, he cautions,

It must be remembered that such a study of the balance sheet gives no indication of the amount of earnings, for earnings which have been distributed as dividends cannot possibly affect a balance sheet; they appear on the income sheet only. The only indication that the balance sheet can give is of the earnings undistributed, as shown in the Profit and Loss or some similar account.

He indicates that "one or more railroads" began making the reports he described around 1903 and designated them under a title similar to "Summary of Financial Transactions for the Year."

Anton comments appropriately on the lack of refinement of the statement that Cole described relative to those developed later. Still, Cole's statement was comprehensive in that it was not limited to changes in working capital, as has been the main thrust of such reporting for many years.
Sources and Uses of Working Capital

Moving on from Cole was the stage of preparation of reports on financial changes in what came to be called fund statements. The more specific designation of them as reports on working capital changes came about primarily since World War II, although they have appeared in accounting texts and handbooks since the 1920's. Increased demands for strict working capital management which emerged to meet the needs of reconversion to post war production, stimulated efforts for greater clarity in the presentation of this statement. Notable among the improvements was the expression of operations as a source of working capital, which essentially was a conversion of the net income computation by adjusting it for those charges not involving working capital changes during the period under review, the most notable of which was for depreciation of long lived assets.

Cash Flow Analysis

During World War II business firms engaged in production of military supplies were permitted for income tax purposes to designate elements of plant and equipment acquired solely for wartime purposes as emergency facilities. Despite longer life expectancies, they could write them off in five years.

As often is the case with tax concessions, there was a tenacity to this acceleration of depreciation charges. Fast write offs continued with formal recognition under a series of internal revenue codes, and came to be thought of under the term, “tax shelters.” Other facets of tax legislation permitted more write offs, with resultant effects of reducing reported income in the earlier years of assets lives below what otherwise would be the case. This was especially true where newly acquired long-lived assets consisted of one-time relatively large proportions of total business assets, such as would be the case for a company holding a large office building.

The adverse effect upon the reliability of annual net income computation due to successive periodic under- and over-statements was well reviewed by Cannon in 1952. Consequently, in order to arrive at how business operations *per se* affect the well being of the business firm interest in cash flow analysis accelerated. As Mason said, for those analyzing published statements cash flow came to be “merely a short-cut technique for arriving at the amount of funds derived from operations.”

Mason also emphatically recognized the elusive nature of cash flow information when he said, “it is neither cash nor flow.” This
lack of refinement in what is reported as cash flow is one reason for much disenchantment with that concept. Another, which relates to the working capital statement as well, is the resulting limitation in disclosure of financial changes. Other financial changes may be equally, and sometimes more, significant.

All Financial Changes

In efforts toward attaining more pertinent disclosure the Accounting Principles Board addressed itself to the whole matter of reporting changes in financial position and issued its Opinion No. 19 in March, 1971. Here the APB recognized the usefulness of both cash flow and working capital analyses. At the same time it recognized the significance of that series of other financial changes that do not directly impinge on either cash or working capital. In Opinion No. 19,

The Board also concludes that the statement summarizing changes in financial position and that the title of the statement should reflect this broad concept.  

In perspective, we now have come full circle back qualitatively to the comprehensive statement of analysis of financial changes which Cole advocated in 1908. However, under Opinion No. 19, we are likely to furnish more disclosure than was contemplated in 1903.

FOOTNOTES

3Cole, ibid., pp. 101-102. 
4Cole, ibid., p. 102. Years later Henry Rand Hatfield comments as follows that Cole’s terminology did not come into general use:

"Professor Cole in his first edition of his Accounts uses the title ‘Where-Got-Gone statement, but this has apparently been abandoned even by its author. It is a source of regret that a colorful term introduced into the drab literature of accounting should have fallen into disuse. But it hardly seems the function of this treatise to serve as an asylum for a foundling abandoned by its progenitor."


6An abbreviated list of texts including such references include: Roy B. Kester, Principles of Accounting, 4th edition, New York: The Ronald Press Company, 1939, pp. 589-591:


10Ibid., p. 5.


(Vol. 2, No. 4, p. 4, 1975)
INTERIM REPORT OF THE RESEARCH COMMITTEE

Charge. The Research Committee was charged to establish topics and relative priorities for sponsored and personal historical research over the short term (3 to 5 years) such that the widest benefit would accrue to the accounting discipline. Appropriate methodologies for research in accounting history were also to be identified and evaluated.

Members. The Committee consists of the following members:
- Michael Chatfield—California State University at Hayward
- Richard H. Homburger—Wichita State University
- Konrad W. Kubin, Chairman—Virginia Polytechnic Institute and State University
- Murray C. Wells—University of Sydney
- Basil S. Yamey—London School of Economics and Political Science

Problems Encountered. The efforts of the Research Committee—as is probably true for all other committees—have been hampered by the fact that a formal meeting could not be arranged since our Committee was dispersed over three continents. The result was that we had a slow, laborious start because such tasks as interpreting the charge, limiting the scope of our endeavor, and setting priorities for accomplishing the various facets of the charge could only be achieved through time-consuming correspondence. We finally agreed to first concentrate on preparing a list of research projects in accounting history which members of The Academy were contemplating to investigate or would like to see investigated by a team of researchers with similar interests.

Accomplishments To Date. In order to identify such research projects, I developed and mailed a questionnaire to virtually all members of The Academy except those living in Australia and the United Kingdom. Since these two countries were represented on the Committee, I asked Professors Wells and Yamey to similarly poll the Academy members in their respective countries.
The questionnaire requested the respondents to (1) identify projects, areas or topics in accounting history which were in need of further research; (2) list the significance of or reasons for each proposed project, and; (3) denote the research methodology or methodologies and the type of individuals, disciplines or skills required to carry out each of the suggested projects. Space was provided for the respondents to identify themselves and indicate whether they would be interested in working on a committee charged with carrying out the research project proposed by them or a related project.

Even though the questionnaire was not of the selection-type variety (e.g., Strongly Agree—Agree—Disagree—Strongly Disagree), but instead required the respondents to supply their own answers and reasons for them, about 40 members responded, suggesting approximately 60 research projects. Inputs were received from seven countries besides the three countries represented by Committee members. All continents except Antarctica were represented.

Currently, I am in the process of transcribing and editing the responses since several of the research topics proposed are quite similar in nature and probably can be combined to group projects. Once this is accomplished, the transcribed and edited research proposals will be sent to the other Committee members so that we can finalize our report and make recommendations to The Academy for setting up committees charged with researching various projects.

Interim Recommendations. At this point our Committee would like to make the following recommendations:

(1) The Research Committee should be continued with the present members so that the task of preparing a comprehensive list of possible research projects in accounting history can be completed.

(2) At least one more member should be added to the Committee—preferably one who has a strong background and interest in research methodologies appropriate for historical inquiries into accounting. Such an expanded Committee could then attempt to tackle other tasks inherent in the charge.

(3) The final report of the Research Committee should be published either in The Academy's Working Paper Series or in a similar suitable form. The dissemination of the Committee report is deemed essential to make all Academy members aware of contemplated research activities in the history of accounting and
to provide doctoral students and others with ideas of possible
dissertation or research topics in accounting history.

(4) The Research Committee should be established as a standing
or permanent committee of The Academy, consisting of, for ex-
ample, six members appointed for three-year terms, two mem-
bers retiring each year by rotation. Such an arrangement would
assure the degree of continuity needed to guide the setting of
The Academy's research objectives and direction; the rotation
provisions, at the same time, would allow the desired inflow of
new thoughts and ideas without which any committee could not
survive for a long time.

(Vol. 2, No. 4, p. 7, 1975)
PROFILES

HARRY CLARK BENTLEY
(1877 - 1967)

By Edward James Gurry
Bentley College

Background

Harry Clark Bentley was born in Harwinton, Connecticut, on February 28, 1877, to George Daniel and Sarach Louise (Blakeslee) Bentley. He passed away on Sunday, November 5, 1967, in Lenoir Hospital, Kinston, North Carolina. Although he never formally graduated from high school he continued his preparatory education at Robbins Preparatory School, Norfolk, Connecticut, and at Eastman Business College, Poughkeepsie, New York. At the age of nineteen, Mr. Bentley founded Winsted Business College where he served as teacher and proprietor from 1898 to 1901. This college became the third largest in that state. Aware of his lack of academic prowess in accountancy he sold this school and returned to New York University and became a member of its initial graduating class. Married to J. Belle Crasper of East Park, New York, and father to Ina Mai Robinson (late Mrs. Chester Robinson) and Belle Louise Bradley (Mrs. J. Earl Bradley) he set out to remedy his limitations in accounting by working days and studying nights as a member of the first class of New York University's School of Commerce, Accounts and Finance. At the 1903 graduation exercises Mr. Bentley did not receive his degree owing to his lack of a formal high school education. Mr. Bentley's later accomplishments caused the University to mail him his Bachelor's of Commercial Science. Acknowledgment of this degree was infrequently mentioned on his business or personal stationary.

Public Experience

Mr. Bentley began work as a public accountant for Smith, Reckitt, Clarke, & Co., Certified Public Accountants, in 1901. He later helped establish the firm of Bentley, Moyer & Laird which enjoyed a brief two-year existence. He worked for the Audit Co., of New York from 1907 through 1908; he served as chief accountant for a group of
various corporations from 1908 to 1911. In 1911, he was appointed assistant professor of secretarial studies at Simmons College. From 1912 to 1916, he served as founding dean of the School of Commerce and Finance of the Boston YMCA which became the School of Commerce and Finance of Northeastern University where he planned courses, and organized the faculty. He resigned in 1916 to accept appointment as professor and later chairman of accounting at Boston University's School of Business Administration. He resigned this position in 1917 causing such a commotion that it was a featured article on the front page of the then *Boston Post*.

**Bentley College**

On February 28, 1917, the seminal seeds of Bentley School of Accounting and Finance germinated in response to the requests of Mr. Bentley's former Boston University students that he continue to instruct them in accountancy. This school grew to today's Bentley College, where Mr. Bentley served from 1917 through 1953 as Professor and President, and from 1953 until his passing in 1967 as President Emeritus. The onslaught of two world wars and the Great Depression did not diminish his enthusiasm. He taught, prepared instructional materials, and corrected papers.

**Professional Certification**

Mr. Bentley was a certified public accountant in Vermont, Massachusetts, Connecticut, California and New Jersey. He was a charter member of the American Institute of Accountants, the forerunner to the American Institute of Certified Public Accountants. He was also a fellow of the earlier American Association of Public Accountants. He was a member of the National Association of Cost Accountants.

**Personal Interests**

Mr. Bentley's earlier recreational interests comprised baseball, wrestling, running, and horseback riding. In later years, he took to gardening, the arts, and water colors. He sponsored several American artists during his lifetime. The Museums of Boston and Denver hold works of American painters whom Mr. Bentley befriended. Mr. Bentley's political disposition was Republican and his religious persuasion was Protestant. Mr. Bentley was a member of the City Club, Boston.
Major Works

Mr. Bentley was recognized to be one of the foremost authorities in accounting during the early infancy period of the profession as a result of *Corporate Finance* (1908) and *Science of Accounts* (1911). These were acknowledged as significant contributions to the literature of American accounting. *Corporate Finance* was coauthored with Mr. Thomas Conyngton, a founding owner of Ronald Press. This book assisted Ronald Press in capturing a foothold in the financial market place. Mr. Bentley was requested by Mr. Conyngton to join with him and collaborate on this work. Mr. Bentley wrote only 150 of the 525 pages of this work and in agreeing to forego royalties had his name attached as author. The more significant work, which experienced several successful printings was his *Science of Accounts*. This work established for Mr. Bentley a reputation as an early American accounting textbook writer. He cogently expressed the idea of subsidiary accounts and the logic of *lifo* as the preferred basis for valuation of inventory. His early work on *Cost Accounting Problems* (1917) and *Intermediate Accounting Problems* (1934) document the state of the art as being experienced in the early part of the nineteen hundreds. Another significant contribution of Mr. Bentley was his seven-part article somewhat misleadingly entitled “Standardization of Accounting Forms and Methods,” which appeared in *The Journal of Accountancy* from February 1912 through September 1912. In addition to expressing the viewpoint that accounting principles evolve in accordance with the needs of business he singularly expounded upon the entity theory as opposed to the proprietorship perspective. This startling view was appropriately recognized by *The Accountant* in its September 14, 1912, editorial.

We observe that Mr. Bentley declines to regard the relationship of a business undertaking towards its proprietors as one of liability and we further note that he confuses the issue somewhat by referring to the property owned by a business undertaking as its “capital”— . . . no one ever suggested that they were the capital of the undertaking itself.

This series of articles is extensively quoted by Henry Rand Hatfield in later works and clearly had some influence on the refinements of the entity theory as expounded upon by William Andrew Paton. Mr. Bentley’s reputation as a cost accountant is supported in the two articles entitled “A Problem in the Distribution of Expense Burden,” which appeared in the July and September 1913 issues
of The Journal of Accountancy. Dean Emeritus S. Paul Garner has also eloquently acknowledged Mr. Bentley's cost accounting contributions in his work Evolution of Cost Accounting to 1925.

Accounting History

Of especial interest to Academy members would be Mr. Bentley's efforts in the area of accounting history. The prodigious bibliography, a pamphlet, *A Brief Treatise on the History and Development of Accounting* (1929), *Vignette on Pacioli* (1937) with Ruth Shaw Leonard, and a brief pamphlet written for the NACA meeting in Boston in the early 1930s demonstrate his commitment in this area. The brief treatise documents the early American teachers and writers of accounting. Mr. Bentley goes to detailed length to demonstrate the Benjamin Franklin Foster's school of accounting was not the first of its day. The *Vignette on Pacioli* contains detailed data on Pacioli which has not been heretofore published. Mr. Bentley's efforts in his writings evidence a deep appreciation for accounting history.

The majority of his remaining works deal with pedagogy and various aspects of teaching methodology. Mr. Bentley claims to have originated the concept of system building in American accounting education. There also exist various series of notes in Mr. Bentley's hand which offer his view of accounting for goodwill where he expresses prior to 1937 the use of the firm's business cycle as the basis for calculation of the future stream of earnings applicable to the quantification of an amount labeled goodwill.

Summary

Mr. Bentley's contribution to the environment of academe and the practice of accountancy are exemplified in his texts, periodical articles, pamphlets, catalogs and his personal service and attributes as well as dedication to the profession of accountancy. Mr. Bentley donated *The Bentley Collection* of early American accounting texts to the Boston Public Library to encourage the appreciation of accounting history and to offer scholars a source to study the beginnings of the profession in America. His two-volume seminal work *Bibliography of Works on Accounting by American Authors* (1937) with Ms. Ruth Shaw Leonard was reissued in 1969 by Augustus M. Kelley Publisher of New York City. The work *Corporate Accounting and Finance* is currently being considered for reprint by Arno Press, a New York Times company.

(Vol 2, No. 1, pp. 12, 7, 1975)
Joseph Edmund Sterrett was among accountancy's most active pioneers. Asked by contemporaries to define or to elucidate positions on ethical, technical and educational issues, he responded competently and progressively. An original and creative thinker, Sterrett focused on the broad social vision accountancy might adopt. In his address opening the 1904 International Congress of Accountants, held at St. Louis, he rejected the notion of an accountant as a "... detective whose chief function is to show how a thief tapped the till." He expected accountancy to become the profession of business advice, adding that if "our work is to be strictly confined to the construction and auditing of accounts, our calling can never be a profession." Accountants must foster the highest ideals within the business community "for the slow but sure evolution of society." Professionalization required that the accountant embrace the attest rather than the audit function as his major responsibility and accept the general public as his ultimate "true" client.

Sterrett, born in Brockwayville, Pennsylvania in 1870, entered public accounting in 1891 when he joined the staff of John Francis in Philadelphia. Two years later, at 23, Sterrett became a partner in the firm. Francis and Sterrett led the drive to organize Philadelphia accountants and in 1897 their efforts culminated in the formation of the Pennsylvania Society of Public Accountants. Sterrett was extremely active in the state society serving as Secretary from 1897 to 1901 and as President in 1904-1906. As Chairman of the Committee on Education, he organized the Evening School of Accounts in 1902 and is credited with persuading Wharton School of Finance to assume responsibility for the program two years later. From 1905 through 1916, Sterrett was a member of the State Board of Examiners and he had a pervasive impact on the development of educational standards in that state.

Sterrett's firm merged with Price Waterhouse in 1907 and he became its first American born senior partner. The following year, at 38, he was elected President of the American Association of Public Accountants, which commenced his service in various capacities in the national organization. He served on several committees; his most important work was accomplished as Chairman of the Committee on the Journal (1912-1924) and on the Special Committee on the Form of the Organization (1916).
Among his major aims was to publicize the role of accountants and Sterrett became a respected and effective spokesman for the profession throughout his career. Economists, social scientists, and municipal officers and leaders recognized his abilities; his was a major role in cementing accountants' relations with those groups. He joined the American Economic Association in 1909 and was one of the original directors of the National Bureau of Economic Research in 1919. Sterrett's work for the National Civic Federation enhanced the image of accountants as professionals interested in the public welfare.

Within the profession, he was a progressive and authoritative voice defining conceptual parameters for ethical and educational standards. Sterrett's article, "Education and Training of a Certified Public Accountant," which appeared in the first issue of *The Journal of Accountancy*, clearly outlined the broad liberal base which he felt was essential as a foundation for accounting study. He did not believe that a profession could be established on the basis of a single technical examination for admission.

Sterrett was a strong advocate of the need for practical experience as a prerequisite for obtaining a CPA certificate. His rationale for this requirement was that since much of the accountant's work was based on opinion it was necessary that the young person be exposed to the conditioning environment of actual practice if he were to develop the judicial attitude which he must possess. "The decline of the old preceptor-and-student system is a misfortune and accountancy should revive and insist on it as an essential co-adjutor to the college," he wrote, adding, "It is this way that the young practitioner can best acquire a knowledge of human nature and most of all of the intimate and confidential nature of his relations to his clients."

Sterrett was convinced that the abstract concepts of truth, honor and justice formed the strongest base for professional ethical conduct. "The culture of justice is the accountant's first duty and in it all others are comprehended." If the accountant recognized his duty to all segments of society he must behave ethically. Absolute impartiality and independence were basic prerequisites for public practice. Pragmatically, Sterrett agreed that the Association must adopt certain rules which would insure that certain minimum standards were upheld. In 1907, he acceded to the request of the leadership of the national body and prepared a paper, "Professional Ethics," which was presented at the annual convention. Although he codified certain rules some of which were adopted by the con-
vention, he warned that mere compliance with specific written rules did not guarantee conduct of the highest order. Sterrett noted that “... the word ‘professional,’ when used in conjunction with ‘ethics’ does not imply any modification or even limitation of moral principles.”

Sterrett believed that an accountant’s training and experience qualified him for public service; indeed, to Sterrett public service was part of the practitioner’s duties and his own career reflected his convictions almost perfectly.

In 1911 he served on the Board of Consulting Accountants for the President’s Committee on Economy and Efficiency in Government; in 1917 he was an advisor to the Treasury Department on the administration of the Excess Profits Tax; in 1920 he journeyed to Paris, France to set up the administration of the Reparations Commission; from 1924 to 1926 he spent two years in Europe as the American member of the Transfer Committee to manage reparations payments under the Dawes Plan. That work earned him international prominence and he was decorated by the governments of France, Germany, Belgium and Italy. In 1928 the International Committee of Bankers on Mexico asked him to investigate the financial condition of Mexico and he co-authored a 274-page report on Mexico’s situation. The following year the German Railways Company asked Sterrett to study the management and financial administration of Germany’s railroads and to prepare a report recommending necessary changes and reorganization.

By the time of his death in 1934, Sterrett had become an international figure and in 1953 his service to society was recognized by accountants with his election to the Accounting Hall of Fame.

(Vol. 2, No. 2, p. 8, 1975)

PERRY MASON
(1899 - 1964)

By Roscoe Eugene Bryson, Jr.
Georgia State University

Perry Mason was born on June 25, 1899, in Chicago. Dr. William A. Paton was probably most responsible for his choosing accounting as a career. Mason did quality work throughout his undergraduate program at the University of Michigan from which he graduated in 1921.
Early in his career he worked with the accounting firms of Kopanak, Hurst and Dalton (1921-1922); and Paton and Ross (1925-1930). While pursuing the doctorate at Michigan, under Paton, Mason demonstrated ability as a teacher. He received the Doctor of Philosophy degree in 1938. Throughout the 1920's Mason taught at Michigan, except for one year as Assistant Professor at the University of Kansas (1924-1925). He accepted a position as Associate Professor of Accounting at Antioch College in 1930. In 1938 he left Antioch to become Associate Professor of Accounting at the University of California at Berkeley. During World War II Mason worked in the Office of Price Administration as Regional Accountant, and later Regional Economist.

He retired from the University of California in 1954 to join the Research Division of the American Institute of Certified Public Accountants. Mason served as Associate Director of Research under Carman Blough until the creation of the Accounting Principles Board in 1959. In November 1959, he was named Acting Director of Research, and immediately began to build a research staff and make plans for the first group of research studies. When Maurice Moonitz became the Director of Accounting Research in 1960, Mason was designated as his assistant, and served in this position until his retirement in 1963. He died of cancer on January 9, 1964, in Stanford, California.

Perry Mason held CPA certificates in Michigan and California and was one of the few academicians to be selected to the Committee on Accounting Procedure (1951-1954). In 1954 he chaired the AICPA's Committee on Terminology. He served as Vice President and President of the American Accounting Association and was also a member of many AAA committees including those on National Income Accounting and on the Statement of Cost Principles. He wrote two topical indexes of The Accounting Review. First, he prepared an index for the years 1926-1950; and then five years later a supplement was published.

Perry Mason's contemporaries describe him as a rather shy man, yet a fairly intense individual, always seeming to be meditating about some aspects of his work. Students were impressed by his ability to make his points understandable by explaining thoroughly each topic. Politically, Mason was a conservative who strongly opposed the New Deal. Unfortunately for accounting historians, Mason was a self-effacing man. He tended to underestimate the importance of his writings to others. Therefore, he left no files for future accountants to study. However, his interest in accounting history is
evidenced by the fact that Peragallo's *Origin and Evolution of Double-Entry Bookkeeping* was one of the few books that he retained after his retirement.

In 1937, his doctoral dissertation, *Principles of Public-Utility Depreciation*, was published by the American Accounting Association as its first monograph. Mason presented a discussion of the conceptual bases for depreciation accounting. The most important points made by him were: depreciation accounting and the problem of financing replacements; depreciation should be accounted for even when there is no net profit. He emphasized that depreciation is primarily a function of use, not physical condition.

Mason had a keen interest in the problem of adjusting financial statements for general price-level changes. In 1950, as President of the American Accounting Association, he proposed that a foundation grant be sought, to support a study of this matter. In 1951, the American Accounting Association received a grant from the Merrill Foundation. Dr. Ralph C. Jones was appointed director of the project and he and Dr. Mason worked closely in this research effort. In 1956, the American Accounting Association published a monograph entitled *Price-Level Changes and Financial Statements* in which Mason explained the techniques for preparing price-level adjusted statements. As a member of the staff of the Accounting Research Division of the American Institute, Mason made a significant contribution to Accounting Research Study No. 6, *Reporting the Financial Effects of Price-Level Changes*. This research study led to the issuance of a statement in which the Accounting Principles Board recommended that price-level adjusted statements be presented as a supplement to the conventional financial statements.

In 1961, the Research Division published Mason's "*Cash Flow* Analysis and the Funds Statement." He emphasized that the amount of "cash flow" should not be considered as an improvement on net income as an indication of the results of operations. He recommended that the funds statement be treated as a major financial statement, and that the definition of "funds" as "all financial resources" be used in preparing the statement. This research study stimulated much discussion about the funds statement and served as the basis for APB Opinion No. 3, "The Statement of Sources and Application of Funds." On the basis of this opinion, financial analysts began to discourage figures indicating "cash flow per share."

Largely because he was not a forceful person, many accountants are not aware of Perry Mason's work. However, he earned his place in the Accounting Hall of Fame, by distinguishing himself as an
Profiles

author, lecturer, researcher, and teacher. He made significant contributions to the continuing effort to produce financial reports of maximum usefulness to shareholders and others.

(Vol. 2, No. 3, p. 8, 1975)

ROBERT HIESTER MONTGOMERY
(1872 - 1953)

By Anthony T. Krzystofik
University of Massachusetts

Background

Robert H. Montgomery was born in Mahanoy City, Pennsylvania in 1872. His introduction to accounting began on February 4, 1889, at the age of 16 when he became employed as an office boy for John Heins, a public accountant in Philadelphia. Montgomery was also introduced to professional accounting organizations at this time as John Heins was president of the American Association of Public Accountants and one of the ablest accountants in the profession. Other partners of the firm included William M. Lybrand, T. Edward Ross and Adam A. Ross. Montgomery was admitted to the partnership in 1896 at the age of 23. After ten years of association with Heins, this group on January 1, 1898, founded in Philadelphia the public accounting firm of Lybrand, Ross Bros. & Montgomery. In 1902 the firm opened an office in New York City with Robert Montgomery assuming responsibility of the office. This office was the first of an expansion that was eventually to become the international accounting firm of Coopers & Lybrand.

Montgomery's early accounting education was received on the job and through evening bookkeeping courses. He did, however, receive a law degree from Dickinson College and was admitted to the bar in Pennsylvania in 1900 and in New York four years later. For many years he practiced both law and accounting in New York but eventually abandoned the law practice for accounting. Montgomery along with his partners became a charter member of the Pennsylvania Institute of Certified Public Accountants in 1897. Mr. Heins was the first President. Robert Montgomery received his certificate on June 15, 1899.

Teaching Career

Montgomery's introduction into accounting education was through the teaching of a course in the Theory of Accounting during the
summer of 1902 for the Pennsylvania Institute of Public Accountants. Courses were offered by the Institute in each of the four subject areas of public accounting in an attempt to upgrade the accounting profession. In 1904 Montgomery taught classes which were sponsored by the Institute at the University of Pennsylvania. In 1905-06 Montgomery also lectured at New York University. When evening classes were instituted at Columbia University in 1910, Montgomery assumed the task of teaching the first class and of obtaining instructors to take over additional classes.

In 1912 Montgomery was appointed an instructor in Economics at Columbia University. The School of Business was not established until 1916. In 1919 Montgomery was promoted to Professor of Accounting and made a member of the Administrative Board of the School. He maintained a faculty position at Columbia until 1931.

In Montgomery’s autobiography it is interesting to note that he found it difficult to teach accounting and auditing to students who had never seen a set of accounting records. Consequently he established an “Accountancy Laboratory—the connecting link between Theory and Practice.” In this laboratory he used actual sets of books from old and bankrupt concerns.

Major Publications

The writings of Robert Montgomery include a long list of articles and books beginning with the publication in 1905 of an American edition of Auditing: A Practical Manual for Auditors authored by Professor Lawrence R. Dicksee of the University of Birmingham, England. Professor Dicksee’s book, which was first published in 1892 in England, was largely based on English court decisions and therefore of limited application in the United States. Montgomery’s adaptation of the Dicksee text to American needs is considered to be the beginning of American literature in accounting. The introduction to this first modern accounting text was written by Arthur Lowes Dickinson, another leading accountant of the period. In 1912 Montgomery wrote the first edition of his Auditing Theory and Practice which was to become one of the most influential books in American accounting literature. The motivation for the book as noted by Montgomery was: “During the last few years . . . I have noted in the profession a gradual departure from the principles and procedures enunciated by Mr. Dicksee. More is now expected of the auditor, and, happily, many of the profession have met this broader demand and have shown that the services to the practitioner must extend over the whole field of business activity.”
Of special interest to accounting historians is Montgomery's contribution to Columbia University library of his vast collection of old and rare accounting books. The library includes historical collections from the entire world on such subjects as an account book of a slavership and the record books of kings and queens in the 15th century. Rare books on accounting are added annually to the collection.

Public and Professional Service

Robert Montgomery's public service began as an Army private in the Spanish-American War. During World War I he was commissioned a lieutenant colonel, serving as chief of the section on organization and methods in the Office of Director of Purchase. His post war public service included a number of assignments to governmental agencies and commissions.

He attended the first International Congress of Accountants which was held in St. Louis in 1904 and was an active member of the Congress throughout his career. He was elected President of the American Institute of Accountants from 1912 to 1914 and again from 1935 to 1937.

Montgomery was honored on a number of occasions by the profession and academia. He received the AICPA Gold Medal Award in 1949 and was elected to the Accountants Hall of Fame at Ohio State University.

Personal Interests

As evidence of his broad interests, Mr. Montgomery in his later years devoted his time to horticulture, particularly conifer and tropical trees. In 1938 he founded the Fairchild Tropical Gardens in Florida which grew from an original gift of 25 acres to over 83 acres. His interest in horticulture brought rare collections from around the world to both the gardens in Florida and New York.

Summary

In his book The Rise of the Accounting Profession, John L. Carey when referring to Montgomery and his accomplishments uses the word “amazing.” It is not difficult to understand why he did when one reviews Montgomery’s contributions to the development of accounting philosophy. The publication this year of the pioneer
accounting book that bears his name provides an opportunity for accounting historians to review Montgomery's legacy to accounting.

(Vol. 2, No. 4, p. 8, 1975)
BOOK REVIEWS

Hans Johnson, Editor
UNIVERSITY OF TEXAS AT SAN ANTONIO

Axel Grandell, Redovisningens utvecklingshistoria från bildskrit till dator (The Development of Accounting from the Hieroglyphs to the Computer) (Abo, Finland, 1972, 121 pp.).

Reviewed by Sandor Aszely
Gothenburg University, Sweden

Though we have comprehensive and scholarly studies in English and German of the history and development of accounting (Yamey, Penndorf and others), readers of The Accounting Historian might be interested in a study of the development in the Scandinavian countries, especially Sweden and Finland. This development was, to be sure, strongly influenced from Northern Germany and the Netherlands but had also characteristics deserving more than local interest. As to the influences from abroad, we have to bear in mind that Lübeck and the Hansa had a solid grip on the commerce of the Baltic region from the 12th to the 16th centuries and that the influence of the Low Countries became manifest after their independence from Spain and after they had established themselves as a worldwide naval and commercial power with considerable business interests in the Arctic regions and the Baltic Sea.

Grandell discusses in detail two of the simplest means of control and instruments of accounting of the old days, the scoring board and the tally. The scoring board was used as an aid to memory in the counting of physical units (loads, sacks, etc.) or as a control on work-performance. The oldest type was a board with $10 \times 10 = 100$ holes and a peg to put into the holes corresponding to the counted units. A later type had 10 holes in 3 columns for marking one, two and three digits respectively. The simple tally served the same purpose as the scoring board: as a memory-storage of the counts of stores or as a means of control of operations. It was just a stick upon which notches were cut for each operation carried out. An-

other type, the divided tally, meant a considerable progress in the technique of accounting. It was split into two parts, one for either party—employer/employee or buyer/seller and so forth. Each time a notch was cut the two parts had to be fitted together. Then each party kept his own half in order to be able to control the correctness of the notches. It was fundamentally the same idea as the "indent"-form for certeparties of the East India Company. These simple means of control remained in use to a certain extent until the beginning of the present century.

Of considerable interest is the development of accountancy in Sweden and Finland after the separation from Denmark, during the reign of Gustavus Vasa (1523-60). He made his Exchequer work out an accounting system for the stewards of the royal castles and estates. His administration was depending on well planned and several methods of control and a budgeting system, which was centuries ahead of its time. It is also quite remarkable that double-entry bookkeeping was introduced into the accounts of the Crown as early as 1623 by a Dutchman, Abraham Cabiljau. Thus Sweden seems to have been the first country to introduce double-entry for keeping Governmental accounts.

A further development of more than local interest is that of industrial accounting in Swedish iron works, saw mills and other manufactories in the 17th century. Iron works in Sweden and Finland engaged skilled Walloon miners and blacksmiths as well as Dutch accountants. These bookkeepers established an accounting system, well adapted to mining and milling operations. At the middle of the 18th century this industrial accountancy in Sweden reached a rather high level, far above contemporary accounting in commercial business enterprises. Column technique—a sort of multi-dimensional accounting—personal accounts separated from the general ledger, and an accounting system enabling detailed cost estimates, were features that raised the bookkeeping of the iron works to a much higher level than that of the merchants.

Axel Grandell shares the view of Werner Sombart, B. S. Yamey and Y. Ijiri, that an efficient control-system based on double-entry bookkeeping was a prerequisite and cornerstone of capitalistic society. One might add that an efficient accounting system is probably still more important in modern society with the emergence of a mixed economy, a heavily expanding public sector and an enormous bureaucracy for planning and control.

(Vol. 2, No. 1, p. 9, 1975)

Reviewed by Richard A. Scott  
Virginia Commonwealth University

What prompts one to write of his life? It may strike you as puzzling just as it did this reviewer. Perhaps more germane is the query: Does the way in which a man describes his life—and that he undertakes to do it in the first place—reveal facets of character and personality which explain what motivated him to accomplish that which he did?

John Inglis accomplished much during his career. He was the senior partner of Price Waterhouse & Co. (1954-61), a member of both the Committee on Accounting Procedure and the Accounting Principles Board, as well as President of the National Association of Accountants (1958-59), to cite but a few of his achievements. It is also apparent from his autobiography that he was prosperous, had many friends, and was widely traveled; it borders on the redundant to even mention these facts given the stations in life that he reached.

If he can be regarded as having contributed to the accounting profession's development, one may ponder whether there is something in his make-up that is universal to those who have led, and importantly, those who will lead. I am suggesting to anyone having an interest in pouring over Inglis' work that a study of its psychological implications may prove more fruitful than rooting through its pages in quest of accounting history. An enigma of this autobiography is that the reader, upon concluding his sojourn with it, falls far short of knowing the man. Inglis is so reserved and self-effacing in this recital of his years that he only cursorily alludes to his achievements.

The volume is partitioned into thirteen chapters in such a way that his personal life and professional career are separately examined. From 1901 to 1924 when he left New Zealand to join Price Waterhouse in New York City, he was part of a large family with a religious tradition. You will be charmed by nostalgic reminiscences of life at an earlier and simpler time, as well as by his reactions to the New World. For those with a penchant for accounting history, Chapters 6, 9, 11 and 12 will prove of greatest interest. It is fascinating to read his description of public accounting work during the mid-1920's, when he was abruptly and immediately placed in charge of audit assignments. With virtually no supervision and using tempo-
rary help as assistants, he was pressed to service. "I knew nothing about American accounting procedures, the firm's audit requirements or what an American set of audit working papers looked like or were supposed to contain." (p. 38)

There are other occasional passages of interest: How "... May monopolized much of his [Campbell's] time discussing theoretical problems ..." (p. 73); mention of the hand-written bound ledgers of J. P. Morgan & Co. and the private ledger which was kept under lock and key (p. 74); his experiences with the Securities Acts in the days of their infancy (pp. 76, 78); and an insider's view of the McKesson & Robbins debacle. It was Inglis who was instructed by the partners of Price Waterhouse to examine the accounts receivable and inventories of McKesson & Robbins in the fall of 1938 to ascertain the substance of rumors which were then burgeoning regarding the firm's accounts. Out of this landmark fraud came salutary reforms for both Price Waterhouse and the accounting profession which are cited by the author in reflection (pp. 82-83). You may be intrigued by the events of 1947 when depreciation based on current cost valuations was in debate (p. 111), and of 1941 when the problem of "inventory profits" was resolved by resort to LIFO cost flow assumptions (p. 113). Chapter 12 contains an expression of Inglis' management philosophy vis-a-vis that of earlier senior partners of the firm, and throughout the text one is reminded of the international dimensions of the Price Waterhouse practice and of the early years to which it traces. In summary, however, you will find that this book is more a vehicle for Inglis to acknowledge and give thanks to his many friends around the world, than an epitome of his professional career or the historical events which brought change to the accounting profession.

(Vol. 2, No. 2, p. 3, 1975)

Hanns-Martin W. Schoenfeld, *Cost Terminology and Cost Theory: A Study of its Development and Present State in Central Europe*, Monograph 8 (Center for International Education and Research in Accounting, University of Illinois at Urbana-Champaign, 1974, 177 pp.).

Reviewed by M. C. Wells
University of Sydney

This monograph contains a comprehensive and readable account of the development of various theories of production costs by promi-
nent German writers. For those of us who are incompetent in any but our own language it is a long overdue introduction to a highly developed and rather specialized field. Yet, after reading it, instead of any feeling of satisfaction at having comprehended some new and complex notions, I was left with a feeling of frustration. Not because of Professor Schoenfeld's work. On the contrary, one can only be envious of his ability to digest and translate abstract theoretical notions in more than one language. No, the frustration arises because we are introduced to various theories which seem, somehow, never to reach a conclusion. Perhaps this reaction is because I too am guilty of the pragmatism which Schoenfeld finds so common in the United States. And the practical effects of the various theories discussed in the monograph are not easy to discern. There appears to be strong support, for example, for the inclusion of imputed costs in cost calculations for decision making (pp. 18-24) but just as strong support for their exclusion from published profit and loss accounts (pp. 28-29). But why are profit and loss accounts published if no one is going to use them to make decisions?

Similarly, but more importantly, Schoenfeld describes various approaches to the definition and determination of product costs. The relationship of costs to market determined prices is stressed throughout as is the purpose of cost determination:

German scholars generally recognize the fact that, at least in theory, a market connection should be maintained. Monetary cost value should at the same time allow an adequate and up-to-date efficiency evaluation (Wirtschaftlichkeitsrechnung) (p. 15).

Curiously, the allocation of overhead and service department costs appears to be an essential part of the cost accumulation process. What is missing is an explanation of how cost allocations satisfy the condition of a market connection, and how they may be used in making an up-to-date efficiency evaluation.

The adoption of conventional allocation procedures is all the more curious when one considers the extent to which the theories Schoenfeld describes are firmly rooted in economic doctrines. The earlier cost theory of Schmalenbach, and more recent work by Mellerowicz, Gutenberg and Heinen would sit more easily in a textbook of economics than cost accounting if they were published in the U.S., Great Britain or Australia, which is indicative of a defect in the thinking extant in those countries and not a criticism of the German scholars. The emphasis given by them to an analysis of the
production functions and operational constraints commonly found in industry provides a sound basis for the development, by argument and counter-argument, of a fruitful theory of cost accumulation. But the theories so derived are not extended to the pragmatic level of delienating costs which might or might not be included in regular cost accounting procedures nor do they provide any justification for the allocation of common costs.

The cost theories which emerged from a detailed analysis of real and imagined production functions do, however, illustrate the advantage which that line of development has over the "practical-dogma" approach common in English speaking countries. For whereas the latter leads, almost inevitably, to a hotch-potch of unrelated and frequently conflicting ideas and methods (how else can we explain the coexistence of the criterion of objectivity and subjectively allocated costs, or the common emphasis on unit product costs despite their irrelevance for decision making and control) the former at least provides a clearly defined starting point for debate. Wherever a theory is seen to be deficient, its proponents or adversaries can identify the assumptions on which it is based and test their validity as well as that of the logical inferences drawn from them. That this is potentially a far more productive mode of reasoning than the pragmatists' criterion of "does it work?" is clearly evident from Section III of this monograph.

Of particular interest to accounting historians will be Schoenfeld's description of the origins of various cost theories, the background of the German Uniform Chart of Accounts and his evaluation of European theory development. Throughout that development, the close connection between cost accounting and economics is clearly drawn.

Schoenfeld has adopted the role of reporter, not advocate. His monograph is a work to be taken seriously and studied closely by all who profess an interest in cost accounting practices and theories. Although the emphasis on German literature is somewhat narrower than the title implies, the English language literature has been considerably enhanced by this addition.

Thomas J. Burns, Editor, *Accounting in Transition: Oral Histories of Recent U.S. Experience* (College of Administrative Science, Ohio State University, 1974, 305 pp. $3.00 for single copies; quantity discounts available).

Reviewed by Paul Frishkoff
University of Oregon

It might be argued that *all* history is essentially oral, but the advent of the tape recorder and literal transcription has certainly affected the nature and quality of the process: the Nixon tapes *suggest* more authenticity, though considerably less elegance and literacy, than, for instance, *The Iliad*.

This book is an ambitious—and, on the whole, successful—effort to capture the thoughts of some leading academics and practitioners on contemporary financial reporting issues. The word "recent" in the title should be noticed as a constraint; the emphasis is on the experience of the past 15 years. The word "standards" probably also belongs in the title, for the dominant theme is the decline and fall of the APB, with the advent and struggle for survival of the FASB as a secondary motif.

These "interviews" are not of the open-ended, stream-of-consciousness variety, but rather consist of responses of panelists to carefully phrased questions by moderators (apparently before a live audience, though this isn't made clear).

There are five major sections or panels:

I. Philip DeFleise and Stephen Zeff on the Search for Standards.
II. Charles Horngren and Herbert Miller on the APB, as viewed by two former members thereof.
III. Ernest Hicks, John Myers, and Arthur Wyatt on APB Research, as viewed by the authors of three major Accounting Research Studies.
IV. Sidney Davidson and David Solomons on the Trueblood and Wheat Commissions.
V. Richard Baker, Michael Chetkovich, Ralph Kent, Donald Kirk, Robert Mautz, and A. Clarence Sampson on Accounting during the Next Decade.

The respondents' comments are refreshingly candid, though tactful. The details of the APB's battles with various organizations and agencies are well articulated, but the emotional turmoil which must surely have characterized these struggles is curiously lacking. A few heroes explicitly emerge (Reed Storey, for one, garners his
share of plaudits), but individual "villains" lurk only in the shadows. There is, to be sure, reference to the FEI, various governmental agencies, and financial analysts as frequent critics of the accounting profession, but individual protagonists are usually alluded to, rather than identified. In this respect, it is rather unfortunate that the panels consisted almost entirely of practitioners and professors; there are no representatives of industry or the securities analysts, and only Mr. Sampson of the SEC is there to speak for government (which he does most ably).

All fifteen panelists (as well as the moderators, who are both faculty and Beta Alpha Psi students) acquit themselves ably, but one might single out especially the contributions of Zeff (on the development of accounting standards comparatively in the U.S., Canada, and Great Britain), Wyatt (on the trials and tribulations of authoring ARS No. 5), and Solomons (on Wheat Commission).

Actually less than half the book is devoted to transcriptions of the moderators' questions and the panelists' comments. The rest is fleshed out with a series of exhibits and appendices. Some, like Zeff's Chronology of Significant Developments, 1926-72, are well worth reprinting. Some others, such as Horngren's Letter to the Study Group, are worthwhile in that they might not otherwise be widely available to the public. Many, particularly the group following the last set of panelists, are good articles which might belong in a readings book but appear to serve primarily as filler in this particular volume. An appendix which lists all members of the APB, and the Opinions on which each voted, is particularly valuable to the student of recent American accounting history.

To this reviewer's surprise and delight, some anonymous scholar took considerable time and effort to compile an admirably detailed subject index and a briefer one of citations to particular authors; other readings books and reprinted symposia would do well to emulate this.

The physical layout of the book (apparently photo-offset) is most legible, though there's the usual number of inadvertent typographical errors. (Former APB member Milton Broeker is incorrectly if consistently referred to as “Broeher.” Davidson's 1973 Stanford lecture is either inadvertently or otherwise identified as The Study Group or Objections on Financial Statements!)

This book belongs in the library of any accounting scholar, "historian" or not, and would be a stimulating input into many graduate accounting seminars. At the quoted price, it's an incredible bargain, to boot.

(Vol. 2, No. 2, pp. 5, 6, 1975)

Reviewed by Robert MacKenzie
The University of Alabama

William Woodruff is Graduate Research Professor in Economic History at the University of Florida in Gainesville. Author of a widely acclaimed treatise published in 1966 entitled Impact of Western Man: A Study of Europe’s Role in the World Economy, 1750-1960, as well as numerous other books and scholarly articles, Professor Woodruff has now followed with another impressive volume, America’s Impact on the World: A Study of the Role of the United States in the World Economy, 1750-1970.

The subject is broad, the viewpoint unique, and the task challenging. Woodruff has responded with insight and great synthesizing skill. Furthermore, he writes clearly and smoothly, and the reader finds his path through a complex subject considerably eased.

The book is brief (only 184 pages of text) but tightly constructed to cover its subject. It consists of eight chapters. Chapter one skillfully reviews the colonial period. Chapter two describes the course of American expansion across a continent and into the world. Chapter three places the American experience in its world context. Chapter four analyzes America’s influence on world finance. Chapter five comments on the impact of American technology; Chapter six upon America’s contribution to the conquest of distance. Chapter seven analyzes the role of America in world commerce, and Chapter eight is the epilogue, consisting of the author’s seasoned reflections upon his subject.

The most important chapters to the reader interested in economic history are chapters four and seven. Each is based upon abundant statistical material concerning world finance and commerce, attractively and effectively displayed in a series of tables at the end of the volume. Both chapters are balanced analyses of the economic role of the United States, sharpened by provocative insights into current world dilemmas. This is history at its best, brought to bear upon current and future problems.

The handling of a subject as broad as that chosen by Professor Woodruff is, of course, open to a number of criticisms. Although he skillfully handles historiographical controversies swirling about the many points of interpretation traversed in his general narrative and although his extensive bibliography and germane use of footnotes
attest to his familiarity with those controversies, he generally comes
down on the side of older interpretations. Thus, his conceptual
framework for discussion of the nineteenth century rests more on
Charles Beard than upon that path-breaking scholar's later critics.
Woodruff's brief treatment of Reconstruction likewise is little in-
fluenced by the historiography of the last decade. In another vein,
his narrative has little to say about the Third World and the develop-
ing importance of Africa and the Middle East. Chronologically,
Woodruff's historical focus is preponderently upon the pre-World
War I period, with later developments more briefly treated. These
criticisms, however, are the quibblings of a specialist or may be
understood in the light of the natural course of the development of
historical knowledge and Woodruff's perspective as a former resi-
dent of Britain who views the United States as essentially the in-
heritor of the English tradition.

On the whole, the book is filled with incisive analyses. The
reader may note in particular excellent summations on pages 66-67,
concerning Americans in a world context; on pages 86-87, regard-
ing American business impact abroad; and on pages 128-129, con-
cerning the role of industrialization in economic development.

Just as Woodruff is an economic historian of the old school, giving
little attention to econometrics and that technique's impersonaliza-
tion, his epilogue emphasizes the intangible values of the American
spirit. Recognizing the current crisis in American self-confidence,
Woodruff wisely calls for a look within: "It is not science and tech-
nology, not magic formulas for nations to grow rich, not computer-
ized predictions of doomsday, not new laws, however well con-
ceived and wisely framed, that will eventually determine America's
destiny in the world. It is man (p. 184)." In view of today's energy
crisis and other problems and the entrance of the United States up-
on the celebration of its 200th birthday, a celebration hopefully
dedicated to a search for future meaning and purpose, Woodruff's
book is an excellent volume to read and reflect upon. Woodruff
stands with William Faulkner in pointing to man's capacity to prevail,
and he vividly points to that quality in the American past. It is a
worthwhile reminder.


Reviewed by Peter H. Knutson
The Wharton School, University of Pennsylvania

How can a reviewer fail to praise a book which presents debits and credits thus:

The Ower, or the Owing thing
Or what-so-ever comes to thee:
Upon the Left-hand see thou bring;
For there the same must placed bee.
But they unto whom thou doest owe;
Upon the Right let them bee set;
Or what-so-ere doth from thee goe,
To place them there doe not forget.

The foregoing verse appears on page 67 of this completely fascinating bibliography, which according to the foreword, is the first publication of the Scottish Committee on Accounting History, as such it is an appropriate choice inasmuch as it provides a complete and authoritative guide to the existence and location of the source material upon which further work on Scottish accounting history depends.

As all of us must know, the accounting history of Scotland is a rich one and the prowess of Scottish accountants is near legendary in the English-speaking world. The written record of that heritage begins with the publication in 1683 of Robert Colinson's Idea Rationaria, or, The Perfect Accompant, the first listing in this bibliography. From then until 1920, there are listed 192 books (many published in several editions), 83 transcriptions of accounts, plus an entire separate section citing some 48 works on the History of Scottish Accounting. In addition, there is a short (6 pages) essay by R. H. Parker on Robert Colinson's Idea Rationaria and a variety of addenda and cross reference lists.

The organization of Accounting in Scotland can be only an accountant's creation. A vast number of abbreviations are used and some study of the Table of Contents, Introduction, and List of Ab-
abbreviations is absolutely necessary before any efficient use can be made of the volume. In general, the organization is as follows:

**Part I—Books Published in Scotland 1683-1920**

This is the heart of the work and contains a numbered list of books in the chronological order in which they were published. Each entry states the author, title, place of publication, publisher, date, number of pages, cover size in centimeters, a list of reference works in which it is cited, and a list of English and Scottish libraries in which a copy is known to be located. There are also annotations for almost every item; these range from being brief and matter-of-fact (Item 8: "The author was Secretary to the Bank of Scotland") to several longer entries which are somewhat more chatty in content and style. There are several pages of reproductions from some of the works cited as well as a series of photographs of some rather forbidding-looking authors.

**Part II—Transcriptions of Accounts**

The 83 works cited in this section are also presented in numbered chronological order, starting with "The Exchequer Rolls of Scotland (1264-1600)" and ending with "An Old Day Book" of 1814. The basic data provided are the same as in Part I, but the annotations are briefer and less frequent.

**Part III—History of Scottish Accounting**

The first two of three subsections in this part present (a) a chronological list of 15 books on Scottish Accounting History, the publication dates of which range from 1920 to 1969, and (b) a chronological list of 18 periodical articles on the same subject, these items dating from 1894 to 1973. The third subsection, (c) Biographies, contains 13 works arranged chronologically by date of death of the subject.

**Appendixes**

The first appendix is the short but informative essay on Colinson by R. H. Parker that was mentioned earlier. The remaining two appendixes are (a) an alphabetical author list, and (b) an alphabetical title list. These are keyed back to the main body of the work first by Part number (I, II, or III), then for Part III for subsection letter (a, b, or c), second by publication date, and third by the number assigned to that work in the main listing. It seems terribly compli-
Book Reviews

cated to explain, but in practice it works quite well after a little trial and error on the part of the user.

The major shortcoming of Accounting in Scotland to accounting historians in the United States is that its library references include only the United Kingdom. This is not a complaint, but rather is an observation of a fact which was only to have been expected. Perhaps when some of the bibliographies currently in progress in this country are completed, that situation can be to some extent improved. In the meantime we must content ourselves with a loud hosanna to Ms. Pryce-Jones and Professor Parker for a fine job well done.

(Vol. 2, No. 3, p. 3, 1975)

Robert Chatov, Corporate Financial Reporting—Public or Private Control (The Free Press, 1975, 364 pp. $15.00).

Reviewed by Robert H. Raymond
University of Nebraska

In Corporate Financial Reporting—Public or Private Control Robert Chatov brings what must be a new interpretation to events that have long been familiar to accounting historians.

This book is based on Dr. Chatov's doctoral dissertation, but additional material has been added, particularly in the policy recommendations area. Prof. Chatov writes from a unique background including undergraduate studies in economic history, a law degree, and eighteen years of experience with Ford Motor Company as well as his doctoral studies. He freely admits that he is not an accountant. He terms his approach socio-historical, imbued with a legal and economic perspective.

Chatov carefully clarifies the nature of this book in both the preface and the first chapter. It is a study of the effectiveness of independent regulatory agencies, using the Securities and Exchange Commission as the case in point. Primary points for which he looks to history for supporting evidence include:

1. The Securities and Exchange Commission abdicated its Congressional mandate to develop a comprehensive set of accounting rules. The SEC did not want to develop such a set, the practicing accountants had no intention of doing so, and the academic accountants were not asked to.

2. Failure to control the pooling of interest accounting for financial combinations permitted the most incredible stock market specu-
lation in the United States since 1928-29, and brought down the Accounting Principles Board.

3. Starting about 1887 when accounting control was in the financial-industrial system, accounting has gone a complete cycle with control being shifted first to the FTC-SEC; then to the practicing accountants; and now back to the financial-industrial system, shared with accounting practitioners and the corporate sector.

4. Accounting is significant in the process of economic development. It should, Chatov contends, be a function of public policy, not corporate policy. This calls for, he believes, a comprehensive accounting code, the objectives of which should focus on the needs of macroeconomic and social public policy. This code should be supported by a special administrative court system to resolve interpretations under the code and to adjudicate disputes between the SEC and defendants.

In Chapter 16, Chatov runs back through some of the events, this time examining them from the point of view of the sociology of government regulation. Three themes are developed: (1) the “threat” of SEC intervention whenever practicing accountants do not perform is little more than a ritual; (2) public statements about constantly friendly relations between the SEC and the accountants is largely a myth—the corporate sector has always been the dominant influence behind the liaison between the accountants and the SEC in their interaction over the determination of accounting principles; and (3) accountants have achieved professional status in the sense of ability to exercise influence on the public sector, but in continually trying to limit their liability to third parties the public accounting profession might be found wanting when it comes to the public interest.

The tone of the book is reflected by the following paragraph from Chapter 11, “The Difficulty of Regulating Powerful Constituencies”:

The failure of the Securities and Exchange Commission to assert and maintain its authority to prescribe standards of financial reporting at the earliest opportunity was fatal. The Commission was never again able to assert that power. The lesson suggested by the experience of the SEC is that an independent regulatory agency should utilize the full range of its power at the outset of its existence, or forego the opportunity subsequently to use them as effective instruments of public policy. (p. 171)
Accounting historians should read this book whenever they begin to feel secure in their grasp of the interpretation of accounting history. It will remind them that other interpretations might be possible. As they read they will want to ask themselves whether Chatov's book is primarily a well rounded scholarly interpretation or the skillful brief of an advocate.

As I read and pondered this book, I developed a list of over twenty potential research projects.

While I recognize that many publications are adopting the notation form used in this book, I find it time consuming, irritating and a discourtesy to the reader.


Reviewed by Richard H. Homburger
Wichita State University

This reprint of a text published originally in New York in 1938 by American Institute Publishing Company is very welcome, indeed; it should please educators and accounting practitioners alike. From a purely aesthetic point of view, it is remarkable how well the appearance and make-up of the original text has been preserved in the reprint. This refers to the Italian Old Style print, elaborate capital letters at the beginning and artistic designs at the end of each chapter, color schemes, and last, not least, the high quality of the paper itself. Aside from the text’s distinctive outward appearance, Peragallo’s work has continued to retain its unique place in the ever-increasing literature on accounting history. This is due to its concise style, clearly defined and limited scope of coverage, and its excellent selection of significant samples among the early Italian accounting records.

Peragallo’s work is divided into three parts. The first, comprising 50 pages, is largely an exposition of the early development of double entry bookkeeping, giving a rich selection of forms used in the three distinct centers of early mercantile practice, Genoa, Florence and Venice. The second part, 74 pages in length, describes the evolution of Italian literature on double entry bookkeeping from its beginning to the time of Luca Paciolo to the early part of the twentieth
century. A rather short third part summarizes the functional development of double entry as it relates to the changing forms of the ledger, the journal and financial statements, each being treated individually.

The first part of the text is the most interesting and challenging of the three. Samples of early records are carefully selected. They are presented in their original Latin version as well as in English translation. Interrelated debit and credit entries in different accounts are presented in full. Due to the absence of a journal in the earliest records, this is particularly important to give the modern reader a fuller understanding of the entire recording procedure.

Genoa is represented by excerpts from the accounts of the Massari, the city treasurers, dating from 1340 A.D. The famous pepper account, presented in full, gives a beautiful illustration of a "mixed" merchandise account in which debits are included for cost of goods and all incidental costs and credits for the sales proceeds. The closing of the resulting loss is shown in full in the account itself and, by contra entry, in the profit and loss account.

Early Florentine accounting is illustrated by excerpts from the Peruzzi ledger (1331-1335) and by selected entries from the Datini records. The Peruzzi accounts demonstrate early partnership accounting in the case of a family partnership, the procedure followed in transferring partnership interests and the closing of the capital accounts. The Datini excerpts presented are sparse but allow the modern reader to compare the advantages of the later bookkeeping forms used by the Datini over the more primitive forms they had used in earlier years. If his interest has been aroused by the samples presented in Peragallo's text, he may wish to consult additional sources on the subject. Extant Datini records, housed for the most part in a special collection at Prado near Florence, run from 1366 to 1410 and show the most significant developments in double entry bookkeeping.

Samples of early 15th century Venetian accounting comprise some early government records, portions of the Soranzo Brothers' ledger and of Andrea Barbarigo's records. The Soranzo ledger illustrates the transfer of accounts from an old to a new ledger by means of a balancing account. Barbarigo's records represent an example of the first use of an integrated journal and ledger system. A chapter on early Florentine industrial accounting, presenting very simple manufacturing records from the 14th century, rounds out the first part of the book. These records tend to indicate that much information can be lost if modern costing methods are not used.
Teachers of accounting may wish to make use of the selection of samples presented in the text to challenge their students' imagination and criticism; the practitioner will find the illustrations helpful in gaining a critical perspective of modern methods.

The exposition of the development of Italian accounting literature, given in Part II, is concise, complete and easily understood. It is the only presentation of its kind currently available in the English language. Of most interest to the modern reader should be the description of 19th century theory of accounts. The approach and purpose differs greatly from our modern thinking in that the earlier theory appears to place form before substance and, in doing so, to defeat its own purpose. To the reader of foreign languages, similar and, perhaps, more extensive material is available in the works of Federigo Melis, Joseph-H. Vlaemminck and other European writers.

Edward Peragallo's book is and will remain one of the classic works on early double entry bookkeeping. Its reprint edition should receive a most cordial reception by accounting historians.


Reviewed by Kenji Hayashi
Ryukoku University, Kyoto, Japan

The purpose of the book is to place in proper perspective the emerging problems of corporate accounting and accounting education in contemporary Japan, by tracing the history of Japanese accounting practices with major emphasis on the evolution of various financial statements. Supported by a mass of historical data, Professor Katano presents detailed analyses and discussions of the evolution of Japanese corporate accounting which has traditionally been under the strong influence of Western practices. Of particular interest is the account of how these Western influences have been introduced and assimilated into Japanese accounting practices.

For the purpose of descriptive convenience, Professor Katano divides the Japanese history of corporate financial statements into four major historical periods. These periods and their noted characteristics form the framework of his subsequent discussions.
The first period covers the years from 1873 (the 6th year of the Meiji Era) to 1890 (the 23rd year). The year 1873 saw the establishment of “National Bank,” the first corporate business enterprise in Japan. This pioneer period ended in 1890 when the Anglo-American corporate accounting system which had been introduced to Japan at the time of the establishment of National Bank was merged with the German-Franco accounting system which followed the enactment of the Commercial Code in 1890. The bookkeeping and accounting practices of “National Bank” closely followed the examples of National Bank Acts of the United States and of the bank accounting practices in England. These factual events leave no doubt that the dawn of modern Japanese accounting was ushered in at this period. It also becomes clear from these descriptions that the beginning of modern Japanese accounting was made on a national scale with the government taking an active role in the introduction, the dissemination, and the regulation, of Western practices.

The second period runs from 1893 (the 26th year of the Meiji Era) to 1933 (the 8th year of the Showa Era). This period is marked by the autonomous development of corporate accounting by businesses themselves without active hands of the government. Since the beginning of the Meiji Era, the Japanese government had consistently followed its powerful policy of industrialization. With the enactment of the Commercial Code, private enterprises which had grown comfortably under the protection and control of the central government were now legally guaranteed their independent entity. With the independence comes the assumption of responsibility. They were thus obliged to develop corporate accounting procedures on their own initiative to meet their needs. The “rationalization of industry” policy adopted at the inception of the Showa Era led the Ministry of Commerce and Industry to institute the Financial Statement Rules. These Rules had been drafted only after the arduous process of reconciliation between the Continental accounting method and the traditional Anglo-American accounting method.

The period of 12 years from 1934 (the 9th year of the Showa Era) to 1945 (the 20th year) represents the third period in Professor Katano’s presentation of Japanese accounting history. The pronouncement of the Financial Statement Rules (which are of extreme significance in the history of Japanese corporate accounting) by the Ministry of Commerce and Industry helped a great deal in removing some of the defects in somewhat unrestrained accounting methods practiced in the prior period. This is the period during
Book Reviews

which Japanese corporate accounting rapidly achieved rationalization and institutionalization.

The fourth period began in 1946 (the 21st year of the Showa Era) and continued to the 1960's. In 1950, the Committee on Corporate Accounting System was formed as one of the efforts to reconstruct post-war Japanese economy through the adoption of "securities" capitalism in the United States. Guided by the doctrines of "current operating performance" and "public disclosure" in accordance with the Committee's accounting principles, "securities" capitalism has deeply penetrated into the Japanese business community.

What characterizes the history of the Japanese accounting as revealed in the foregoing brief description is the fact that from the very beginning the Japanese accounting history has been a continuing process of refining the "system of periodic income accounting by the profit-and-loss method." It is also clear that starting in the 5th year of the Meiji Era with the guidance of an English banker, Alexander Allan Shand, Western influences have always been present in Japanese accounting practices and thinking, but it must also be pointed out that these influences have had to undergo some modifications to suit the unique social structure in which Japanese economy has operated. The detailed analysis of this unique historical process will be of real value to accounting historians both at home and abroad.

(Vol. 2, No. 4, p. 5, 1975)
DOCTORAL RESEARCH

Hans Johnson, Editor
UNIVERSITY OF TEXAS AT SAN ANTONIO

Research on accounting history appearing in doctoral dissertations seldom receives much coverage in the scholarly literature. This deficiency is no doubt caused by many factors, but lack of publication outlet should not be one of them. It is the purpose of this column to provide insight into research completed during the past two years which will be of benefit to accounting historians. The number of dissertations written in this area is relatively small in comparison with the current thrust of graduate research. Nevertheless, sufficient material does exist to provide the historian with new sources, ideas, and research methods which, hopefully, will stimulate additional study and enable one to be more efficient and thorough in approach. What follows are three recent works on or related to accounting history.

The Behavioral Implications of the Stewardship Concept and Its Effects on Financial Reporting (U. of Illinois at Urbana-Champaign, 1973, 260 pp.) by Rosita Chen includes an historical review of the development and transformation of management's stewardship responsibilities. Her research "reveals that the stewardship concept is closely related to the concepts of property and ownership . . ." and "has its religious origins in the imposition of responsibilities to society (primary) and to the corporate owners (secondary)." From research utilizing library and survey techniques, it is concluded that two sets of management reports are needed—social reports to satisfy primary responsibilities and financial reports to satisfy secondary responsibilities.

Product Costing Under Conditions of Idle Plant Capacity (U. of Southern California, 1975, 236 pp.) by Edwin Bartenstein contains historical background material dealing with cost accounting in general and idle facilities costs in particular. Chapter five is of most interest as it traces the literary contributions in the field from 1887
(Garcke and Fells) to 1944 (Sowell and Newlove). A thirty-page annotated bibliography will be helpful to historical researchers.

The Impact of Blue-Sky Regulations on the New Issues Market for Corporate Securities: Implications and Evidence (U.C.L.A., 1973, 97 pp.) by Courtenay Stone discusses the historical development of state securities statutes to the present time. Blue-sky laws were designed to prevent the sale of worthless securities within the particular state's boundaries. The information required in a registration statement usually included financial statements which were used by the state commissioner to make a supposedly intelligent investigation of the merits of the security. The failure of such legislation to prevent abuses was cited by critics of the securities industry as justification for federal intervention in 1933. Stone found no evidence to suggest that investors derive any short- or long-run protection from blue-sky laws.

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OTHER FEATURES

CONTACT NOTES

—Information about the Business Archives Council and their newsletter can be obtained by writing A. W. Murdoch, Assistant Provincial Archivist, Archives of Ontario, 77 Grenville Street, Queens Park, Toronto, Ontario M7A 1C7, Canada. Mr. Murdoch also is familiar with the records management program going on throughout Ontario Government and may be contacted with regard to such programs as they affect archival information.

—Two concurrent sessions during next April’s regional meeting of the Southeastern AAA group will be devoted to accounting history. For more information on the details of the program contact Professor Richard A. Scott at Virginia Commonwealth University, Richmond VA 23220. Historical research sessions will be featured at the Southwestern AAA group meeting set for March. For more information contact Professor Kenneth Most, Texas A&M University, College Station TX 77843.

—The Accounting History Society met on Wednesday, September 25th at 2:30 p.m. in London. Copies of the minutes and more information about the Society can be obtained from Dr. Geoffrey Lee, Secretary, c/o The University of Nottingham, University Park, Nottingham NG7 2 RD, United Kingdom.

—The Second Meeting of the Ealing Business History Seminar was conducted November 8, 1974, at Ealing Technical College, London. Program information and copies of material can be obtained by writing Professor Derek J. Oddy, School of Business & Social Science, Ealing Technical College, St. Mary’s Road, Ealing, London, W5, United Kingdom.

—Two papers on the history of accounting in America from 1875-1925 will be presented at the 21st Annual Meeting of the Business History Conference. See details in the announcement located in this edition of The Accounting Historian.

—The annual meeting of the Japan Accounting Association was held in Sapporo from September 3 to 5, 1974. The study group on the History of Accounting Development in Japan made an interim report. This was the second report of the group, the first report, given last year, covered the period since the end of World War II.
Dr. Kurosawa, President of the Japan Accounting Society, can be contacted for more information about the work of this group. Professor Kojiro Nishikawa is serving as a contact member with regard to activities in Japan.

—Copies of the Papers and Proceedings of recent sessions of the Business History Conference can be obtained at the price of $5.00 per copy from Professor Fred Batement, Secretary-Treasurer, The Business History Conference, Graduate School of Business 670, Indiana University, Bloomington, IN 47401.

(Vol. 2, No. 1, p. 9, 1975)

—The Annual Conference of the Accounting Association of Australia and New Zealand (to include a session for the Accounting History Committee subgroup) will be held in Melbourne during August 1975. Dr. Murray Wells presented a paper “Steps in the Revolution in Accounting Theory,” at the February 1975 annual meeting of the History Committee.

—A workshop on “The Use of Historical Materials in Teaching Accounting” was conducted at the American Accounting Association Southwest Region meeting in Houston during March. Professors R. H. Homburger, Jim G. Ashburne and Hans V. Johnson were panel members.

—The Ealing Business History Seminars (Dr. D. J. Oddy, Secretary) announces the third meeting to be held during May 1975. Papers of the meeting include:


—“Some Aspects of Capital Formation in Shipping in the Age of Sail and Steam,” Mr. R. S. Craig.

—“Capital Formation, Entrepreneurship and Technical Progress: a Case Study of Firms in Reading, 1800-1900,” Mr. T. A. B. Corley.

—“The Study of Accounting History,” was the subject of a concurrent session at the 27th Annual Meeting of the Southeastern Region of the American Accounting Association hosted by Virginia Commonwealth University in Richmond. Proceedings from the meeting will be published and can be obtained by writing Prof. Ed Coffman at VCU, Richmond 23284. Papers on Historical
Methodology, and Mediaeval Double-Entry (Prof. Martinelli) were the subjects of the session.


—The Accounting History Society (England) has announced its intention to prepare a newsletter ("Accounting History") twice yearly. The Editorial Board of the newsletter includes John Freear, Geoffrey Lee and Robin Waldron. For information contact Professor Freear at Rutherford College, The University, Canterbury, Kent CT2 7NX United Kingdom.

—The March 16-20, 1975 SW AAA Regional Meeting in San Antonio will feature a history session with Charles Handy, Adrian Kline, Joyce Lambert and Jos. Lambert. Contact Hans Johnson at The University of Texas, San Antonio for details.

—The Second World Congress of Accounting Historians is planned for August 19-22, 1976 in Atlanta, Georgia. Contact Professor Hugh Hughes, College of Business, Georgia State University, Atlanta, GA 30303.

(Vol. 2, No. 4, p. 1, 1975)

HISTORICAL ANTECEDENTS
Additions to "Parker—1965"


—"What is Depreciation?" H. E. Hale, Railway Age, February 16, 1929, p. 403.


(Vol. 2, No. 1, p. 6, 1975)


(Vol. 2, No. 2, p. 6, 1975)


(Vol. 2, No. 4, p. 4, 1975)

**HISTORICAL POTPOURRI**

“It was the same with those old birds in Greece and Rome as it is now. The only thing new in the world is the history you don’t know.” Harry S. Truman, quoted by Merle Miller in *Plain Speaking*, cited, *The Reader’s Digest*, October 1974.

“It is a somewhat tired but still generally valid cliche that each generation will rewrite history to suit its own beliefs, discoveries and politics. That fact goes far toward explaining the evolution in the attitude of the historian, professional and amateur, towards the American businessman. It is safe to say, in fact, that no symbolic figure in the history of our country has probably generated as much controversy in historical circles as the businessman.” C. Joseph Pusateri, *Carroll Business Bulletin*, Fall 1967, p. 9.

“1974, in short, dramatically reinforces one’s understanding of the inscrutability of history. As we move into 1975, it might be well to keep this lesson in mind. History has a remarkable capacity to outwit our best theories and to elude our most considered predictions. . . . We should not be depressed by the fact that history is inscrutable. Life would be far more depressing if
futurology worked and our crystal balls were unclouded. So long as the future cannot be foretold, the possibility, at least, of human freedom is alive. The chance remains that individuals may make a difference and help shape their own future. There are doubtless irresistible tendencies in history, but they are inextricably mingled with accident, fortuity and contingency.” Arthur Schlesinger, Jr. “Thoughts for the Season,” The Wall Street Journal, December 27, 1974, p. 10.

—“Today is the Tomorrow you worried about Yesterday,” Anon.

—“The duty of the historian to respect his facts is not exhausted by the obligation to see that his facts are accurate. He must seek to bring into the picture all known or knowable facts relevant, in one sense or another, to the theme on which he is engaged and to the interpretation proposed.” Edward H. Carr, as quoted in Accountancy and Economic Development, A. J. H. Enthoven, North Holland Publishing Co., 1973, p. 9.

—“The past cannot supply us with the necessary models of action for the future. But a renewed awareness that the willingness of American industry to break with past precedents was crucial in the rapid and successful building of a national community of continental proportions can be as important as the insistence on seeing the results of achievement in planning for a new kind of expansion in the space age.” Margaret Mead, “Must Capitalism Crawl?” Harvard Business Review, November-December 1962.

—“Regarding the entity viewpoint, an English writer, Walter W. Snailum, in 1910 wrote as follows: ‘For the purposes of bookkeeping treat capital as a liability—treat it just as if it were a debt payable.’ The entity theory is also accepted nowadays by many accounting writers and teachers. Thus there is plenty of accounting theology to support Barnes’ position that ‘all costs of capital should be tax-deductible.’ ” Dean S. Eiteman, “Letters,” The Wall Street Journal, October 28, 1974, p. 9.

—“It is revolting to have no better reason for a rule of law than that . . . it was laid down in the time of Henry IV. It is still more revolting if the grounds upon which it was laid down have vanished long since and the rule simply persists from blind imitation of the past.” Oliver Wendell Holmes, in The Common Law, as quoted by Robert Downes, Dean of Libraries, University of Illinois.

—“The message of Fogel and Engerman is that economic history can no longer be personalized fictions based on fragmentary
Other Features

evidence. Their evidence is clear—slavery worked smoothly and efficiently in a market economy. That does not make slavery good, but it does make our understanding of it different from what the traditional historians, the disguised novelists, have told us for the last 100 years." Aaron B. Fuller, "Letters," The Wall Street Journal, December 9, 1974, p. 23.

—"Readers seeking some consolation for Watergate and 89-cents a pound sugar might enjoy Otto L. Bettman's The Good Old Days—They Were Terrible! Compiled and written by the founder of the celebrated Bettman Archive of Illustrations in New York, this picture and text volume portrays every nasty aspect of American life three or four generations ago, especially in cities. 'In the good old days, the air was foul, the streets were filled with garbage, the politicians were corrupt, the mugger was everywhere and the milk was contaminated.'" Roger Ricklefs, "The Bookshelf," The Wall Street Journal, December 10, 1974, p. 24.


—"Saul Levy felt that 'it is apparent that from the British point of view, not only for the practitioners, but even for the students who hope to enter practice some day, a detailed familiarity with these cases (common law liability precedents) is indispensable equipment.' Since the mistakes of the past have a tendency to repeat themselves in the future, we should adopt a similar attitude toward our own available judicial material." A. H. Adelberg, "A Review of Major Cases on Accountants' Legal Liability," The Georgia CPA, Volume 16, No. 1, Fall 1974, pp. 12-24.

—"A sense of historical perspective is evidence of maturity of professions as well as of individuals. No man can truly understand his own profession until he is capable of relating it to the past, the present and the future." Alvin R. Jennings, Past President, AICPA, as quoted by Robert I. Dickey, The Accounting Review, July 1974, p. 647.

(Vol. 2, No. 1, p. 8, 1975)

—"This, the world of affairs, is the domain of the accountant. It is his mission to perceive it, to analyze it, to bring order to it, to
portray it, and the more complex this world becomes, the more demanding become the tasks of the accountant. Thus there has been a direct historical relationship: public accounting as we know it today was born in the nineteenth century in response to needs generated by the Industrial Revolution, to the application of power to machines to which human skill and a measure of human intelligence had been transferred. These irresistible technological forces quickly became the economic forces which created the factory system, demanded large aggregates of capital, increased commerce by orders of magnitude, and led to the creation of that singular legal entity the corporation." R. H. Roy and J. H. MacNeill, *Horizons for a Profession*, AICPA, 1967, pp. 44-45.

—"It was Lord Acton, the British historian, who said, 'All power tends to corrupt: absolute power corrupts absolutely.'" *The Freeman*, April 1975, p. 244.

—"The historian . . . is by nature a man of thoughtful and studious habits utterly incapable of appreciating the roaring energy of a soldier . . . . In peace the scholar flourishes, in war the soldier dies; so it comes about that we view our soldiers through the eyes of scholars and attribute to them scholarly virtues." George S. Patton, Jr., *The Secret of Victory*, 1926, as quoted in the Prologue to *The Patton Papers*, 1885-1940.

—"The OPEC oil cartel is developing small cracks . . . . To put things in perspective, it might be useful to take a stroll down the memory lane of cartels. They are nothing new. Adam Smith observed in 1776 that 'People in the same trade seldom meet together even for merriment or diversion, but the conversation ends in a conspiracy against the public or in some contrivance to raise prices.' History teaches us, also, that a cartel only works so long as demand is so insensitive to price that higher prices will increase the seller's total revenue . . . First, there was the salt cartel of 1301, then the Alum cartel of 1470. Winston Churchill even started one. None lasted forever." A. Gary Shilling. "Lessons of History for OPEC," *The Wall Street Journal*, March 10, 1975, p. 12.

—"Men are haunted by the irreversibility of history. Looking back at possible pivotal moments in human affairs we may wish that former options—if they were options—were open again. But in these hindsights, no matter how well informed, no matter how detailed, no matter how objective, we nevertheless simplify, select, and interpret what we know, while still there remain factors
that we don’t know—which reminds us how much history is permeated with opinion and how linked it is with art.” Edmund Fuller, “Hindsights on History’s Poker Game,” The Wall Street Journal, March 14, 1975.

—“If we falter, freedom is shaken everywhere. And I don’t say this because I am a jingoist or a chauvinist. I say it because I’ve been around a long time, because I read maps, because I read history and because I can count.” George Meany, President of AFL-CIO, “Notable & Quotable,” The Wall Street Journal, March 14, 1975.

—“There are certain periods in history when greater numbers of suckers are likely to be found. The period following the First World War when Charles Ponzi began his scheme was one such time. . . .” Bob Dunn, “The Ponzi Game,” Family Weekly, April 27, 1975, p. 4.

—“Old habits die hard, especially when they serve specific parties at concealed costs to others,” R. J. Chambers, Securities and Obscurities, Grower Press, Sydney, 1972, Preface.

—“I know a little about the past and I know next to nothing about the future—in contrast with some other members of my profession.” Arthur Burns, (sarcastically) to a Senate Committee, U.S. News & World Report, March 31, 1975, p. 4.

(Vol. 2, No. 2, p. 3, 1975)

—“In the history of man’s attempts to preserve integrity in the realm of financial transactions, some continuity in the insurance of such honesty can be seen from century to century. The passage of laws and the accretion of custom have aided; occasionally government itself operated a medieval bank of exchange. However, in that area of financial honesty concerned with protecting the unwary investor from the fraudulent activities of the dishonest stockbroker or issuer of securities, no faintest semblance of orderly progression can be found. The actions and the experience of one century seemingly have no connection with the legislative flurries in a subsequent period and the observer is acutely aware of an utter lack of continuity. Only one thing remains in common in several centuries of legislative efforts to regulate the exploiter of the investor. Inevitably such attempts come only when the disastrous results are seen in retrospect. Calamity must befall those who have ventured their funds before protective measures may be
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—“Great figures of the past were engaged in essentially individual activity.” Today “it is institutional ‘teams’—not individual scientists single-mindedly pursuing basic knowledge—who are accounting for most of the important research applications.” Loren C. Eisely, “If Human Race is to Survive into the Next Century . . .,” U.S. News & World Report, March 3, 1975, p. 43.

—“Look at Jewish history. Unrelieved lamenting would be intolerable. So, for every 10 Jews beating their breasts, God designated one to be crazy and amuse the breast-beaters.” Mel Brooks, “Notable & Quotable,” The Wall Street Journal, April 4, 1975.

—“History is nowhere near as trendy as the current events and social studies courses that are often substituted for it. . . . The ability to see things from a historical perspective is an essential part of a liberal education, not because it provides foolproof insight into contemporary problems, but because it usually offers enough clarity to temper judgments and cool passions.” “History Isn’t Bunk,” The Wall Street Journal, August 18, 1975, p. 8.

—“Sometimes we have to change the truth in order to remember it.” Santayana, as quoted in Time, July 28, 1975, p. 57.

—“Evidence from many stable areas indicates that sea level has risen slowly during the past 6,000 years, with a total change of six meters. Since the same period is also important to the history of early man, the rise in sea level explains the widespread submergence of living sites and other human relics along coasts where ancient man lived.” Francis P. Shepard, as quoted in “Hunting History Offshore,” Exxon, USA, Second Quarter, 1975, p. 30.

(Vol. 2, No. 3, p. 4, 1975)

HISTORY IN PRINT


https://egrove.olemiss.edu/aah_journal/vol2/iss1/22
Other Features


:by Peter Bird, Accounting and Business Research (England and Wales), Autumn 1974, pp. 315-316.


Review of: The History of the Accountancy Profession in India, by G. P. Kapodia,


(Vol. 2, No. 1, p. 3, 1975)


Other Features


"60 Years Ago," The Journal of Accountancy, March 1975, p. 90.


“Public Accounting in Western Massachusetts,” Ernest A. Berg, Massachusetts CPA Review, March/April 1975, pp. 7-10.


(Vol. 2, No. 2, p. 6, 1975)


Other Features

:by Trevor Gambling, Accounting and Business Research (England), No. 18, Spring 1975, p. 156.

Review of: Accounting in Scotland: A Historical Bibliography, Annotated by R. H. Parker,


Review of: *A History of Accounting Thought*, Michael Chatfield

"CPAs Owe Much to Puritan 'Writings,' " William Holmes, *The Boston Globe*, June 8, 1975, pp. C-1, C-3.


Other Features


(Vol. 2, No. 4, p. 7, 1975)

LETTERS

Clarification and Amplification

The Profile of F. R. M. de Paula (October, 1974, p. 6) contains two errors and should read "A collection of his most important writings and addresses were published in Developments in Accounting (Pitman, 1948) which has long been out of print. In 1914, he published a textbook, Principles of Auditing (Pitman), which has become a standard work on the subject, now in its thirteenth edition."
Further the profile should have contained: "De Paula was twice honored by the Crown for his service to Government, ultimately receiving the C.B.E. He died on December 12, 1954." Our apologies to Professor Zeff. Ed.

To the Editor:

I much appreciate Gary Previts' comments (The Accounting Historian, July, 1974) on my Harvard Business Review article, "Accounting for the Cost of Equity." It is unfortunate, however, that he got the impression from the article that I was unaware of the history of this topic. Actually, the monograph from which the article was taken has a fairly extensive section on this fascinating history. The article as submitted had a five-page historical summary, but the editors first reduced this to a "sidebar" and then deleted this sidebar at the last minute, for space reasons, and without my knowledge. Gary's conclusion was therefore entirely understandable on the basis of the article as it appeared.

The deleted sidebar was as follows:

An Historical Note

Interest has been counted as an element of cost in public utility rate regulation since the 19th century. In the second and third decades of the 20th century, a number of articles and books advocated the inclusion of interest on total capital as a cost. The entire April 1913 issue of The Journal of Accountancy was devoted to articles on the inclusion of interest. Some of the points made then are as valid today. For example, Professor Cole concludes his article with this summary:

We have seen that for analytical purposes, in studying operations, practical necessity requires us at least to consider interest in virtually all calculations when investment is involved; and we have seen that in financial statements practical convenience is served by the treatment of interest as a charge, or cost, rather than as a residue, or profit. It seems reasonable, therefore, for accountants to adopt a terminology that will serve their own ends, and will mislead no one. Businessmen are likely to be misled in the future, as they have been in the past, by statements of profits which assume that no cost is involved in the use of capital.

After the death in 1927 of Hiram Scovell, who was the leading advocate of the accounting recognition of interest, the movement
quickly lost momentum. The idea has been essentially dormant from then until now.

Robert N. Anthony
Harvard University

Bravo!, Ed.

(Vol. 2, No. 1, pp. 2, 8, 1975)

March 16, 1975

To the Editor:

May I clarify, if someone or many has/have not beat me to it, re: Anthony’s reference to Hiram Scovell on page 8 of the Winter, 1975 issue of The Accounting Historian.

I believe Bob is guilty of a slip of the tongue. Clinton H. Scovell, author of Cost Accounting and Burden Application published in 1920, was a graduate of Harvard (A.M.) and senior partner of Scovell, Wellington & Company which merged into LRB & M in 1962. Chapter VII of this book deals with Interest Charged to Cost . . . This Scovell may have died in 1927.

But Hiram T. Scovill who headed accounting at Illinois for 40 years or so and under whom I had several courses including a graduate course on the history of cost accounting which included a search for the use of interest as a cost, retired in 1953 . . . . His students started a scholarship in his name in 1953.

Andrew Barr
Washington, D.C.

March 17, 1975

To the Editor:

. . . I would appreciate it if your organization could direct me to any comprehensive research regarding the “legislative” history of public accounting, i.e. books or comprehensive articles discussing the major court cases, landmark decisions, etc., which have led to the current 50 state “confusion” in accounting legislation. Perhaps, you might send me a listing of related books, articles, manuscripts, etc., which have been published by or through The Academy of Accounting Historians.

Myron S. Lubell
Florida International University

To the Editor:

I enjoyed the article by Eric L. Kohler in the spring issue and hope you may be successful in coaxing further historical vignettes from him, because his views are always interesting. I am certain that Eric would agree that it is in order to warn students of history to learn to distinguish between facts and opinions. In this letter I shall attempt to correct one of his facts and to present a different opinion on the comparisons drawn between the A.S.C.P.A. and the American Institute of Accountants.

The error in fact is that Arthur Andersen did not present a paper at the 1904 International Congress. He did not attend the meeting, which is not surprising since he was then nineteen years old.

I became a C.P.A. in Illinois in the spring of 1923 and was, therefore, in practice for practically the entire period of the existence of the A.S.C.P.A. I have no recollections that confirm Eric's pictures of A.S.C.P.A. as the progressive organization, pressing for raising auditing and accounting standards, and the American Institute as the reactionary Gentleman's club, interested only in preserving the status quo.

My recollection is that A.S.C.P.A. accepted any C.P.A. as a member, whereas A.I.A. insisted on a candidate having passed its Board of Examiners grading and meeting certain experience requirements. Since several State Boards of Accountancy observed doubtful standards of grading there were sound reasons for the A.I.A. position. As a matter of fact the Institute, only in recent years, has been able to get full reports on the changes made in its grading by all State Boards of Accountancy. (Remember the scandal in N.J. a few years ago?)

In regard to raising standards of accounting and auditing, I do not recall that either national organization had an active program in the 1920's. I believe the Institute took the lead role in the 1930's. I believe their reluctance to assume authority in these areas was the diffusion of responsibility for accounting in the private sector. This factor, of course, caused the progression represented in the history of the Committee on Accounting Procedure, the A.P.B. and now the FASB. Probably there is some basis for criticism of the slow pace of the accounting profession in asserting primary authority for the determination of "Generally Accepted Accounting Principles." However, it is unrealistic to suppose or infer that the authority now exercised by FASB could have been exercised by the profession several decades earlier. The evolutionary process of education and
changes in attitude in all segments of the business and financial community were conditions precedent to the assertion and exercise of this very important authority within and on behalf of the private sector.

Paul Grady, CPA
700 South Ocean Blvd.
Boca Raton, Florida 33432


October 17, 1975

To the Editor:

Naturally, as a member of The Academy, I read with great interest \textit{The Accounting Historian}.

... Imagine my surprise to see in the "Profile (on) Perry Mason" in our summer issue of \textit{The [Accounting] Historian}, that you, as editor, had allowed Mr. Roscoe Eugene Bryson to state in the third paragraph that Perry had retired from the American Institute of \textit{Certified Public Accountants}, and again in paragraph four that in 1954 he chaired the AICPA's Committee on Terminology.

There was no American Institute of \textit{Certified Public Accountants} in 1954. The name referred to was not adopted until June 3, 1957, the organization having been known previously as the American Institute of Accountants from the adoption of said name on January 22, 1917. . . .

Jimmy Jones
1113 Regester Avenue
Baltimore, MD 21239

(Vol. 2, No. 4, p. 2, 1975)

\textbf{OUT OF THE PAST}

\textit{Timeless Thoughts on Accounting}

\textbf{THE POETRY OF BOOKKEEPING}

The Honduras Observer thus describes the art of bookkeeping:—

\begin{verbatim}
Attentive be, and I'll impart
What constitutes the accountant's art.
This rule is clear; what I receive
I debtor make to what I give.
I debit Stock with all my debts,
And credit it for my effects.
\end{verbatim}
The goods I buy I debtor make
To him from whom those goods I take;
Unless in ready cash I pay,
Then credit what I paid away.
For what I lose or make, 'tis plain,
I debit Loss and credit Gain.
The debtor's place is my left hand,
Creditor on my right must stand.
If to these axioms you'll attend,
Bookkeeping you'll soon comprehend,
And double-entry you will find
Elucidated to your mind.

_Hunt's Merchant Magazine_, November 1840, p. 463.


—"As early as there was business there was some kind of bookkeeping, but it was not until business became complex that the principles of accounting were formulated and it was not until competition became keen that cost accounting and auditing (as it is understood today) began to claim so much attention. Accounting, then, has become a science since the (18)80's." Kemper Simpson, _Economics for the Accountant_, D. Appleton and Company, 1921, p. 3.

—"It is a science whose principles are so simple and solid; its conclusions so natural, certain and evident; and the symmetry of its several parts so complete and harmonious; that the very Speculation is no less pleasing, than the practice is profitable . . . ." William Jackson, _Book-keeping in the True Italian Form of Debtor and Creditor by Way of Double Entry_, Philadelphia, John Bioren Publisher, 1801, p. 1.

—"Earnings 'per share' are not of much significance, although in the long run the shareholder who holds on must come to the time when the accumulation of property will be divided more freely to those who own it. The point which we are attempting to emphasize now is simply that it is a fallacy to allow oneself to be governed by earnings 'per share' in estimating probable market value. A market based upon earnings 'per share' would be ideal, but experience has taught us that it is not apt to occur." "Editorial," _The Journal of Accountancy_, May 1930, p. 325.
Other Features

—"It is no longer necessary to argue for the necessity for, and advantages of, independent audits of public agencies. These bodies affect the life, welfare, and pocketbook of every citizen, each of whom is a stockbroker in one or more of them, and, hence is entitled to a full accounting." Lloyd Morey, The Journal of Accountancy, August 1952, p. 195.

—"Deliver all things in number and weight, and put all in writing that thou givest out or receivest in." Ecclesiasticus xlii, 7.

(Vol. 2, No. 1, p. 3, 1975)

—"Accounting procedure, like the law, is the result of many forces, including history, tradition, custom and the public interest, so that it is seldom possible for one to say that a particular procedure is either the only proper procedure or wholly unacceptable." George O. May, (Correspondence) The Journal of Accountancy, January 1940, p. 51.

—"A knowledge of bookkeeping only admits one to the threshold of the science of accounts—a science which broadens wonderfully with experience and the study of the underlying principles by which the complications of trade and finance are reduced to their simplest terms. For the true accountant seeks to free his work from the bug-bear of useless technicalities and aims to make his audit such a mirror of the essential operations and conditions of the business under analysis that it will prove clear and self explanatory to any intelligent reader." Sidney J. Haydon, Louisville Courier-Journal, November 1896.


RESEARCH RESOURCES


—The Institute of Chartered Accountants in England and Wales have available a microfilmed collection of rare books on accounting and related subjects divided into 8 groups. Complete information plus a catalogue of the microfilms can be obtained by writing
World Microfilms Publications, 62 Queens Grove, London NW8 6ER, United Kingdom.


(Vol. 2, No. 1, p. 6, 1975)


—"Accounting Hall of Fame," (Association Announcements), The Accounting Review, April 1975, pp. 393-394.

—"If the Human Race is to Survive into the Next Century. . . . (an interview with Loren C. Eisely), U.S. News & World Report, March 3, 1975, pp. 43ff.


THROUGH THE AGES

We have been informed of the death of Dr. O. ten Have on July 14, 1974. Dr. ten Have was a noted Dutch accounting historian. His writings included Bookkeeping in the Netherlands in the 17th and 18th Centuries, Delft: N. V. Technische Boekhandel en Drukkerij J. Waltman Jr., 305 pp. Within this work was a short biography of the life of Simon Stevin of Bruges (1548-1620) who is believed to have had an important role in the bridging the gap between medieval and modern accounting.

(Vol. 2, No. 1, p. 2, 1975)
Other Features

Herman Edward Krooss (1912-1975). Professor Krooss, long a major figure in business and economic history activities died in March. His research contributed to the understanding of the financial history of the United States and American economic development. Until his death he served as Secretary-Treasurer of the Economic History Association. He was an active member of the faculty of New York University for many years. His genuine talent and cryptic wit are irreplaceable and we share in the deep sense of loss at his passing.

(Vol. 2, No. 1, p. 2, 1975)

Seiichi Okada (1879-1975), the eldest accounting historian in Japan, passed away on July 6th. He was formerly a professor of accounting at Waseda University and also at Kanagawa University. He introduced the works of Hugli and Gomberg to Japan. In recent years he served as an advisor to the Japan Accounting Association.


Wm. Baker Flowers, Professor of Accounting, The University of Alabama, passed away in September. Baker Flowers studied and taught accounting history for many years, supervising several doctoral dissertations on the history of accounting and accountants. He was a founder and director of The Academy and contributed to an early issue of The Accounting Historian.

(Vol. 2, No. 4, p. 2, 1975)
Announcement

Working Paper Series

Manuscripts submitted for the series should conform to the format described in *The Accounting Review*, April, 1973, pp. 442-3, with footnotes at the end of the paper. All material should be in final form suitable for reproduction, as the working paper editor will not rework manuscripts. While any length is acceptable, manuscripts of from eight to thirty pages are deemed to be most manageable in terms of reproduction equipment to be used.

The policy with regard to this series is decidedly liberal, intending to create an atmosphere which will stimulate research, writing and exposure of ideas. Members are requested to submit only those papers which represent their best effort. Further, it is expected that the exposure of such research among fellows of The Academy will be characterized by a respect for the rights of those parties presenting the paper, without prejudice to subsequent publication of unique ideas.

Each entry will be distributed to members on a request basis. Entries and requests should be addressed to A. R. Roberts, Editor, Working Paper Series, Box 92, University Plaza, Atlanta, GA 30303. Members are entitled to a complimentary copy of each working paper. Requests for multiple copies may be subject to a charge for printing and postage. Non-members may obtain any paper by sending $1 per copy (printing and postage) along with their request, to The Academy offices. Nineteen items are now in the series.

Manuscripts submitted by non-members of The Academy should be sponsored by an Academy member and will be entered in the series as resources permit. Entries will be placed in the series on a first-come, first-serve basis.

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(Vol. 2, No. 1, p. 1, 1975)
(Vol. 2, No. 4, p. 2, 1975)
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(Accounting Historians Journal, Vol. 2 [1975], Iss. 1, Art. 22)
Announcement

Available January 1976

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"Your reprint series on the historical development of accounting looks interesting indeed. I wish you all success with it and congratulate you, Professor Brief and the Editorial Board, on your fine selection of nineteenth and twentieth century works. I am especially pleased to see that the thesis of Brief and Bruchey will be published."

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(F Vol. 2, No. 4, p. 6, 1975)
Announcement

THIRD ANNUAL BUSINESS MEETING

Tucson will be the site of the third annual business meeting of The Academy of Accounting Historians. The meeting will be held concurrently with the annual sessions of the American Accounting Association. The business meeting will be held Monday, August 18, 1975, from 10 a.m. until noon. Arrangements are also being completed for a technical session on accounting history for Monday afternoon. Locations for these meetings will be announced in the coming issue of The Accounting Historian.

(Vol. 2, No. 1, pp. 2, and 7, 1975)

PAPERS RECEIVED

The following papers have been received and are on file in The Academy offices. Copies can be supplied at cost to reproduce.


(Vol. 2, No. 1, p. 3, 1975)

NOMINATION NOTICE

Professor H. P. Hughes, Faculty of Accounting, Georgia State University, will again serve as nominator for elections to be held at the 3rd annual business meeting in Tucson. Nominations are in order for the following offices: President, 1st Vice-President, 2nd Vice-President and Secretary-Treasurer. Persons elected to these offices are also members of the Board of Trustees. These offices are for the period of one year. In addition three trusteeships, each for the period of three years, are to be filled at this election.

Officers and trustees elected in August will take office as of January 1, 1976.

(Vol. 2, No. 1, p. 3, 1975)
Announcement

BROCHURE AVAILABLE

A new brochure describing the objectives and functions of The Academy, can be obtained from Prof. A. R. Roberts, Secretary of The Academy. The leaflet describes the history of the organization and details the purposes of Academy activities. It also contains a membership application form. Please avail yourself of these circulars in order to make The Academy known to persons who are interested in the study of accounting history.

(Vol. 2, No. 1, p. 1, 1975)

DUES NOTICE

New members or renewing members of The Academy are reminded to remit their dues for the new calendar year 1975 to Dr. A. R. Roberts, Secretary-Treasurer, The Academy of Accounting Historians, 30 CAPA UMC, Columbia, MO 65201. Annual dues are $10.00.

(Vol. 2, No. 1, p. 1, 1975)

BUSINESS HISTORIANS MEET

The 21st annual gathering of the Business History Conference will be held Friday, February 28 and Saturday, March 1, 1975, at Northwestern University, Evanston, Illinois. A session on accounting history is set for Saturday morning. For information regarding reservations and registration arrangements write: Professor Richard W. Barsness, Graduate School of Management, Northwestern University, Evanston, IL 60201.

(Vol. 2, No. 1, p. 6, 1975)

TEACHING ACCOUNTING HISTORY?

If you are teaching accounting history at your school, or if you know selected individuals who are students of history at school or in your firm, then tell them about The Academy. Students will find the working papers of interest—they cover a wide range of subjects and are available free to members. The quarterly news sheet will assist them in researching historical items and serves as a reference to items of interest. Annual dues are $10.00 and can be mailed to Dr. A. R. Roberts, 30 CAPA, UMC, Columbia, MO 65201.

(Vol. 2, No. 1, p. 6, 1975)
Announcement

PUBLICATION

The Accounting Historians Journal, an annual scholarly publication, is scheduled to make its debut within a year. The journal "...will feature practical and scholarly research relating to the evolution of accounting and information systems." Dr. Willard E. Stone, who has been named managing co-editor, will begin reviewing appointments for the editorial board shortly. Manuscript regulations and other information about the journal's administration will be released in the near future. Questions and correspondence relating to the journal may be sent to

Editor
Historians Journal
Drawer HJ
University, AL 35486

A call for manuscripts for the journal has not been made. Members are encouraged to submit current research to the working paper series editor until such time as final publication plans and schedules are set. The Accounting Historian will continue to appear as a news sheet on a quarterly basis. Beginning with the current issue this periodical will be designated Winter, Spring, Summer and Fall.

(Vol. 2, No. 1, p. 7, 1975)

SEAAA MEET

An Academy breakfast has been set for the SEAAA meeting in Richmond. The breakfast will be at the Richmond Hyatt House from 7:00 a.m. to 8:00 a.m. on April 25, 1975. In order to provide for everyone in light of limited space arrangements, members are asked to send reservations to The Academy offices before March 15, 1975.

(Vol. 2, No. 1, p. 8, 1975)

INTERNATIONAL MEETING

Under the direction of Vice-President Richard Homburger, plans are being made to hold the 2nd International Accounting Historians' Symposium in 1976. Dr. Hugh Hughes of Georgia State University and Dr. Marilynne Hughes of Morehouse College will serve as host coordinators for the event which will be held in Atlanta, Georgia, during August 1976. Atlanta will also be the site of the annual American Accounting Association meeting during that month. Inter-
Announcement

National guests are expected to be attracted to North America during this period because of the Olympic summer games which are to be held in Canada and because of the many bicentennial activities celebrating the American Revolution. For more information on the program contact Professor Richard Homburger, Wichita State University, Wichita, KS 67208.

(Vol. 2, No. 1, p. 9, 1975)

ACADEMY EVENTS

ANNUAL MEETING—The third annual meeting of The Academy of Accounting Historians is scheduled for 10 a.m. to noon, Monday, August 18th in the Club Caprichos Room of the Braniff Place, Tucson. Members and guests are invited to attend the session.

MEMBERSHIP UP—Paid membership for 1975 is nearing 250 members. Nineteen countries are represented in the membership and nearly all states in the USA.

SESSION AT TUCSON—"Accounting History—Worldwide" is the theme of the Special Subject Concurrent Session on Accounting History to be held on Monday, August 18, 1975 from 3:15 to 5:00 p.m. as a part of the annual AAA meetings in Tucson. Papers will be presented by Maureen Berry (University of Illinois), Harvey Mann (Concordia University, Montreal) and Hugh and Marilynne Hughes (Georgia State University and Morehouse College).

INTERNATIONAL MEETING—Plans are continuing to progress for the 2nd International Congress of Accounting Historians scheduled to take place in Atlanta, during the summer of 1976. Information about plans for and timing of this meeting can be learned by writing Professor Richard Homburger, Wichita State University, Wichita, KS 67208.


CAN YOU HELP????

Emil Wittek of the accounting faculty at LaGuardia Community College (Long Island City, NY 11101) is looking for references about and examples of old journals, ledgers and write ups on accounting taught from the beginning of 1776 or other material pertinent by observing the bicentennial with regard to American accountancy.

(Vol. 2, No. 2, p. 6, 1975)
Announcement

2ND CONGRESS SET FOR 1976

Delegates from Europe, Asia, North and South America are expected to attend the 2nd Congress of Accounting Historians in Atlanta, Georgia in 1976. The Congress Headquarters will be the Regency Hyatt House. Sessions will begin on Saturday, August 21st, 1976, and continue on Sunday, August 22nd. Research papers by leading historians throughout the world will be featured. Program arrangements are being prepared by a committee under the direction of Professor Richard Homburger of Wichita State University. Serving as official hosts for The Academy will be Dr. H. P. Hughes and Dr. Marilynne Hughes of Atlanta. Information regarding registration and reservations for the Congress can be obtained by writing Professor Hugh Hughes, Georgia State University, Atlanta, GA 30303.


JOHNSON TO EDIT REVIEWS

Dr. Hans V. Johnson will assist the Editor of The Accounting Historian and serve as a section editor responsible for reviews of books of historical interest to accountants. Dr. Johnson will also prepare a feature synopsis of recently completed doctoral dissertations for future issues. Members or readers who have material which would be of interest to the general membership and which qualifies for such review or listing are asked to contact Dr. Johnson, College of Business, University of Texas, San Antonio, TX 78285.

(Vol. 2, No. 3, p. 4, 1975)

ANNUAL MEETING

The third annual meeting of The Academy of Accounting Historians was held at the Braniff Place in Tucson on August 18th.

The gathering was well attended and featured committee reports by Konrad Kubin (Research), Ken Most (Translations), and Richard Homburger (International Meeting).

Highlight of the meeting was the presentation of the annual President's Hourglass Award for significant contribution to the literature of accounting history. Hanns-Martin Schoenfeld was the hourglass recipient, having been chosen for his monograph Cost Terminology and Cost Theory: A Study of Its Development and Present State in Central Europe.
Announcement

The following were elected officers of The Academy for 1976:

President—Alfred R. Roberts, Georgia State University
Vice President—H. M. Schoenfeld, University of Illinois
Vice President—C. Lamden, Peat, Marwick, Mitchell & Co.
Secretary/Treasurer—R. Metcalf, University of Nebraska

Trustees for a three-year term 1976-79 were elected, including:

R. Homburger, Wichita State University
M. Newman, Haskins & Sells
P. K. Seidman, Seidman & Seidman

Gary John Previts remains a trustee and will act as corporate agent in accordance with provisions of the by-laws.

The Accounting Historians Journal

Winter - Fall 1976
Volume 3, Numbers 1-4
THE ACCOUNTING HISTORIANS JOURNAL

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Editor, Gary J. Previts
The University of Alabama

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The purpose of accounting has been generally described as the process of providing information to owners, creditors, governmental regulatory agencies, and operating management. "In a broad sense accounting has one primary function: facilitating the administration of economic resources. This function has two closely related phases: (1) measuring and arraying economic data; (2) communicating the results of this process to interested parties." Of primary concern is the fact that the users of the accounting information are involved in the decision making process. However, they have different interests and objectives. Accordingly, the same information may require varied processing and summarization to meet the needs of each class of users. Various accounting practices, based on the same accounting concepts and principles, have been developed to satisfy the multiple and changing needs of the users of accounting reports. Direct and absorption costing are two such accounting practices. Controversy continues to exist as to which of these two costing methods is better for decision making purposes and for reporting to the users of accounting information. The objective of this paper is to dwell upon the historical nature of the controversy and build a case for a method of costing that rests on economic logic and realities of the market place.

Direct Costing vs. Absorption Costing—In Historical Perspective

"One of the major problems in determining the valuation of manufactured assets is the decision regarding which costs are relevant to future periods and thus should be included in asset valuation and which should be charged against current income." This is the crux of the controversy between direct costing and absorption costing.

In the early stages of accounting development the financial accountants used to determine product costs by charging all manufacturing (factory) costs—direct and indirect overheads—to the
The cost of inventory of finished product included portions of both variable and non-variable manufacturing costs. Under the system income of a firm can fluctuate more as a function of production than the sale of a product. This procedure is called absorption or full costing. While the assignment of direct material and direct labor costs to the product was not considered too difficult, the allocation of the overheads—indirect costs—was not as precise. “The methods generally used under absorption costing in accounting for overhead costs have been influenced by the two purposes for which the resulting product costs were wanted: (1) to supply a guide in setting long-range product price goals, and (2) to supply costs of inventory and goods sold for financial statements prepared according to accepted accounting conventions.”

However, the product costs determined under absorption costing did not meet the needs of the new “scientific managers.” In acknowledging this weakness, “the absorption school advocated and promoted the use of supplementary managerial tools such as flexible budgets and break-even charts to provide a more realistic picture to management of the effects of changing volume upon costs and profits.” Industrial accountants recommended that this information be incorporated within the framework of the accounting records. By such integration cost accounting could provide reports for control and planning on a routine basis. It was to meet this need that direct costing was developed.

Direct costing, sometimes called variable costing, is based on the classification of costs as variable and fixed. Variable costs are defined as those costs that vary in relation to the changes in the volume of production. Fixed costs, for the reporting period (never in excess of a year), were constant and entirely unaffected by changes in the volume of production. In direct costing, product costs include only the direct material and direct labor costs plus the variable portion of the overhead costs. Fixed costs are excluded and charged to the income statement as a period expense. In short, under direct costing only the variable manufacturing costs alone are considered to be inventoriable and they are matched with sales when the product is sold. The non-variable manufacturing costs are never inventoried. The income of a firm depends, as it should, on sales and not on production that is stored in inventory. The income statements produced by this method, “. . . permit the accountant to avoid the accounting anomaly that is sometimes created when, because of asynchronization of production and sales, higher sales produce lower profits.”
Although financial accounting had its beginning early in the modern civilization and developed along with trade and industry, cost accounting has been rather late in coming. Basil Yamey has traced the first cost accounting beginnings to Robert Loder's farm accounts for 1610-20. Efforts were made by many industrialists in Great Britain and in the United States to install factory cost systems as early as 1805. However, such efforts were sporadic. Serious studies in cost accounting started only in the 1890's with the writings of Metcalfe, Garcke and Fells, Norton, Lewis, and later with Church, Nicholson and Clark. They were truly the pioneers who introduced new cost concepts like fixed and variable costs, standard cost, cost centers, relevant costs, etc. in the literature. The development of cost accounting in this period was undoubtedly slow. In addition, cost accounting tried to adapt itself within the framework of financial accounting. Part of the delay in the establishment of cost accounting concepts may be due to the tendency of cost accountants to keep the methods they had developed within their own firms secret.

The concentrated advancement of cost accounting between 1890 and 1915 was influenced by the growth of "scientific management" and a shift of emphasis from cost ascertainment to cost control. Cost accounting was now integrated within the general accounts and standard costs were being initiated to measure performance. From 1920 through 1940, economic concepts of short-run and long-run time periods and their associated variable and fixed cost concepts were influencing the management decision making process. As Raymond Marple, the Assistant Secretary of the National Association of Cost Accountants stated in 1951,

... during the early development of modern cost accounting—what I call the first stage or the inventory valuation and profit measurement state—the need for separate classification and treatment of fixed and variable cost was not appreciated or developed. It was not until we were well along the second stage—the cost control state—that the development of flexible budget techniques forced recognition of the essential difference between fixed and variable costs. But it is the third stage, which we are just entering—the cost analysis stage—which has brought home to a few cost accountants the way in which this essential difference in the two types of costs can be utilized to provide better cost information, not only for management policy determination, but for all purposes for which costs are used.
Although a few firms have been found to have used direct costing as early as in 1908, the first published description of the system is found in Jonathan Harris’ article of 1936. Numerous articles have appeared since then. At first the disagreements were many. However, many of the disagreements have been resolved in recent years. The current controversy rests on only one issue as direct costing for management use in decision making has long been accepted. It is the question of using direct costing for external reporting that continues to raise controversy both in academic and professional accounting circles.

Disagreements That Have Been Resolved

Manufacturing costs and the income statements prepared in the direct costing format follow the management decision making thought process. Hence, the information is readily provided with data related to cost-volume-profit relationships for profit planning purposes. This concept is based on the premise that, “in practice, accounting for direct costs also touches upon the economic concept of variable costs.” Further development of this line of reasoning has held that since variable costs have a linear relationship to output within a range of production, they are equal to marginal costs. Cost accounting studies made for the Office of Price Administration during World War II indicated that the average cost functions tend to have a small falling section but are nevertheless linear over much of the range. “When average costs do not vary as volume of production increases, there is no distinction between average and marginal costs. . . . Management could for this production range as readily use average as marginal or incremental cost techniques.”

The proponents of direct costing argue that product costs that represented marginal costs would enable management to make decisions between alternative courses of action based on a comparison of the marginal income resulting from the various situations. The opponents plead that price is established on the basis of total costs and the use of variable costing in decisions regarding pricing will result in continuously operating at a loss.

Nobel in his 1952 study noted a positive correlation between the degree of competition and the understanding and use of direct costing. “. . . Where monopolistic tendencies are present, there is less use or comprehension of differential costs and greater emphasis upon total unit costs.” He stressed that the arguments for total cost or variable cost were valid but that the cost to be used was dependent on the time period under consideration. He summarized the situation by stating, “what is needed is a general recognition,
in practice as well as in theory, of a short-run and long-run accounting concept in much the same way that this distinction exists in economics.”

As Joel Dean stated, “the dominant factor in pricing should be the estimated effect of price on sales volume, that is the effect on buyers' actions and attitudes, rivals' reactions, potential competition, and so on. Cost estimates play a secondary, facilitating role.”

The opposing parties resolved their differences of opinion when they realized that different costs are needed for different purposes and that costs were only part of the information necessary in the complex pricing decisions and differential cost analyses.

Other arguments against direct costing in the early fifties involved the difficulty of distinguishing fixed costs and most specifically the breakdown of semivariable costs into the variable and fixed components. In addition, practicing accountants feel that, “the two techniques are not necessarily mutually exclusive, but there is a practical limit to the accounting which any one company can profitably support.”

Both of these difficulties have been overcome by the introduction of computerized accounting. The computer's capability to solve complex mathematics problems made the application of statistical techniques, such as regression analysis, for separation of fixed and variable costs an easier task. In addition, computerized accounting made the maintenance of fixed and variable costs which was essential for cost control purposes, a practical and accepted procedure. The summarization of data by direct costing for internal reports to management and by absorption costing for external reports became a very minor task in the programming of the accounting system.

In 1960 when the National Association of Accountants (the successor of the National Association of Cost Accountants) made a study of the use of direct costing concepts in fifty companies, it reported that in general management felt its experience with direct costing had been favorable. The study reported that accountants were divided among the following schools of thought: (1) the absorption costing school, (2) modified absorption costing school, (3) the direct costing-for-internal-use-only school, and (4) the direct costing school. The members of each school accepted the proven value of direct costing for internal reports to management. While the absorption costing school still felt this should be accomplished by special reports outside the accounting system, all others incorporated the concepts within the accounting system. In contrast, the direct costing school members favored the application of direct
costing in financial reporting both internal and external. The members of all the other schools agreed that absorption costing must be used for external reporting.\(^\text{18}\)

Today most authorities agree that with the available data processing equipment direct costing can be integrated within the accounting system and produce useful reports for management in the areas of cost control, flexible budgeting, product mix, sales mix, profit planning, and establishment of minimum acceptable prices in the short-run. Disagreement exists only as regards the use of direct costing for external financial statements for the public and government agencies.

A Synthesis of Direct and Absorption Costing

If the proponents of direct costing could have their reports accepted by the Internal Revenue Service and the Securities and Exchange Commission they would have progressed a long way towards general acceptance of their concept. While specific examples of tax cases are available to show that direct costs have been accepted for inventory valuation, each case was decided on its own merits and is not to be considered as acceptance of the procedure. In general, the IRS and the SEC refuse to accept annual reports prepared under direct costing until the American Institute of Certified Public Accountants considers the method to be generally accepted accounting procedure. The opponents of direct costing cite Accounting Research Bulletin Number 43, Chapter 4, as the authority for their rejection of this method as an acceptable costing procedure. "As applied to inventories, cost means in principle the sum of the applicable expenditures and charges directly or indirectly incurred in bringing an article to its existing condition and location."\(^\text{19}\) Many writers have indicated that this pronouncement was issued in 1947 before accountants were adequately acquainted with direct costing. Accountants also disagree that this situation requires that all indirect costs be applied. In the 1960 NAA study, it was noted that of the 50 participating firms 17 published financial statements using direct costing. In none of these cases had the public accountants given a qualified opinion or taken exception to the procedure.\(^\text{20}\)

Horngren and Sorter presented a new concept when they stated, "that variable costing concepts for external financial reporting are respectable both from the view-point of the frame-work of accounting theory and analytical usefulness. But we do not swallow the notion that variable costing is appropriate in all situations."\(^\text{21}\)
To meet the needs of varying situations, Horngren and Sorter proposed the concept of "relevant costing." "Under relevant costing, only one basic assumption is needed: Any cost is carried forward as an asset if, and only if, it has a favorable economic effect on expected cost or future revenues. In sum, the test for asset recognition under relevant costing is quite simple. If a given cost will not influence either total future revenues or total future costs, it is not an asset." Under this concept, cost must be developed by both absorption and direct costing methods and examined to determine which cost is acceptable under the specific situation existing for the firm at that point of time.

**Conclusion**

Time is ripe for accounting to divest itself of its historical preoccupation with fiduciary and stewardship responsibilities. While these responsibilities must remain as a proper and major concern of the accountant, they must be integrated with the accountant's increasing responsibility for management decisions. Accounting is a service activity and it exists to provide data as required by users of the information. As an information system, accounting must use the latest technology available to process the business data and prepare various reports for multiple purposes.

Today it is generally accepted that direct costing provides useful information for cost control, comparisons of alternative courses of action, and planning. With the present computers, cost accounting systems can easily be designed to provide direct costing information for internal management purposes and regroup the absorption costing data for external financial reports.

It must be recognized that the information provided in financial statements prepared for external users will differ in scope and form from the information provided to satisfy the needs of management. As recommended by the Trueblood Committee, it is time to review accounting's concentration on cost and consider concepts of value. Instead of viewing cost as our objective, we should remember that cost is only used initially as a means of providing information on value. Therefore, it would seem that relevant costing which emphasizes the economic attributes of future value may prove a more meaningful solution to the direct costing-absorption costing controversy.

**FOOTNOTES**

Although the earliest evidence of accounting dates back to about 3600 B.C., Luca Pacioli's *Summa de Arithmetica, Geometria, Proportioni et Proportionalita*, 1494 (Everything about Arithmetic, Geometry and Proportion) is generally acknowledged by the historians as the first written work on accounting.


Quoted by Paul L. Noble, "Differential Cost Accounting," (Dissertation submitted to the Graduate School of The Ohio State University, 1952), p. 5.


Chandra and Paperman: Direct Costing vs. Absorption Costing


(Vol. 3, No. 1, pp. 1, 9, 10, 1976)
The idea of a classification of accounting services originated with John R. Wildman who was the senior technical partner for the firm of Haskins & Sells during the 1920's and under whose direction the writer was employed fifty years ago. In 1916 Wildman, who was then head of the Department of Accounting at New York University and the author of several textbooks on accounting, along with five other educators founded the American Association of University Instructors in Accounting (later the American Accounting Association) and was elected its first president. Wildman introduced the concept of service classification into the practice of Haskins & Sells in the Fall of 1925 based upon an evaluation of 5,000 engagements. About four years later and after a review of about 20,000 additional engagements Wildman presented the matter of classification of accountancy services to the American Society of Certified Public Accountants and several state societies for adoption.

The American Society of Certified Public Accountants issued its first report on the subject in December 1929. A second report was issued in September 1930 and a third and apparently final report was issued in July 1931. Among the state societies which sponsored the concept of classification of accountancy services were New York, New Jersey, and Pennsylvania. One of the purposes of classification of accountancy services was to minimize misunderstandings between the accountant and his client as to the services to be performed. Professional opinion on the subject, however, was not unanimous. The American Institute of Accountants (into which the American Society of Certified Public Accountants merged in 1936) issued a report to its members dated October 8, 1931, saying that the matter of adoption of a classification of accountancy services had been considered by its Committee on Education and its Council, and that the latter had “unanimously resolved that it would be impracticable and unwise for the Institute to issue any classification of accountancy services at present.” This action on the part of the Institute was a deep disappointment to Wildman.
The matter of classification of accountancy services was not the only area of difference between the American Institute of Accountants and the American Society of Certified Public Accountants. The primary difference had to do with the requirements for membership. The Institute was patterned more after the English concept, professional recognition being based upon membership in a professional society, the membership requirements including the passing of a written examination and professional experience; no CPA certificate was required. The American Society of Certified Public Accountants felt that a CPA certificate was an essential prerequisite to membership. The American Society's viewpoint prevailed at the time of the merger in 1936 which was facilitated by Colonel Robert H. Montgomery's insistence that the merger take place when he was asked to once again serve as the Institute's president. There were many who at the time of the merger wanted the Institute's name changed to the American Institute of Certified Public Accountants, but this change did not take place until more than twenty years later. Thus, the unanimous rejection of the concept of classification of accountancy services by the Institute's Council in 1931 quite possibly may not have been an unbiased evaluation of the concept on its merits.

Disregarding the non-auditing functions set forth in the classification of accountancy services as endorsed by the American Society of Certified Public Accountants, such as special investigations, preparation of financial statements from books and records without audit, tax services, system services, and budgetary services, brief comments might be in order regarding the auditing services included in the recommended classification.

1. Detailed audit. Detailed audits involved 100% examination of all recorded transactions. Very few detailed audits were performed as such an audit would be impracticable except for very small entities.

2. Test audit or sometimes referred to as a general audit. This was the customary type of auditing service rendered involving an examination of the transactions on a test basis accompanied by a certificate covering both the balance sheet and the income statement.

3. Examination of financial condition and review of operations, sometimes referred to as a general examination. This type of service was developed in connection with the offering of securities to the public and usually involved an examination covering a period of years. It was made with the view that there was no overstatement of net assets or of net profits; in other words, that the net
assets and net profits were at least as good as represented. This type of service was not designed to detect lapses of fiduciary integrity or any understatement of assets which may have been concealed in the operating accounts. It was this class of service which was affected the most with the passage of the Securities Act of 1933; nothing less than a general audit would suffice thereafter.

4. Examination of financial condition. This type of service applied primarily to financial organizations, like banks and stock brokerage firms; generally speaking the income statements of these organizations were not subjected to audit until a later period.

Haskins & Sells has continued the use of classification of accountability services, originally adopted in 1925, to this date modified as required by the enactment of the Federal Securities Acts.

The writer had an interesting experience in 1928 involving a general examination of four prominent cotton mills which were contemplating a merger which was never consummated. The professional services required included a review of the income statements for a period of ten years. One mill apparently was following what might be termed pre-1913 (income tax) accounting as it provided for depreciation only in those years in which it otherwise recorded a profit. And in one year a new mill was constructed at a cost substantially in excess of the original estimate; the new mill was recorded in the accounts as an asset at the estimated cost and the excess, amounting to millions of dollars, was charged off against earnings for the year!

(Vol. 3, No. 1, p. 4, 1976)

WORTH NOTING

"Nothing is as powerful as a good idea, but nothing is so powerfully sure-fire as a good idea whose time has come."

G. Herbert True

(Vol. 3, No. 2, p. 6, 1976)
A TRIBUTE TO FEDERIGO MELIS

The many scholarly works of the late Professor Federigo Melis are perhaps not as well known in the English speaking world as on the Continent. This special tribute, reflecting the combined skills of three outstanding accounting historians, Dean Emeritus S. Paul Garner, The University of Alabama, Professor Giovanni Padroni, University of Pisa, and Professor Alvaro Martinelli, Appalachian State University, affords students of accounting history an opportunity to become acquainted with the accomplishments of a profound talent. We express our appreciation to the contributors and trust our members will find this feature useful. Ed.

PART I

The Melis Testimonial

by S. Paul Garner*

Through the courtesy of Professor Dr. Egidio Giannessi of the Instituto di Richerche, Aziendali, in Pisa, Italy, and Professor Giovanni Padroni, also of Pisa, I recently received from the Mayor of the Commune of Monte Carlo, the Honorable Ilio Spadoni, a copy of a most attractive illustrated booklet, published in 1975, presenting the papers and tributes made on behalf of the late Federigo Melis, a professor for many years in several Italian universities, who had a keen interest in accounting history, culminating in the publication in the 1950's of his great volume on accounting history.

The little town of Monte Carlo is located near Lucca, which in turn is near Pisa, and there is an aerial photograph of the town in the 83-page attractively printed memorial volume which was issued as a testimonial to the late Professor Melis, since the latter had been to their town many times during his life. Obviously, Professor Melis was held in high regard by the citizens of Monte Carlo, as indicated by the several tributes printed in the volume, and by the effort made by the editors of the volume to obtain special materials relating to the work and scholarship of Professor Melis.

There are six parts in the testimonial volume, including several pages written by Gino Arrigho, which starts off by stating that "by publishing this volume the government of the town of Monte Carlo, with its Mayor, intends to render a testimonial of the esteem and affection toward an illustrious master who maintained relations with this beautiful land (place), both in his study and warm friendship."* 

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*I am indebted to Dr. Elizabeth Bibb of the Department of Romance Languages, University of Alabama, for assistance in the translation from the Italian.
This is followed with a brief biographical sketch of Professor Melis, with suitable reference to the point that he had a great affection for all of Tuscany, as well as his native city of Florence. Professor Melis referred to Tuscany towns and villages frequently in his writings and lectures in both Italy and other countries.

After graduating in economics and business from the University of Rome, Professor Melis went back to Tuscany to take up his first job, but this was soon interrupted by service in the military, including a period of time as a prisoner of war. Following that he was a professor of economic history in the University of Cheliari, and then later in both Pisa and Florence. During those years he became especially interested in the economic history of the Middle Ages and studied thousands of documents relating to the 13th to the 16th centuries.

Some of the wide range of research interests of Professor Melis is depicted in a couple of his studies reproduced in the volume, which naturally includes "the white wine of Monte Carlo exported from the year 1400," and "medieval wines of the Luccan Hills and of the Valdinievole Region which returned to the limelight." These two items, taking up about 25 printed pages, show a remarkable range of scholarship concerns, with numerous references in the footnotes which only a true scholar would have the patience to ferret out. These two items are included in the volume quite naturally because of their many references to the early history of the town of Monte Carlo.

Following the two articles referred to above, the editors of the pamphlet have rendered an invaluable assistance to later scholars of accounting and economic history by presenting a comprehensive bibliography of Professor Melis, consisting of 20 printed pages, with rather fine print. The accomplishments of this noted scholar are indeed adequately reflected in the wide range of publications listed roughly in chronological order from 1946 to 1974 (several items were published after the death of Professor Melis on December 26, 1973).

Even though the bibliography is indeed impressive, one should examine the great work on accounting history which he published in the prime of his life, to obtain a better grasp of his rare scholarship abilities and multiple talents. It is regretful in a way that this work has not yet been translated into English and other languages of the current cultural scene. A few of the items in the exhaustive bibliography are in French.
Referring again to the two representative samples of the writings of Professor Melis included in the volume, it is interesting that he chose the wine production and distribution as a research concern. Apparently this was one of his most significant professional hobbies, as he describes the early production of wine for export, after the quality had been sufficiently improved. He made a special study of the cost of production of the wine, transportation, taxation, and other economic factors.

The testimonial volume is concluded with two articles, the first being by llano Petroni, concerning the "presentation of the history of Monte Carlo" by Ugo Mori; and, second, an item by Ovidio Capitani on "considerations on the history of Monte Carlo" by Ugo Mori. These two professors of the University of Bologna apparently were presenting review articles on the little town which was so admired by Professor Melis. They refer especially to the earlier history of the town all the way back to the 1300's.

In the front of the testimonial volume there is an attractive photograph of the late Professor Melis, clean shaven, inquisitive eyes, with a slight smile on his countenance.

It was most appropriate for the town of Monte Carlo to do this for this renowned scholar who will always be referred to by his successors in the realm of accounting historians.

PART II

A Profile of Melis
by Giovanni Padroni

Federigo Melis, born in Florence on August 31st, 1914, studied at the University of Rome, where, in 1939, he took a first-class degree in Economy and Commerce. He was then appointed to a junior, but permanent, teaching post at the same University and in 1948 took the Italian equivalent of a doctoral degree.

In 1949 he was given a lectureship in Economic History at the University of Pisa. He was later awarded a Chair in the same subject at the University of Cagliari, moved to the University of Pisa as a full professor in 1957 and then, in the same capacity, to the University of Florence in 1963, while still continuing to lecture at the University of Pisa.

From 1962 until the time he took up his appointment at Florence he was Dean of the Faculty of Economy and Commerce at Pisa where, moreover, from 1958 to 1962, he was a member of the University Administrative Council.
From 1951 to 1962 he also lectured in the History of Economic Doctrines at the University of Pisa.

In 1960 he was appointed Italy's permanent member on the International Maritime History Commission and, from 1963 on, he was also President of the Italian sub-committee of the same body.

In 1961 he was elected a member of Italy's foremost assembly of historians, the Central Council for Historical Studies, and, furthermore, became the Council's representative on the International Committee for Historical Sciences. In this capacity he organized the 1965 International Congress of Historical Sciences which took place mainly in Vienna and included some sessions in Munich.

He was also a particularly active member of many other institutions, including the Instituto di Storia della Tecnica in Milan, editing its edition of source material in that field.

He belonged to various learned academies, including the Royal Flemish Academy of Science, Letters and the Arts. He became a member of the Ferdinando el Catolico Institute of History at Saragossa, Spain, of the Petrarch Academy at Arezzo, Italy, of the Lucca Academy of Science, Letters and the Arts, and, many other similar bodies.

Because of his original and conclusive contribution to knowledge in many fields of learning, he was entrusted with numerous inaugural speeches on important, official occasions, such as the fifth centenary celebrations, in 1954, of Amerigo Vespucci's birth, at the Palazzo Vecchio in Florence and, the following year, the International Exhibition of the Datini archives at Prato, which he also organized. On both these occasions the President of the Italian Republic was present to hear him. Other such memorable addresses include the one given at the opening of the Pisa sessions of the International Congress on the History of Science in 1956, the speech given at the session held at Prato of the International Archive Congress, the highlight of which was the visit to the Datini exhibition; lastly, the inaugural speech at the official commemoration of Giovanni da Verazzano, given in 1961 in the town he was born in, Greve in Chianti.

Twice he gave the opening address, to mark the beginning of the academic year, at the Lucca Academy (1952 and 1961) and at the Petrarch Academy at Arezzo (1962).

By reading or sending papers, he took part in the International Congresses of Historical Sciences at Rome (1955) and Stockholm (1960); in the International Congress of Renaissance Studies (Florence, 1952); in the International Congress on the History of the
Crown of Aragona (Saragossa, 1952); in the International Congress on the History of Discovery (Lisbon, 1960); in the International Conferences on the History of Shipping and Maritime Economy (Stockholm and Lisbon, 1969); in the International Congress on the History of Thermal Baths throughout the World, dealing with certain socio-economic features of the question (Montecatini, 1962); in the Conferences held by the International Maritime History Commission at Venice and Rome (1962-1963); in the International Congress on Public Accountancy and Finance in the 13th-16th Centuries, (Blankenberge, 1962); in the Congress on the History of Thermal Baths (Salsomaggiore, 1963). He also accepted invitations to lecture in a large number of universities and important cities such as Madrid, Seville, Bâle, Feiburg, Wervicq and Locarno.

Federigo Melis worked with extraordinary devotion for 30 years in the most important archives, together with his own pupils and those of others, entrusted to his guidance by famous scholars in other countries.

His interests, which were many and wide, were centered especially on the period when the economic revival was at its height (14th-16th centuries) and in this field he frequently worked on virtually totally unpublished source material. His most penetrating research was carried out on sectors of economic history which had hitherto been largely neglected or remained incomplete: communications (shipping in particular, where he threw new light on what was a truly revolutionary factor in its evolution, that is, the new way in which freighting was organized in relation to the value of the goods to be transported); banking (his book published in 1955 showed how the origin of modern banking goes back to the 14th century, and provided new information on the birth of financing and operating credit, of correspondence current accounts, of cheques, of cash credit for the supply of goods, etc.); the wool industry (including questions of international trade in this field); accountancy (with interesting analyses of the origin of double entry and of the connection between this and the growth of capitalist business practices).

Federigo Melis left to scholarship a thorough knowledge of medieval accountancy practices and budgeting, business procedure and insurance (he brought fresh light to bear on every detail of this last topic, providing a host of new facts and figures and setting it in its correct economic background, thereby putting the entire question into true perspective). In the field of international trade he made an original reassessment of the part played by numerous cities, ports and markets.
The international fame surrounding the name of Federigo Melis springs above all from the highly fruitful research, begun in 1950, into the Datini archives at Prato, which gave rise to such outstanding publications as “La Mostra internazionale dell’Archivio Datini (1955-1956)” and the monumental volume, published in 1962, entitled “Aspetti della vita economica medievale (Studi nell’Archivio Datini di Prato).”

PART III
A Bibliography of Melis’ Works
by Giovanni Padroni
as translated by Alvaro Martinelli


“About Some Endorsements of Bills of Exchange Found in Florence from the Beginning of the Sixteenth Century,” Moneta a Credito. XXI (1953), pp. 96-120.

“About a Double Endorsement on Coupon, of which One to the Bearer, Toward the First Half of the Sixteenth Century,” Nuova Rivista di Diritto Commerciale, Diritto dell’ Economia e Diritto Sociale, VI (1953), Part II, Practical Section, pp. 9-12.


Padroni: A Tribute to Federigo Melis

"In Reference to a New Book on the ‘Merchant of Prato,’" *Economia e Storia*, VI (1959), pp. 737-763.


"Werner Sombart and the Problems of Shipping in the Middle Ages," *The Work of Werner Sombart in the Centennial of his Birth*, Milan, A. Giuffre, 1964, pp. 87-149.


"Florence and its Communications with the Sea in the Fourteenth and Fifteenth Centuries," *Atti e Mercature*, XIX (1964), pp. 3-16.


"Bruges, Economic Link Between Latin Peoples and German Peoples (XIVth and XVth Centuries)," *Proceedings of the Belgian Academy of Rome*, Conference held on the 10th of May, 1967.


"Lazzaro Bracci. The Function of Arezzo in the Economy of the Fourteenth and Fifteenth Centuries." *Proceedings and Memoirs of...*
the Petrarca Academy of Letters, Arts and Sciences of Arezzo, XXXVIII (1965-67), pp. 3-20.


Padroni: A Tribute to Federigo Melis


"Production and Commerce of Italian Wines (with Particular Emphasis on Tuscany) in the XIIIth-XVIIth Centuries," to be published in Annales Cisalpines.

(Vol. 3, No. 1, pp. 6, 7, 2, 1976)
HOW WRONG WAS SOMBART?

Werner Sombart, a political economist of some note, was born and died in Germany. He studied law, economics, history and philosophy at the Universities of Berlin, Rome, and Pisa, and eventually became professor of economics in Berlin. He was a student of the so-called Katheder Socialists Schmoller and Wagner in Berlin, and as a young man Sombart became a Marxist. He was probably too bright to be a Marxist for long and he eventually became an anti-Marxist; in fact, his *Modern Capitalism* is really a book in praise of capitalism, in which he predicted that capitalism would reach its zenith in the twentieth century. Late in life he became apologist for the national socialists, but the Nazis did not accept him in this role primarily because his observations on the role of Jews in the middle ages conflicted with their own theories.

In terms of sheer volume of publications and translations of his publications, Sombart must be reckoned as one of the more successful economists of his time, but he failed to form a school or disciples for his views, and must be regarded as a historical curiosity at the present time. This is probably because he combined the social and historical views of his economic thought into an exciting but rather unstable mixture in a manner which subsequent generations have come to view as unscientific.

*The Sombart Propositions*

The so-called "Sombart Propositions" have received considerable attention in recent accounting literature. Basil Yamey reviewed them critically in two articles.¹ Winjum has identified "substantial academic support for the Sombart thesis,"² and I have revisited them myself.³ The propositions relate to the role of accounting in the development of capitalism.

In fact, Sombart went so far as to state that the introduction of accounting was of the highest importance for the development of capitalism, and clearly, such perception deserves special study.
How did he arrive at this conclusion? Sombart took as his point of departure a pre-capitalistic feudal Europe in which the goal of every man was a sufficiency for existence. He then observed that, at some point, the profit motive replaced satisfaction of personal wants as the driving force in society. He posed the question: By what means did this take place? What turned the pre-capitalistic artisan or craftsman into the capitalistic manufacturer? His answer was that man developed two faculties: to calculate and to save, and the significance of accounting was that it combined these two skills into a powerful management tool: the firm—the capitalistic firm viewed as an accounting entity.

Shortly stated, Sombart saw the invention of double-entry bookkeeping as a device for rendering objective the concept of capital. He wrote that "the representation of the firm in terms of accounts, particularly the representation of the ownership interests, in the form of the capital accounts, renders objective the idea of wealth, and dissociates it from the human persons who are engaged in the enterprise." The idea of capital was divorced from all want-satisfying objectives or motivations of the people who took part in the development of the firm, and this led directly to the formulation of economic rationalism: Quod non est in libris non est in mundo. By this means, production and distribution were reduced to calculations, which meant that the tools of mathematics could be used to plan saving and investment and to further the growth of capitalism.

In a striking passage Sombart used the words which Goethe put into the mouth of Wilhelm Meister's brother-in-law: "Double-entry bookkeeping is one of the most beautiful discoveries of the human spirit." He went on to explain that:

If its significance is to be correctly understood, it must be compared to the knowledge which scientists have built up since the sixteenth century concerning relationships in the physical world. Double-entry bookkeeping came from the same spirit which produced the systems of Galileo and Newton and the subject matter of modern physics and chemistry. By the same means, it organizes perceptions into a system, and one can characterize it as the first Cosmos constructed purely on the basis of mechanistic thought. Double-entry bookkeeping captures for us the essence of an economic or capitalistic world by the same means that later the great scientists used to construct the solar system and the corpuscles of the blood. Without too much difficulty, we can recognize in double-entry book-
keeping the ideas of gravitation, of the circulation of the blood, and of the conservation of matter. And even on a purely aesthetic plane we cannot regard double-entry bookkeeping without wonder and astonishment as one of the most artistic representations of the fantastic spiritual richness of European man.

One less endowed with scholarly virtues would have succumbed here and accepted the compliment. But on reading this passage, I remembered having encountered somewhere a reference to a nineteenth century controversy concerning whether the Romans used double-entry bookkeeping. If they had done, this would have been fatal to Sombart’s arguments: why should double-entry bookkeeping produce capitalism in the fourteenth century and not in Rome 1500 years before? I therefore began to research what was known on Roman accounting and, of course, found very little. As De Roover has pointed out, the Romans kept their accounts on wax tablets which turned out to be a very perishable material. It is in fact rather strange that we know so little about Roman accounts, because we do have records of Greek and Egyptian accounts, quite comprehensible records. Indeed, one of the fascinating by-ways of archaeology concerns the discovery at Ur of the Chaldees of Babylonian accounts from 4,000 years ago. These accounts belonged to a trader named Ea Nasir and when they were deciphered it was discovered that he had been losing money.4

All we know about Roman accounting comes from a few orations of Cicero, an ode by Pliny the Elder and one line of Columella—that is all. Perhaps one day someone will discover, like the Dead Sea Scrolls, piles of Roman wax tablets and provide work for accounting scholars ever afterwards. The nineteenth century controversy about double-entry accounting in Rome was something the French call a *dialogue des sourds*—a debate between the deaf. On the one hand, there were accountants with no training in classical scholarship, who insisted on making wild conjectures on the basis of sources of very dubious validity. On the other hand, there were the classicists who had access to the original sources but whose knowledge of business in general, and accounting in particular, was so slight that it did not permit them to interpret.

We may briefly review what is known about Roman accounting. It is clear that the Romans kept accounts. Cicero in his Verrine oration says “every household in Rome keeps accounts,” but this is believed to be a typical Ciceronian flourish. It is probably no more true to say that every household in Britain or the U.S.A. keeps ac-
counts. The physical form of the account was called the nomen, the word also used for entry, and the abstract concept of Sombart was called the ratio hence accountants (in Italy) at the present time are called ragioneri. A book containing accounts was a codex, or colloquially, a tabula, and the abstract concept of a ledger, or book of accounts, was designated rations. Bankers kept personal accounts for their customers called calendaria because, it is believed, they contained notes of the due dates of payments of loans or interest on them, perhaps both. More or less rough memoranda called adversaria were used as books of original entry. A codex or tabulae acceptae et expensae was a sort of cash book.

On the basis of this scanty information, scholars of the nineteenth century wrote books; some writers asserted that, because it was obvious that the Romans were keeping receipts separately from payments, they were therefore using debits and credits, and debits and credits are the stuff that double-entry is made of: to which a classicist might reply not only that this did not follow, which is true, but further that the very ideas of debit and credit were alien to the Roman mind. A reply might be that the Romans did use words like creditum and debet from which the modern debit and credit are derived. And so on and so forth.

My researches led me to a book by a German historian, Barthold Niebuhr, Romische Geschichte, The History of Rome, which was translated into English in 1835, and in a note on page 448 of volume II of the German edition, I found the following statement: “I have shown in the notes on the Vatican fragments of the oration Pro Fonteio, that the system of bookkeeping by double-entry, so far from being an invention of the Lombards, is as old as the Romans, and was used by the Quaestors in their accounts.”

Where were these Vatican fragments? Where were Niebuhr’s notes? The reference was obviously to a Ciceronian oration; a library search revealed that Cicero’s Pro Fonteio, together with another oration Pro Rabirio, was published with an introduction by B. G. Niebuhr in Berlin in 1820. Neither had been translated into English, and there was one copy in the U.S.A., in the library of the University of Virginia.

The Latin teacher at Gainesville High School in Florida, Mrs. Beatrice Sweeney, was the widow of a professor of accounting at the University of Florida. Some years earlier, her husband had encouraged her to write her master’s thesis on the subject of insurance contracts in ancient Rome. Thus, not only was she a Latin scholar,
but also familiar with the business terminology. She very graciously agreed to translate the fragments of the oration and Niebuhr's notes.

These Vatican fragments, as the name implies, consisted of only three papyrae, numbered but not in consecutive order, discolored, severely damaged by time, many words and phrases missing. It was only through a piece of scholarly detective work that Niebuhr was able to reconstruct the story they contained. At the relevant time, Rome was experiencing a period of very intense monetary disorders of the same kind that we have at the present, and a currency reform was one of the measures adopted to try to arrest inflation. The currency reform appears to have been of this nature: the denomination of the money was kept, but new money was issued bearing a certain ratio to the old money; in this case one new sesterce was equal to four old ones. Exactly the same device was used by the French a decade ago, in the same circumstances, when they recalled old francs, and issued new francs in the ratio of one new franc for one hundred old francs.

In 87 B.C. a law was passed, bearing the name of the Consul Valerius Flaccus, which permitted debtors to discharge debts incurred before the revaluation or the reissue of the currency, by paying one-fourth of the face value of the debt. It is easy to imagine the situation; the amount of money in circulation had been drastically reduced and it was no longer possible for debtors to pay the nominal amount they owed, so that one who had borrowed 400 sestertia before the revaluation of the currency was able to settle that debt by paying 100 of the new money.

In the year 70 B.C. a Roman official named Marcus Fonteius, who had been governor of a province in Gaul, was accused of having embezzled public funds while serving as a Quaestor. The form of the alleged crime was that he reported debts incurred after the date of the currency change as if they had been incurred before, and kept for himself three-fourths of the money paid in settlement. He was accused of having defrauded the Republic by retaining money which should rightly have been remitted to the Treasury. Cicero was retained to defend Marcus Fonteius and the fragments, presumably verbatim reports of the pleadings in the case, have given everyone who has had the opportunity to try to interpret them great difficulty. Niebuhr, however, seized on one passage as follows: "For as to the fact that Fonteius' office wasted time in three-fourths and one-fourth records, which he says were set up by Hirtuleius. . . . In this respect, moreover, you praise Hirtuleius. Is Fonteius found to have done the same things? . . . You laud him, Hirtuleius, because
he arranged records of three-fourths off: Fonteius set up the same with the same currency."

In his notes on the oration Niebuhr had this to say: "Clearly, therefore, Lucius Hirtuleius, a Quaestor in my opinion, during that year when the Valerian law was passed, had with the best intentions, set up account books of two kinds: both for three-fourths and one-fourth. For as often as he would pay a debt of one-fourth, he would enter the other three-fourths. And if he would receive a debt of one-fourth he would enter the other three-fourths. He would show either a gain or a loss."

"Now," says Niebuhr, "someone who maintains a system of keeping accounts which is called double, and which we Europeans outside Italy call Italian, will perceive that this is no different from what bankers and merchants are now doing. And, hence, it is apparent that the use of these accounts was by no means introduced, as is often said, 700 or 800 years ago, but was survived in Italy from the early times of the Romans."

In short, Niebuhr seized upon the very same feature of accounting that had so excited Sombart, namely the ideas of a closed system, a mental construct, or set of mental constructs, and he saw evidence in this passage that this system was of the same nature as the system which we call double-entry bookkeeping. And if that were true, then one of Sombart's most striking propositions concerning the role of accounting in the rise of capitalism would have to be seriously contested.

As indicated earlier, Sombart's reputation is considerably tarnished at the present time. He was particularly undistinguished as an economic forecaster. Writing shortly before the first world war, he forecasted a declining world population, the end of large-scale wars, and the impending demise of capitalism. His problem, which was brought to his attention in the friendliest manner by Max Weber, was a failure always to distinguish clearly between the logical and the empirical.

Whether Sombart did not know of Niebuhr's observations, or whether he knew of them but failed to mention them in his great work Der Moderne Kapitalismus, will remain one of the enigmas of accounting history. It is a sobering thought, however, that the nature of accounting as a mental system, or set of concepts, was so well understood by a layman like Niebuhr at the beginning of the nineteenth century, as well as by the economic historian Sombart one hundred years later.
FOOTNOTES


(Vol. 3, No. 2, pp. 1, 6, 1976)
IN ALL MY YEARS—NOTES ON HANDICAPPING

Some months back, while attending an afternoon gathering, I happened to be chatting with three friends when the conversation turned to golf, and one of the group told of a notable victory he had recently achieved—by one stroke—in a match at the “club” with an opponent he’d never beaten before. The narrator, a man of about 65, and no athlete, was obviously elated over his victory, and there was a touch of bragging in his tone. I was surprised when he named his victim, an old student of mine, who played in the low 70’s as a member of the varsity team in his college days and is still a very fine golfer. I expressed my astonishment and then came the moment of truth. The “winner” admitted that in the handicapping for this match he was allowed a margin of 20 strokes. In other words, he won by a score of 98 to the 79 taken by his opponent. I moved away from the group at that point for fear of saying something that would sound a bit nasty. I might add that my boasting friend was an executive with a large corporation for many years, and I don’t believe he has ever been accused of an anticapitalist point of view.

A few weeks after this incident I was having dinner at the home of a couple who are among my best friends. The man of the house has been an ardent golfer, from school days on, is still much interested in the sport, and often follows what is going on in a major professional tournament by way of the T.V. There was another guest present, another long-time and good friend, who likes golf, and also is addicted to keeping in touch with tournament news. After dinner we men spent some time watching a showing on T.V. of the later stages of some matches between leading pros in a tournament recently concluded. I was reminded of my experience in listening to the account of how an inferior player scored a “win” over an excellent player, by taking only 19 strokes more than his rival, and after the T.V. was turned off I told the story to my two golfing friends of the dinner party.

Somewhat to my surprise both men supported vigorously the prevailing handicapping practice in the amateur game. Without this system, they both insisted, there could be no genuine competition...
among players of widely varying ability, and no incentive for friendly wagering. They urged, too, that elimination of handicapping would impair the enjoyment of golf by the duffers, who could then never hope to "win" even a weekend tournament, and would discourage many of them from participating at all. And they also voiced the danger that the final effect might well be disastrous to the club treasury, by stimulating resignations and reducing applications for membership.

I tried, of course, to present the case for the negative. To begin with I urged that any attempt to equate, artificially, the unequal performances of persons of varying talents and capabilities, in any field of activity, is a harmful form of make-believe. On the contrary, I went on, we should recognize the importance of providing full opportunity for the more efficient and expert among us to demonstrate their superiority, instead of placing handicaps or obstacles in their way designed to obliter ate, cover up, the margins by which their accomplishments are truly outstanding. I also pointed out that the possibility of stimulating the laggard who has latent ability into trying to narrow the distance between himself and the more able player tends to disappear as a result of any program which makes it easy for him to achieve a spurious equality, or even be a "winner." With respect to golf-club procedures I suggested that betting can readily be indulged in in terms of real differences, and that keen competition can be generated, without handicapping, by grouping players according to their capabilities for club contests (as often done in annual city tournaments). I further noted that many "golf" clubs have swimming pools, tennis courts, and good dining facilities, in addition to a golf course, as lures to attract and hold members.

But my friends wouldn't give an inch in their position of support for handicapping, although they didn't propose that the practice be extended to professional golf, baseball, basketball, hockey, etc., and even admitted that they wouldn't care to see the system applied to intercollegiate athletics. They seemed to be a bit amused by my attack on all handicapping and were inclined to attribute my attitude to the fact that I hadn't tried to hit a golf ball for forty years or more and never did like the game. I might add that both of these friends have had extensive business experience, and can generally be ranked with the "true believers" in the antisocialist camp.

Perhaps I am prejudiced. My experience with golf was confined to puttering with the game, sporadically, for a few years. I never took a lesson, or a practice swing while "addressing" the ball, never picked up a ball to improve the "lie," whatever the reason, the
weather, or the condition of the course. I was also annoyed by the bad arithmetic displayed by some of the folks I played with, and developed a fellow feeling for the chap who was reputed to have said: "my handicap is my honesty."

One man I played with a few times—not a bad guy—had a special method for keeping his score down. He avoided the more difficult and interesting courses, and would drive for many extra miles, if need be, to play an easy layout. I think it’s fair to say, however, that a major reason for my failure to become addicted to golf was the amount of time required by the game to obtain a bit of exercise. I preferred a brisk hour of tennis to three hours of strolling around a golf course.

I don’t like handicapping, in any sport, and never have. It’s an egalitarian practice—as I see it—without any significant merit. I recall being surprised and disturbed when I went out to the race track at Santa Anita for an afternoon, back in 1936, to learn that Sea Biscuit, the favorite in the main race of the day, was handicapped by having to carry a substantial number of pounds of metal weights. The noble purpose, of course, was to slow him down, make winning over the competing nags more difficult. I wouldn’t object, I should add, to trying to keep the total weight of jockey, saddle, and so on, roughly the same per horse.

I’m firmly committed to the view that a society in which awards are commensurate with performance, productivity, is preferable to any egalitarian system. We should avoid like the plague all efforts to harass, restrict, or handicap the talented, the efficient, the superior performer. This is just as sound a stance in economics generally as in sports. Discouraging the able Peter by levying on him for the less competent Paul is the sure road to reduced output and a lower standard of living for all hands. The key ingredient in a productive society is a climate that stimulates the hustler, the innovator, the go-getter, the expert. And the beneficiaries are the rest of us, the less capable and accomplished, including the many who are encouraged to do better by the example set by the frontrunners. This view of human affairs is amply supported by the historical evidence—the showing that men have made when free to pursue the beckoning opportunities.

(Vol. 3, No. 2, p. 4, 1976)
DIGIN BOSTON’S ACCOUNTING DUMPS

Snoopy is my favorite cartoon character, and I finally figured out why. It is those crazy fantasies he has about himself as a World War I aviator, constantly foiled by the Red Baron. I can relate to Snoopy in this respect, but not as an aviator. I see myself as an archaeologist. I’m the guy shovelling the dirt when Schliemann uncovered Troy, or trundling the wheelbarrow when Woolley laid bare Ur of the Chaldees. My biggest moment, though, was holding the lamp when Howard Carter opened Tutankhamen’s tomb!

However, my ancient Greek is limited to reciting the alphabet, and the nearest I come to Egyptian hieroglyphics is doodling on my pad at accounting seminars. So the usual avenues to digging up the past are probably not suited to my talents. It occurred to me, however, that I have a smattering of accounting and daily walk the hallowed paths of Boston, which has a venerable history—as history in America goes. So, some years ago, I decided to indulge my fantasies and dig in Boston’s accounting dumps.

I got off to a good start by discovering in the library of the Massachusetts Society of CPA’s an unread copy of the privately subscribed translation of Pacioli’s *Suma de Arithmetica* (1494) commissioned by the British Institute of Bookkeepers in 1924. I think fate took a hand in this, because I found the name of Alexander Brown Bell listed in the back of the table of subscribers. “A. B.” Bell taught me most of what I know of accounting back in Glasgow in the 1930’s, and I could almost hear him urging me on with his favorite Latin tag—“Carpe diem!” which I believe translates loosely into—“Grab each day by the tail, buster!”

Every accountant should read Pacioli—if only to learn how to account for foreign exchange. However, old American textbooks were what I felt I should read, and thanks to Harry Bentley, there is a splendid collection of these, which he donated in the late 1920’s, in the Boston Public Library. They are available in the Rare Book Room in the old Library building in Copley Square. I spent many happy lunch-times browsing through the collection about three sum-
ermers ago—Mitchell, the two Turners, Bennett, Jones, Hitchcock, Colt, Foster, and the rest.

Harry pointed out and I agree with him, that

our writers of 1800 to 1850 were more experienced and scholarly than those of the following fifty years, and their books were superior in scope and treatment.

He offers no explanation, but I would guess it was due in part to the changing market for such books. The early writers were writing for what at that time constituted the profession; the later writers were chasing dollars by writing elementary texts for the mass market that was opening up in the public schools, as they added bookkeeping to the curriculum.

The older writers also shared a sense of veneration for their subject that is pretty well missing by the end of the second half of the 1800's. J. C. Colt was a no-nonsense exponent of the art in the period 1800-1850, yet we find him writing in his *The Science of Double Entry Bookkeeping*:

> The principle of Book-keeping . . . is laid claim to by the Italians, who date the time of its origin in the middle ages. But even the names and place whence glimmered the first principle of the science of Double Entry Book-keeping is unknown; that spot which would be held sacred by the whole commercial world, slumbers beneath the sea dirge, is heedlessly trod upon by the passing wayfarer, and is wept for only by the dew drop of some straggling and unconscious flower.

Every time I read this quotation I feel like bowing my head and intoning a deep "Amen."

One thing puzzled me about the few articles I could find on early accounting in America. They were all negative! I got the feeling there were no accountants in America until about 1890 when the Scottish and English Chartered Accountants sent out missionaries to instruct the natives in the mysteries of modern accounting. But this point of view made no sense at all when I read Samuel Eliot Morison's books on the steady emergence of the Yankee trader and businessman all the way back to the 1650's. Such men must have had decent accountants to run their sometimes complex businesses. I decided to find some of these early accountants.

The obvious place to look was the Boston Directories, first published in 1789, and listing alphabetically all householders and their
occupations. The Bostonian Society has an almost complete set in
their library in the rear of the Old State House on Washington
Street. I can still remember the thrill when I found three “accomp-
tants” listed in the 1789 Directory. They were:

Burroughs, William         accomptant         Federal street
Lowell, John                accomptant         Cook’s court
Winnet, John                accomptant         Bowdoin square

To get some sort of a trend I picked a Directory at about ten year
intervals. I think the numbers are interesting.

<table>
<thead>
<tr>
<th>Year</th>
<th>Number</th>
</tr>
</thead>
<tbody>
<tr>
<td>1789</td>
<td>3</td>
</tr>
<tr>
<td>1810</td>
<td>3</td>
</tr>
<tr>
<td>1820</td>
<td>11</td>
</tr>
<tr>
<td>1830</td>
<td>19</td>
</tr>
</tbody>
</table>

To counter the decline in “accompants” or “compting rooms”
after 1840 there is a large increase in the listing of “book-keepers.”

I am reasonably sure the terms “accompants” and “compting rooms”
referred to early public accountants and that the term “book-keeper”
probably did not. So the decline in “accompants”
is an intriguing puzzle.

The next problem was to get back earlier than 1789.

Luckily, I remembered reading some books on the history of edu-
cation in America which made reference to the “private academies,”
which existed alongside the public school system. I knew that book-
keeping was not taught in the Boston public schools until the late
1820’s. But what of these private academies? Mrs. Ropes Cabot,
the omniscient curator of the Bostonian Society, was the obvious
person to ask. In short order she produced for me Robert Francis
Seybolt’s “The Private Schools of Colonial Boston” (1935, Harvard
University Press). Seybolt searched the old Boston weekly news-
papers from the 1700’s and extracted advertisements for private
schools—dancing, fencing, music, and elocution schools, but in-
cluded in the list were also twelve “writing schools” dating from
1709 to 1763. All taught reading, writing, arithmetic and some form
of bookkeeping, but two are particularly significant.

1718

Mr. Browne Tymms Living at Mr. Edward Oakes, Shopkeeper in
Newbury Street, at the South End of Boston, Keeps Merchants &
Shopkeepers Books.
1752
This is to inform the Publick that the School Lately Kept by Mr. John Leddel, now deceas'd, is still Kept by Richard Green, where may be taught Writing in all its usual Hands. Also Arithmetick, in all its Branches, Algebra, Geometry, Trigonometry apply'd to Navigation, and Book-keeping after the Italian Method.

Mr. Tymms was an early Public Accountant and Mr. Green was teaching double entry bookkeeping!

The 1800's and 1700's were all right, but the Golden Fleece, Eldorado, and Sutter's Creek would be to open up some new lode of Colonial accounting in the 1600's. On a hunch one day I went up to the new State House on top of Beacon Hill and asked for the archives room. It was in the basement, well tucked away, but well worth the finding. Mr. Flaherty is the archivist, and has been for twenty years. He studied accounting at Bentley, switched to law, and then took degrees in History. When I told him what I wanted he reached in a drawer, clipped a fat roll of microfilm into a viewer, and I was reading the original manuscript of the Account of Charge and Discharge of the Treasurer of Massachusetts for 1692. It was intriguing stuff, both in form and content, dealing mainly with the raising and spending of money for King William's war against the "French and indian enemy." I mean to do more work on it some day. But two items on the Discharge side simply had to be investigated further. They were:

1692
Aug the 1s £ s. d.
Paid Capt Stephen Sewall, Clark of the Special Court of Oyer and Terminar for the Necessary charges of sd Court 0040 "-" -

1693
Febru. 20th
Paid Mary Gedney for the Entertainment of Jurors & Witnesses at a special Court Oyer and Terminar held in Salem for the County of Essex 0040 "-" -

These references had to be related to the Salem witches trials and I wondered what the chances were of any of the detailed accounts submitted to the Treasurer still existing. I discussed the
matter with Mr. Flaherty, who produced another fat roll of microfilm dealing exclusively with the witches trials. The content was mostly photostats from the original manuscripts of the witnesses' testimony, warrants calling the courts, etc., but right in the middle I found two accounts, one detailing the expenses of the Boston jailer who held the witches during 1692, and the other the detail of expenses of the Charlestowne jailer. The Boston jailer's account was for the purchase of locks, chains, irons, and wood to make the jail "witch tight," plus his allowance at 2s 6d per week per witch. The Charlestowne jailer's account was mostly for expenses in guarding the witches in his care while they were shuttled in carts under writs of habeas corpus between Charlestowne and Salem during the trials.

On one of the microfilm frames I found a reference to similar accounts in the "Judicial" files, and once again Mr. Flaherty came through with yet another microfilm. The Boston jailer had still not been paid for his 1692 expenses in 1697 and he petitioned the Great and General Court to do something about it. He also resubmitted his accounts. At that point I found this in the files.

Province of the Massachusetts Bay

At a Session of the Great and General Court or Assembly at Boston, by Prorogation
—March 13th 1699/700

In Council
Resolved,
That the Accompts annexed be referred unto an Auditor Committee to Examin the same; And that Elisha Hutchinson, Peter Sergeant and John Walley Esqr be a Committee of this Board, to joyne with John Leverett Esqr, Capn Andrew Belcher and Mr. Samuel Phips named a Committee by the Assembly to Examin and Audit the sd Accompts; and to make Report thereof unto the General Assembly at their next Session.

Isaac Addington
Secry.

Eat your hearts out, Schliemann, Woolley and Howard Carter! You can keep Troy, Ur of the Chaldees and Tutankhamen's tomb!!!

The 1692 Treasurer's accounts mentioned above seemed to be the earliest on file. There is a reason for that which involves knowledge of the political history of Massachusetts. Briefly, Massachusetts prior to that date really consisted of two private business joint
stock companies—the Plymouth Colony and the Company of the Massachusetts Bay. When King William of Orange assumed the British throne he folded Plymouth into Massachusetts and made them, in effect, into a Colony. The first job the first Treasurer of the new Colony had to do was to take over the asset balances from the separate Treasurers of the Plymouth Colony and the Massachusetts Bay Company. I began to wonder what happened to the earlier accounts of these Treasurers. So far I haven’t found them, but I did uncover something else.

The Massachusetts Bay Company received its charter from King Charles I in London in 1628 and the founding “Undertakers” then spent two years raising money—the joint stock—recruiting emigrants, buying provisions, and making arrangements for ships. They appointed a Governor, a Deputy Governor, and a Treasurer to handle their affairs. The Records of the Governor and Company for June 17, 1629 include the following:

Auditors appointed for auditing the accompts, viz Mr Symon Whetcombe, Mr Nathaniel Wright, Mr Noell, Mr Perry, Mr Crane, Mr Clarke, Mr Eaton, and Mr Andrewes: these 8, or any 4 or more of them, to meete at a convenient time & place to audite the accompts.

The meeting of the General Court held in London on July 28, 1629 goes on:

The business treated on at the last meeting was now read; and thereupon the accompts of Mr Gounor, Mr Deputie, and Mr Trer, being now presented to this Court, the Auditors, form’ly appointed for auditing the Comp accompts, were now desired to meete & p use & audite these accompts; Wch they have agreed to doe to morrow in th’ afternoone.

Plans were then made to establish the Company in Massachusetts and to transfer the government to New England, including some of the principal merchants involved in the project. Money continued to be collected and spent as the sailing date approached. At a meeting held on October 16, 1629 the following appears:

But for that there is a great debt owing by the joynt stock, it was moved that some course might bee taken for cleering thereof, before the gouvmt bee transferred; and to this purpose it was first thought fitt that the accompts should bee audited, to see what the debt is; but the business not admitting any such delay, it was desired that Mr Gounor & Mr Trer would meete
tomorrow, & make an estimate of the debts, & prepare the same against a meeting to be on Monday next, to determine this question.

This business-like beginning to the whole venture appears to have been carried on in New England. The records for March 3, 1636 include the following:

Mr Hutchingson & Mr Willm Spences are deputed to take the accompts of Mr Simkins, & to return the same into the nexte Court.

This procedure of "taking" the Treasurer's accounts was followed regularly thereafter.

I may say that each of the above items has been enlarged into a full fledged article, and that the series will be included in a History of Accounting in Massachusetts which the Massachusetts Society of CPA's will sponsor for publication late in 1976.

New England accounting historians are, of course, lucky. We sit on a whole mess of accounting dumps—state, city, town, local historical societies, museums, and private collections—not to speak of the large college collections. Much of it isn't even indexed. I dropped into the Pilgrim Museum in Plymouth about a year ago and talked with the lady in charge of the Archives room. She greeted me with open arms and started to unwrap brown paper parcels tied up with string. The first parcel yielded Day Books and Journals for a General Trader (coincidentally called William Holmes) for a number of years succeeding 1713. The second bundle contained similar records for a shipbuilder and sea trader from 1750. She had no idea how to index the material properly and asked for help. This is not atypical.

I believe the same conditions probably exist in many of the older Eastern states. We should contact all likely sources and find out what is available. Somewhere along the line the information from each state should be collated into a classified master file.

For those further West, do not despair. I am sure there are worthwhile accounting dumps in every state in the Union. Just think of this. Interest and rents have been accrued for a long time, but other prepaid and deferred debits and credits are of comparatively recent origin. The earliest example I have been able to find in an American textbook is in Mayhew's Practical Book-keeping, first published in 1851 out of Michigan. Many of Ira Mayhew's examples in his book are naturally related to farming. In one of his examples he charges the current year with only 1/4 the expense of manuring, "because
the land was permanently enriched, and the benefit will probably be realized in the next three crops to as great an extent as in this. It is hence apparent that but one-fourth of the expense of enriching should be debited to this crop.

I find it entirely apropos that perhaps the first account to be thus deferred in America and "spread" from year to year should be "Manure."

If you live in Michigan read Mayhew and be proud of him.

Good digging!—and "Carpe Diem!"

(Vol. 3, No. 3, pp. 1, 5, 1976)

If a man doesn't know what port he is headed for no wind is favorable to him.

—Seneca

A PERSPECTIVE ON THE MEASUREMENT OF EARNINGS AND FASB POLICYMAKING

An issue in the measurement of earnings is: Should the determination of financial position—that is, the measurement of assets and liabilities—determine income? That can be called a balance sheet or asset and liability perspective. Or should the measurement of income—that is, the process of matching costs and revenues—determine the balances that are necessarily carried forward in the balance sheet? That can be called an income statement or revenue and expense perspective. In stating the issue in that way, it is extremely important to recognize that the issue is not whether the balance sheet or income statement is the more important statement to users. The question of statement importance is not relevant to the debate. Rather the issue is whether the focus of income determination should be based on a systematic matching of costs and revenues or on a measurement of the change in net assets. According to the income statement approach, matching costs and revenues is the center of attention in accounting, and the identification of assets and liabilities is partly dependent on the matching process. If it becomes necessary to defer certain items to avoid "distorting" income, then it is generally sanctioned by that perspective. Under the balance sheet perspective, the focus is on the measurement of assets and liabilities; revenues and expenses are dependent on those measurements.¹

At a policymaking level, critical questions in the resolution of specific accounting issues may vary depending on which perspective is preeminent. For example, under an asset and liability perspective, questions of priority include:

Is the item (under discussion) an asset?
Is an asset impaired?
Is a liability incurred?

Under a revenue and expense perspective, questions such as the following are important:

Is revenue realized?
Is the cost appropriately related to revenue of the period? (Or when does the cost become an expense?)

A major difference between the two perspectives concerns the attitude of each towards income smoothing. The revenue and expense perspective, with emphasis on matching costs and revenues, lends itself more readily to spreading or deferral methods of accounting which may be achieved and rationalized more easily under the guise that they achieve "proper matching" and prevent distortion of income. On the other hand, the asset and liability perspective, with its focus on the measurement of the change in net assets, makes it more difficult to rationalize spreading or deferral methods of accounting.

The asset and liability perspective is generally implicit in the conclusions reached by the Financial Accounting Standards Board (FASB) in Accounting for Research and Development Costs (FASB Statement No. 2), Accounting for Contingencies (FASB Statement No. 5), Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements (FASB Statement No. 8), and Accounting for Certain Marketable Securities (FASB Statement No. 12). In each of those Statements, the primary focus is on the measurement of assets and/or liabilities; matching costs and revenues is de-emphasized. Also, a common thread running through Statements Nos. 2, 5, and 8 is that "the Board rejected the implication that a function of accounting is to minimize the reporting of fluctuations." The Board deviated slightly from the asset and liability perspective in its conclusions on accounting for marketable securities. In that situation, it concluded that "a decline in market value below cost should in all cases be reflected in the balance sheet and when such securities are classified as current assets, the decline in market value below cost should enter into the determination of net income." However, changes in the carrying amount of noncurrent marketable securities are to be reflected in the equity section of the balance sheet rather than included in income.

The Board's asset and liability perspective to the measurement of earnings has brought rather strong reactions from the business community. The conclusions reached in FASB Statement Nos. 5, 8, and 12, were, in effect, recently reaffirmed by the Board when it considered requests to reopen the deliberations on those Statements and concluded that at present there was no basis for such action.

Whether the FASB can continue to resist the pressures opposing its perspective on the measurement of earnings remains to be seen.
Certainly, at this point in its life, the FASB may be viewed as meeting the charge it was given to be a "bold and exciting new concept in self-regulation by the private sector."

FOOTNOTES


3Statement of Financial Accounting Standards No. 12, "Accounting for Certain Marketable Securities," December 1975, paras. 29(b) and 30.

4"Focus on Balance Sheet Reform, Business Week, June 7, 1976, pp. 52-60.


(Vol. 3, No. 3, p. 3, 1976)
Recent years have witnessed the emergence of numerous treatises on the relative merits of human resource accounting. While the unprecedented pervasiveness of human resource literature suggests that the topic is new to our era, the debate itself is by no means novel. Indeed, the concept of human resource accounting is deeply rooted in the history of economic thought.

To provide a desirable perspective of the current debate and thus a basis for an accurate assessment of the probable impact of human resource accounting, a familiarity with the development of the concept is necessary. The intent of this article is to trace the historical evolution of human resource accounting to its present stage of development. Its purpose is to impart the perspective essential to a thorough understanding of the pros and cons of human resource accounting systems.

**Human Capital In Early Economic Thought**

Throughout history economists have been concerned with the concept of human capital, but their treatment was limited to including human beings and their skills in a definition of capital.

Several motives for treating human beings as capital and valuing them in monetary terms were expounded. Of these a central motive is apparent—to serve as a basis for making a decision or to influence the decisions of others.

Meanwhile, a small group of relatively unknown economists undertook to develop techniques to measure the worth of human capital. Basically, two methods of estimating the value of human beings emerged—(i) the cost-of-production and (ii) the capitalized earnings procedures.

In the cost-of-production approach costs incurred in "producing" a human asset are estimated. The capitalized earnings procedure...
consists of estimating the present value of an individual’s future income stream. As described below, these two early approaches parallel closely the two basic approaches to human resource accounting currently advocated in the current literature.

**Early Valuation Methods**

Specific methods of human asset valuation, while consistent with one of the two general approaches, varied widely from one advocate to another. One of the first attempts to estimate the money value of human beings was made around 1691 by Sir William Petty [10]. Petty considered labor the “father of wealth” and thus felt that labor must be included in any estimate of national wealth. Accordingly, this first attempt at human asset valuation estimated the value of the stock of human capital by capitalizing the wage bill in perpetuity at the market interest rate; the wage bill being determined by deducting property income from national income.

The first truly scientific procedure for finding the money value of human beings was devised in 1853 by Farr [4]. He advocated the substitution of a property tax for the existing English income tax system. The former would include property consisting of the capitalized value of earning capacity. His procedure for estimating capitalized earning capacity was to calculate the present value of an individual’s net future earnings.

Ernst Engel’s writings around 1883 recommended a cost-of-production procedure for estimating the monetary value of human beings [3]. He reasoned that expenditures for rearing children were costs to their parents and that this cost might be estimated and taken as a measure of their monetary value.

In 1867, a “composite” version reflecting Farr’s capitalized earnings and anticipating Engel’s cost-of-production approach surfaced when Wittstein argued that an individual’s lifetime earnings are equal to his lifetime maintenance cost plus education [19].

Alfred Marshall was perhaps the most forceful proponent of the concept of human assets [14]. His theoretical approach took on a capitalized-net-earnings flavor. However, departing from his conceptual arguments, Marshall held that it would be out of touch with the marketplace to treat humans as capital in practical analysis.

**Human Resources As Consumption Expenditures**

Marshall’s view of human capital as being “unrealistic” was perhaps a major contribution to the virtual exclusion of the concept
of human resources from the main stream of economic thought from
the beginning of the twentieth century to the recent renewal of in-
terest. Marshall's view, if not a causal factor, is certainly descrip-
tive of the general view that it was neither appropriate nor practical
to apply the concept of capital to human beings.

Besides this accepted assessment, various other reasons prob-
ably help explain the exclusion of humans from the concept of eco-
nomic capital. Generally, the mere thought of investments in hu-
mans was offensive to most people. Additionally, it has been all
too convenient in marginal productivity analysis for economists to
treat labor as if it were a unique bundle of innate abilities that are
wholly free of capital.

These reasons were probably sufficient to exclude human capital
from the core of economic thought for several decades. Expendi-
tures for humans were viewed as "consumption," in economic jarg-
on, rather than as "investments." This treatment by economists
had a significant impact upon the treatment accorded human re-
source expenditures by accountants.

Several of the underlying concepts of modern accounting theory
are derived from classical economic theory and many of these ma-
tured during the period in which human capital was excluded from
practical consideration by economists. Because of the close con-
ceptual relationship between early accounting and economics, ac-
counting theorists ignored human assets as the concept was simul-
taneously ignored in economic analysis.² When economists began
to treat investments in human resources as "consumption" rather
than "investments," accountants established that these expendi-
tures were "expense" rather than "assets."

Renewed Interest in Labor Intensive-Specialized Economy

The advent of massive governmentally supported social programs
in the decade of the 1960's rekindled the interest of economists in
human assets. Particularly, economists sought to influence the di-
rection of the massive investment in these social programs. They
sought to evaluate these programs in terms of return on investment.
This desire led to the necessity of thinking of such expenditures as
capital rather than consumption expenditures.

Increasingly massive investments by industry in human assets
have been cited as compounding the impact of the error of exclud-
ing human assets from capital [17]. The large increases in real
earnings of workers, essentially unexplained by classical analysis,
can reasonably be attributed to return on investment in humans.
Moreover, Mincer has demonstrated the causal relationship between amount of training and interoccupational differentials in personal income [15].

The contribution of labor toward the growth rate of real national income is increasing as a percentage while the percentage contributed by physical capital is decreasing. Labor's increasing marginal product can be attributed in part to expenditures for training. Research by Thurow directed attention toward the existence of human capital resulting from investments in training programs [18].

The Beginning of Human Resource Accounting

The revival of interest by economists in the topic of human capital was accompanied by, or perhaps caused, an examination of the concept of human resource accounting by accounting theorists. Until then, accountants had considered the problem of valuing human resources to be part of the larger problem of valuing goodwill.

The recent research in this area attempts to distinguish economic values attributable to the human resources of a firm from the values attributable to other components of goodwill. These projects and limited implementation of research results is subsumed under the title of human resource accounting.

Research in human resource accounting reflects the two routes evidenced in contemporary accounting theory. One segment of the research is directed toward the investigation of concepts for the measurement of human resource costs: original cost, replacement cost, and opportunity cost. Another segment investigates the determinants of the value of human resources of employees as a group or of individual employees. This branching of current research in human resource accounting closely parallels the "cost-of-production" and "capitalized earnings" measurement approaches taken by early economists many decades ago.

Attempts to measure human resource cost have resulted in the development of three different concepts and measurement models. The first of these measurement concepts, original cost, is illustrated in the works of Brummet, Flamholtz, and Pyle who individually and collectively have developed concepts, models, and techniques for measuring the historical cost of human resources [1]. Concern has been expressed over the historical cost concept—namely, that the real economic value of the investment may be significantly different than its cost [15].

The model of Brummet, et. al. is a generalized model which can be extended to incorporate replacement costs. Other researchers
have developed models for the measurement of human resource replacement cost [6]. The end result of the operation of such models is a measure of the cost to replace individuals occupying organizational position.

Perceived deficiencies in the replacement cost approach to measurements led others to develop the concept of opportunity cost to value human resources. Hekimian and Jones, for example, have suggested a system of competitive bidding to obtain managerial assessments of opportunity cost of human assets. Like the other measurement concepts, opportunity cost measurement has its critics as well [8].

Essentially, the suggestions to value human assets at historical or original cost are accounting adaptations of the “cost of production” techniques developed by Engels in 1883 and suggested by Shultz in 1960. Proposals to obtain replacement or opportunity cost measures parallel the current conceptual debate in accounting theory to find an acceptable alternate to historical cost.

While one segment of accounting research in human resource accounting has been directed toward measurement concepts, another is directed toward the investigation of the determinants of the value of human assets. The development of this theory is proceeding from two different approaches.

Growing out of the studies on organization and leadership at the University of Michigan’s Institute for Social Research, Likert [13] and others have attempted to develop a model of determinants of a group’s value to an organization. Hermanson proposed two possible techniques for the monetary valuation of the total human assets of a firm [7]. Additionally, Brummet, Flamholtz, and Pyle [1] as well as Lev and Schwartz [12] have suggested methods to arrive at the value of employees as a group. In a different approach, Flamholtz has attempted to develop a model of the determinants of an individual’s value to a firm [5].

With the exception of Likert’s model, the methods proposed for determining the value of employees or groups of employees to an organization are similar in principle to the proposal of the economist William Farr. At the core of the proposals is the realization that the value of people to an organization is the present worth of the future services they are expected to render—the “capitalized earnings” approach.

Likert’s model per se is not intended to measure the value of human resources, but the efficiency of various types of management systems. Likert, Flamholtz, Pyle, and Brummet have suggested that
measurement of the present state of the causal and intervening variables would provide a basis to forecast future end-result variables. The forecasted end-result variables would serve as a basis to forecast future contributions by employees. This would serve as a basis to value human resources.

Hermanson's suggested methods attempt to provide protection against manipulation by management. The proposals utilize capitalized current excess earnings or modified future employee earnings as a measure of human capital. In both proposals the impact of the economic concept of value is apparent.

The proposal of Lev and Schwartz to capitalize future compensation is an adaptation directly comparable to that of William Farr. Flamholtz's suggestion for the valuation of an individual utilizes a series of capitalizations corresponding to the service states the individual is expected to occupy.

**Summary**

The recent interest in human resource accounting represents a renewal of a long, though frequently dormant, debate rather than a novel dispute. Reservations by economists concerning the treatment of humans as assets as being immoral or at least impractical relegated the topic to a dormant position for many years. These reservations expressed in neo-classical economics will likely continue to help confine the effects of human resource accounting to internal rather than external reporting purposes.

**FOOTNOTES**

1 This reasoning assumes a rational choice on the part of parents to incur the child-rearing expenses and thus could be described as a "planned-parenthood" approach.

2 The influence of early economics is, of course, not the only reason accounting has chosen not to capitalize human resources.

**REFERENCES**


Spiceland and Zaunbrecher: Human Resource Accounting


(Vol. 3, No. 4, pp. 1, 9, 1976)
SUMMARY REPORT OF THE COMMITTEE ON GOALS AND OBJECTIVES

(Based on the meeting of the Committee in Atlanta, Georgia on August 21, 1976)

The Committee, appointed by President Roberts, had its first meeting in Atlanta for 2½ hours on Saturday morning, August 21. The following members were present: Richard Homburger, Konrad Kubin, Murray Wells, Gary John Previs, Hanns-Martin Schoenfeld, Robert Raymond, Williard Stone, Charles Lamden and Hugh Hughes.

Several other members of the Committee sent their regrets in not being able to attend the meeting and stated that they would be happy to respond to inquiries and challenges.

A lengthy discussion was held on the following agenda topics, which topics had been circulated to the members of the Committee a short time before the meeting in Atlanta. Other topics will undoubtedly be submitted to the Committee by members of the Academy in the months ahead.

(1) The Committee discussed at length an appraisal of the activities and accomplishments in the past three years of the Academy. The editor of the newsletter was commended most generously for his enormous effort and dedication to the task of bringing out the quarterly newsletter in the past. There was high expression of praise for the quality and size of the newsletter. It was suggested that when the journal of the Academy is available for distribution, perhaps every six months, that the newsletter be issued in alternate quarters, so that the membership would receive at least one item regularly every three months. The newsletter is all too valuable an item to drop from the activities of the Academy. Expression of much praise was also made regarding the working paper series. These have already attained international reputation and there are many calls by scholars and students of accounting history for the valuable resource background available in the working papers. It was urged that the working paper series be continued. One sug-
gestion was that the newsletter contain a clip-out which could be used by members of the Academy to order working papers. Another suggestion was that a digest of the working papers be printed in the newsletter so as to give the authors and the topics more exposure. The author of the working paper could be requested to furnish a short digest for this purpose. Still another suggestion was that the Academy, if it proves feasible, could bind the previous working papers into perhaps two or more volumes and offer to sell these to libraries throughout the world, or to other purchasers. It was thought that many libraries do not like to have items of working paper nature for their permanent collection, unless they are bound. This might furnish a small addition to the financial resources of the Academy, if a price were put on the bound volumes to cover more than the actual out-of-pocket expense. There are perhaps 1,000 libraries in the world that should have complete sets of the working papers in their permanent collections. The Committee recognizes that this suggestion would involve considerable clerical work but all of this could be covered in the price charged for the bound volumes. The Committee expressed high regard for the first monograph just issued and urged that additional items of this type be published in the future as financial resources are available. The editor-authors of the first monograph were commended highly for their effort and their success in digesting an enormous range of material for the first monograph. There should be a sizable market for the first monograph, from students of accounting throughout the English-speaking world, since it is unique in its coverage and usefulness. The last item under this agenda item, namely the Second World Congress, was also appraised most highly and expressions of commendation and congratulations were presented to the officers and committees who had responsibility for developing the program, the financial arrangements, and other matters associated with the Second World Congress.

(2) The second topic was concerned with relationships and cooperation with other organizations. It was noted that a number of countries now have what might be called "national groups" and this development was highly favored and gives even more justification for the formation of the Academy. It was urged that the Academy keep in touch with all of the national groups and that appropriate relationships be encouraged with many countries of the world. Inquiries are regularly received from additional countries that have an interest in accounting history and it was suggested that the Academy could perhaps prepare a short working document
on matters relating to the kinds of activities that could be undertaken by national groups.

(3) The nature and frequency of publications was next discussed and it was urged that the journal be published at least twice a year. The editor of the journal, Professor Stone, told the Committee that he already had in hand a number of manuscripts, and that an editorial board had been created which would meet during the Congress sessions. Also, the papers presented at the Second Congress would be available for publication in the journal during the first year or so. It was noted that the proposed journal would undoubtedly add to the membership interest in the Academy, and also encourage graduate students to devote themselves to accounting history subjects for their theses and dissertations.

(4) The Committee discussed somewhat at length the challenge of obtaining more participation and activity from many members, who have shown highly commendable interest by paying their dues, but who have not been very active in the pursuit of accounting history matters. It was noted that the membership interest is commendable, but every member should have some pursuit of a historical matter underway, in his or her own style and with his or her own diligence. It was suggested that in the early future a statement might be contained in the newsletter, or journal, regarding topics that have promise, or subsequent areas which could be investigated by the rank and file members of the Academy. Many suggestions were forthcoming from the sessions of the Congress, of course, in connection with this objective. If all of these suggestions were detailed, this particular item would take care of itself. Still another suggestion was that the faculty members of the Academy should be urging accounting history propositions in their courses in colleges and universities throughout the world. There can even be many more courses on accounting history in order to give this encouragement. Even though a university or college does not have a course in accounting history, there are many opportunities for instructors and professors to urge that their students undertake investigations in accounting history, and at a later date in the careers of the students, that they should join the Academy. In this connection, it was mentioned that the Academy officers and trustees might even consider having a "student membership" of some type in the near future.

(5) The Committee then discussed the effectiveness of the range of committees of the Academy during the past three years. It was concluded that the committees had, under the circumstances, and in
view of the newness of the organization, done many commendable things and had accomplished much. One suggestion was presented that the Vice Presidents of the Academy should have formal supervision of certain committees in order to keep interest alive and reports coming out. It was also suggested that the officers consider having what might be called “a committee day” in connection with the annual meeting of the Academy. It was suggested finally that the President of the Academy should continue to make all of the committee appointments.

(6) The role of the trustees was explored extensively. It was suggested that the honor of appointment to the trustees should be stressed. It was further suggested that the trustees could be used in the future for fund raising. Also, the trustees need to have a chairman. A statement of the responsibility of the trustees might be well prepared in the next few months, relating to the policy making aspects of the Board of Trustees. In summary, it was felt by the Committee that the trustees could assist most helpfully and materially in the accomplishments of the Academy in the future.

(7) The “operating effectiveness” of the entire Academy was next discussed. No one on the Committee has the present thinking that the Academy needs what might be called “a central office,” with a secretariat and so on. On the other hand, there should be a place on a continuing basis which would be available for correspondence and inquiries which are coming in by the dozens each year. For the intermediate future, it was suggested that the mailing address of the Academy at University, Alabama 35486, be continued for this valuable purpose. Students and interested persons throughout the world are now hearing about the Academy and some place should be available for inquiries of this type. Past President Previts indicated that he would be glad to continue to serve the Academy in this role if the Academy should desire.

(8) Various approaches to possible fund raising were then taken up by the Committee. It was commented that in view of the three-year life of the Academy that an amazing amount had been already raised for various purposes. Past President Previts announced for example that $10,000 had been generously donated by the Arthur Andersen Foundation for a reprint series, over a five-year period, with $2,000 each year. Two volumes are already in more than the planning stage in connection with this most enthusiastically received gift. It was also noted that the raising of the financial resources for the Second World Congress had brought forward many generous donations. The Committee urged that foundations and firms be approached for accounting history projects in the future, and that the
trustees, as noted above, could be used for this purpose and influence. The Committee did not undertake any exhaustive discussion of the dues structure of the Academy. It was recalled that the dues started off at $5 per year, and were soon raised to $10 per year. No expression was made by any member of the Committee regarding any future increase. Several members of the Committee expressed the high desirability, if not necessity, of the Academy maintaining its tax exempt status under the IRS, so that contributions to the work of the Committee could be deducted by donors. Obviously, this has been an added attraction to get contributions during the past three years.

(9) The Committee devoted a modest amount of time to discussing the enlargement of the membership of the Academy, from a general perspective. It was noted that the Academy now has members in many countries of the world, but that there are plenty of opportunities for additional members from other countries as well as North America. One obvious suggestion is that there be a membership committee in other countries to promote an enlargement of membership. Further, there could well be membership committees in the various regions of the United States, to encourage membership in the Academy on the part of professors and practitioners and government officials, as well as other accountants in general. Past President Previts noted that a promotion for membership additions was conducted during the past several months and that some 75 additional members had been secured through this effort. On the other hand, there are several hundred additional potential members from both North America and other continents, who could profit from the activities and participation in the affairs of the Academy. One matter discussed under this general topic was the problem of getting members from certain countries of the world, which have exchange restrictions. The officers of the Academy were urged to look into this handicap and try to find some way of reducing or overcoming it. The Academy is not unique of course in this particular problem. However, since accounting history knows no national restrictions, it does seem that anyone in the world who wishes to participate and join the Academy should find it possible to do so.

(10) Much discussion was conducted on the general proposition that a Third World Congress should be actively contemplated, to be held somewhere between three and five years hence. A good number of thoughts were expressed on this proposition and it was enthusiastically urged that the officers soon contact, perhaps through a special committee, several countries that have indicated a very
keen enthusiasm for hosting and sponsoring the Third World Congress. During the course of the Congress in Atlanta, several expressions of possible interest were obtained from at least three countries.

Respectfully submitted,
S. Paul Garner, Chairman

(Vol. 3, No. 4, pp. 2, 7, 1976)
A SHORT HISTORY OF THE ECONOMIC DEVELOPMENT AND ACCOUNTING TREATMENT OF PENSION PLANS

Pension plans have recently received considerable publicity in financial and accounting periodicals, and in general circulation magazines and newspapers. Comments about Social Security and the taxation of private pension plans, as well as comments on accounting for the cost of pensions, have appeared on a regular basis. Considering this frequent discussion about pension plans, one might wonder about the economic conditions which have laid the groundwork for the current interest in pensions. The purpose of this paper is to provide a short history of the economic conditions which have led to the development and expansion of pension plans. Accounting for the cost of pension plans is also considered from a historical perspective.

Providing for Old Age Before the Industrial Revolution

Before the Industrial Revolution, most people provided for old age through their own initiative. Agriculture was the main occupation. If a person's health was good, he continued to work until he died. If he became incapacitated, his children provided for him. If there was need for aid outside the family unit, the Church was the provider of the last resort. Public aid to the needy aged did not become generally available until the sixteenth century when the first English Poor Law was enacted. Under the Poor Law, the old age poor were granted limited help but only when there were no relatives capable of providing support.

Economic Changes Caused by the Industrial Revolution

The Industrial Revolution changed employment opportunities available to workers. The demand for agricultural workers lessened; thus, an increasing supply of laborers became available for industrial positions. The occupational shift away from agriculture caused
a movement of population from rural to urban areas. This population movement brought changes in the basic family structure. Children, searching for employment opportunities, moved from their parent's home and were no longer available to care for them during old age.

In many instances, the new industrial workers could not depend on their own efforts to provide them with an acceptable income. Continued employment often depended on market forces over which they had no control. Saving for retirement was almost an impossibility. Government intervention in the economic process would have been one way of increasing old age security but such intervention was vigorously opposed by economists.

**Economic Thought During the Late Eighteenth and Nineteenth Centuries**

The dominant economic thought during the late eighteenth and nineteenth centuries was the concept of the self-regulating market. This concept advocated a *laissez-faire* policy for government. Adam Smith, one of the first economists to support *laissez-faire*, stated that "every man, as long as he does not violate the laws of justice, is left perfectly free to pursue his own interest his own way, and to bring both his industry and capital into competition with those of any other man, or group of men. The sovereign is completely discharged from a duty . . . of superintending the industry of private people. . . ."

David Ricardo, another prominent economist during this period, developed an economic model of a self-regulating market which became the norm for governmental policy in the nineteenth century. Within this model, there was the assumption that economic growth would eventually deteriorate into a stationary state with an accompanying decline in the rate of profits. The law of diminishing returns was inevitable. There was little room in this model for government or business to adopt long range programs to improve the economic security of the aged.

**Increasing Worker Unrest During the Second Half of the Nineteenth Century**

During the second half of the nineteenth century, the continuing movement of people from rural to urban areas accentuated economic problems. There was a growing sense of concern that the number of workers living in poverty was increasing while at the
same time the society in which they were living was getting wealthier. Better communication between workers about their impoverished state led to worker unrest. This unrest helped workers gain political power. Most national governments responded to the increasing political power of workers by enacting various forms of social legislation including old age pensions.

**Public Pensions in Germany, England, and the United States**

In 1889, Germany became the first country to adopt a comprehensive plan of public pensions. Otto von Bismarck, the German Chancellor, favored pensions and other social reforms for political rather than social reasons. Bismarck was concerned with the growing popularity of socialism. In a message to the Reichstag, Bismarck stated that "I will consider it a great advantage when we have 700,000 small pensioners drawing their annuities from the state, especially if they belong to those classes who otherwise do not have much to lose by an upheaval and erroneously believe they can actually gain by it."2

In England, a system of public pensions was adopted in 1908 following a period of tremendous social concern about the increasing number of people living in poverty. Some of the social concern during this period resulted in violence. A historian notes that "in the Trafalgar Square riot of February 8, 1886, the old humanitarianism died in a spasm of terror. The poor were no longer to be pitied and to be helped from Christian generosity. They were a menace to be bought off."3

At the start of the twentieth century, many Americans regarded poverty as being due to the weakness of poverty-afflicted individuals rather than to weaknesses in the economic system. Because of this prevailing attitude, the only public pensions in America up until 1935 were state pensions of very limited amounts.

During the 1930’s, the depression caused widespread poverty and lessened confidence in the American economic system. The collapse of financial markets, the closing of banks, and mass unemployment convinced many Americans that it was possible for a person to be poor through no fault of his own. This change in national attitude during the 1930’s resulted in many social reforms including the enactment of the Social Security Act in 1935.

**Private Pensions in the United States**

In 1875, the American Express Company became one of the first American companies to adopt a formal pension plan. By 1900, ap-
proximately five to seven more companies introduced formal plans. Some companies during this period had informal pension programs where payments were made at the discretion of the company owners. These payments, however, were usually looked upon as gifts to retired workers rather than required pension expenditures since they could be adjusted or discontinued at anytime. Approximately 250 additional companies established formal pension plans between 1900 and 1925. Thereafter, the number of companies with formal plans expanded considerably.

Before 1900, most companies did not have pension plans since it was assumed that a company could not pay for a pension plan and remain competitive. Several reasons given for increased employer interest in formal pension plans after 1900 were (1) employers became more humanitarian and wanted to improve the living conditions of their workers; (2) employers learned that workers who do not have to worry about financial problems of old age are more productive workers and develop more loyalty to the firm; and (3) some employers started pension plans to lessen the impact of labor unions which were attempting to organize their workers. Pension plans also made it possible to retire older workers when their efficiency declined rather than letting them continue to work or firing them. Retirements also opened up promotion lanes for younger workers and increased their incentive to succeed.

**Continuing Growth of Public and Private Pension Plans**

Public pension programs are viewed by most economists as a necessity in wage societies. Without some old age income security program, social peace would be threatened. All of the industrialized countries in the world currently have public pension programs.

Many large and small companies in the United States and elsewhere now also have private pension plans for their employees. Most people no longer view private pension benefits as gifts from employers to employees but rather as deferred wages earned by an employee during his working years and payable to him after he retires.

**Accounting Treatment of Pension Plans**

Before 1900, many companies did not retire older workers but retained them on their payroll until they became disabled or died. The wages paid to the older workers were considered as compensation expense even though the productivity of the older workers
may have been much less than that of younger workers. Any informal payments to persons after they were no longer capable of working were not considered as an expense of doing business unless the payments were contractual or compulsory in nature. It was assumed that labor had already received its subsistence. Any additional distribution to labor such as an old age pension which was not contractual was a share in profits given to labor. With the advent of the federal income tax in 1916, pension payments became allowable deductions for tax purposes; the deductible amount usually being the amount of pension payments made during the year.

During the early to mid-1900's, most companies with pension plans accounted for pension costs on either a pay-as-you-go basis or on a funding basis. Under the pay-as-you-go method, pension payments to retired workers were recognized as expense when the payments were made. No accounting recognition was given to the expense during the years when the pension benefits were being accumulated. Under the funding method, the yearly amount paid to a pension trust or other funding agency was considered to be the pension expense for the period. Use of either of these two methods of determining pension expense was considered to be sound policy since most companies reserved the right to cancel their pension plan at any time and, thereby, eliminate any additional pension liability. If a company made a payment to a pension trust to partially or fully fund past service costs (pension cost assigned to years prior to the inception of a pension plan) the payment could either be considered as a current operating expense or as a charge against retained earnings. There was a diversity of opinion in this respect.

In November 1948, the American Institute of Accountants (now the American Institute of Certified Public Accountants) issued Accounting Research Bulletin No. 36 to help tighten accounting practices in the pension area. The Bulletin, entitled “Pension Plans—Accounting for Annuity Costs Based on Past Services,” stated that past service costs should not be charged to retained earnings but should be allocated to expense over current and future periods. The rationale for this approach was that companies adopt pension plans to achieve present and future benefits, therefore all pension costs should be allocated to present and future periods.

In September 1956, another Accounting Research Bulletin (No. 7) was issued which dealt with accounting for the cost of pensions. The ideal position as stated in the bulletin was that the accrual of costs under a pension plan should not necessarily be dependent on
the funding arrangements provided for in the plan or be governed by a strict legal interpretation of the obligations under the plan. Costs based on current and future services should be systematically accrued during the expected period of active service of the covered employees. Costs based on past services should be charged off over some reasonable future period. Since many companies were not adhering to this ideal position at the time the bulletin was issued, it was recommended in the bulletin that pension expense, as a minimum, should equal the present worth of pension commitments to employees to the extent that the rights have vested (benefits that are not contingent on the employee's continuing in the service of the employer) reduced by any accumulated pension funds.

A third statement on accounting for the cost of pension plans was issued in November 1966 when the Accounting Principles Board released Opinion No. 8. This opinion considered the pay-as-you-go basis of accounting for pension costs as unacceptable and again stated that pension expense in any one year should not necessarily be dependent on the funding arrangements provided for in the plan. The opinion also defined minimum and maximum limitations on the amount of pension expense that can be recognized in any one year. The opinion was, however, somewhat transitional in nature and the topic of accounting for the cost of pension plans is again being reviewed by the Financial Accounting Standards Board.

**Conclusion**

A review of history indicates that changing economic conditions have necessitated the development and expansion of pension plans. Today, pensions have become an integral part of our economic system. Recent publicity given to changes in public and private pensions indicates the importance of pensions in our daily lives.

Accounting for pension costs has also followed an evolutionary path from a highly flexible beginning to a more narrowly defined present. Chances are that the future will hold even more uniformity in accounting for pension costs.

**FOOTNOTES**


(Vol. 3, No. 4, pp. 3, 7, 10, 1976)
EDWARD P. MOXEY, JR.

By Adolph Matz

The Wharton School, University of Pennsylvania (Emeritus)

Edward P. Moxey, Jr., was the first Chairman of the Accounting Department of the Wharton School. He was one of the thirty-seven accountants who met in Buffalo, New York, in October, 1919 to organize the National Association of Cost Accountants (NACA), now known as the National Association of Accountants (NAA). For the first three years of its existence he served on the National Board of Directors. He was also the prime influence in the founding of the Philadelphia Chapter of the NACA in 1920 and served as its president from 1928-1930. During the years 1929-1931 he served as chairman of the Philadelphia Chapter of the Pennsylvania Institute of Certified Public Accountants. Other memberships included the American Society of Certified Public Accountants as well as the National Panel of Arbitrators of the American Arbitration Association. As an enthusiastic golfer Dr. Moxey was a life-long member of the Cedarbrook Country Club. He was a Presbyterian and frequently taught the Men’s Bible Class at the Mount Airy Presbyterian Church of Philadelphia.

Professor Moxey was born in Philadelphia on October 2, 1881, interestingly enough in the same year in which Joseph H. Wharton, Philadelphia businessman and ironmaker, made his first gift to the University of Pennsylvania, laying the foundation for the Accounting Department of the Wharton School. Joseph H. Wharton’s agreement with the University contained the statement that “one Professor or Instructor of Accounting or Bookkeeping, to teach the simplest and most practical forms of bookkeeping for housekeepers, for private individuals, for commercial and banking firms, for manufacturing establishments, and for banks; also the modes of keeping accounts by executors, trustees, and assignees, by the officials of towns and cities, as well as by the several departments of a State or National Government; also the routine of business between a bank and a customer.” Mr. Wharton’s concern for good accounting would be stressed in every subsequent gift made to the University. At one time he emphasized “the necessity of system and accuracy in accounts, of thoroughness in whatever is undertaken, and of strict
fidelity in trusts." And he demanded that "the science of account-
ing and the art of bookkeeping are to be more regularly and thor-
oughly than heretofore taught at the School."

Although Accounting was one of the first subjects taught in the
newly organized Wharton School, almost twenty years passed be-
fore a separate Accounting Department and faculty was created with
Dr. Edward P. Moxey, Jr. as its first chairman. He served in that
capacity until 1937, continuing his teaching at Wharton until his un-
timely death in 1943.

Dr. Moxey was graduated from Germantown Friends School in
1900 and from the University of Pennsylvania in 1904 with a Bach-
elor of Science Degree in Economics. During Moxey's undergradu-
ate days three accounting courses were listed in the College cata-
logue under the "Business Law and Practice" group. In 1900 a
young Instructor in Business Practice by the name of Edward S.
Mead, (the father of Dr. Margaret Mead, world-famous anthropolo-
gist) took over the Accounting work and taught two courses: "Book-
keeping and Office Methods" and "Corporation Accounting"; both
courses appeared as "Economics 201," and "Economics 206," in the
catalogue. In 1903, Thomas Warner Mitchell, an Assistant in Eco-
nomics, was added to the instructional staff of the Wharton School
for the express purpose of teaching courses in "Elementary Ac-
counting" and "Advanced Corporation Accounting." Dr. Mitchell, a
1900 graduate of the University of Washington, received his doctor's
degree from the University of Pennsylvania in 1905. In his second
year of teaching (1904) Dr. Mitchell was given the title of Instructor
of Accounting and a new teacher was added as his assistant, Ed-
ward P. Moxey, Jr. Therewith began his teaching career of 39 years.

During the 1904-1905 school year the Wharton School was sep-
arated from the College under the Directorship of James T. Young,
whose textbooks on political science and government were widely
used in the early years of this century. However, it was not until
1912 that the Wharton School gained complete autonomy as a sep-
are undergraduate school of the University with its own dean and
faculty.

In the same 1904-1905 session the Evening School of Accounts
and Finance was organized with Accounting as one of its first sub-
jects to be offered. In those years as well as in all other years,
practitioners in the field of accounting were added as Special Lec-
turers, among them Robert H. Montgomery of Lybrand, Ross Bros.,
and Montgomery, Certified Public Accountants.
In the University year 1905-1906 three regular Accounting courses were offered in the Wharton School: "Elementary Accounting," "Accounting Systems," and "C.P.A. Problems." All three courses were taught by Edward P. Moxey, Jr., assisted by Walter K. Hardt, who had been graduated from the Wharton School the previous year. After Ed Moxey began his teaching duties, he continued his education as a graduate student, earning a master's and, in 1909, the Doctor of Philosophy degree. In addition to his teaching and studies, Dr. Moxey completed the preparation for the practice of public accounting by passing the C.P.A. examination and receiving the C.P.A. certificate from the Commonwealth of Pennsylvania in 1907. Dr. Moxey was duly elected to Beta Gamma Sigma, the honorary scholastic fraternity for collegiate schools of business.

Dr. Moxey was also associated with his father, Edward P. Moxey, Sr. as partner in the practice of public accounting. At age 15, his father, unable to continue his education at that time, started to work as an office boy for the Philadelphia banking house of Glendenning, Davis & Co. During this employment he, together with other young men, including his boyhood friend, Edward T. Stotesbury, took courses of study under the personal instruction of Thomas M. Peirce who in the 1870's had established a business school for evening instruction in commercial subjects. This school, still in existence today, has been teaching, as then, many prominent Philadelphians the rudiments of business and accounting. Moxey, Sr., as a banker, broker, businessman and later a Certified Public Accountant possessed a natural and almost uncanny aptitude for figures and their relationship one to the other. As an example, the expression "Refer it to Moxey" became a common by-word among his fellow bankers and brokers whenever any matter relating to a financial statement required a sound and quick decision.

This aptitude for figures and love for the English language was also a main characteristic of his son, Edward, Jr. His experiences gained by teaching the "Accounting Systems" course for many years culminated in 1911 in the publication of Accounting Systems, A Description of Systems Appropriate To Different Kinds of Business published in Modern Business Volume X, 468 pages, by the Alexander Hamilton Institute, New York City. The Editor's Preface contains the statement that "the main purpose of this volume is to enable the reader, by numerous concrete illustrations, to get a grasp of the underlying principles of system-building and so to be able to appraise justly any system in operation, to suggest needed improvements, or to create a new system if the old is found inadequate."
The text consists of 24 chapters with quiz questions for each chapter. The topics discussed should be of considerable interest in the light of the phases treated in today's accounting courses: Installation of Accounting Systems; Business and Accounting System for a Building and Loan Association (3 chapters); The Insurance Business, Life Insurance and Accounting System of a Life Insurance Company, Fire Insurance Accounting (4 chapters); Bank Accounting (2 chapters); Brewery Accounting (1 chapter); The Department Store and Department Store Accounting (2 chapters); Gas Accounting (2 chapters); Railroad Accounting (3 chapters); Street Railway Accounting (1 chapter); Municipal Accounting (1 chapter); Executor's Work, Estate Bookkeeping System, Entries under the System, Final Accounting (4 chapters). The publication of the accounting systems text and Dr. Moxey's teaching of these subjects were strictly in harmony with Mr. Wharton's stipulations in the original deed. The course [was taught] after World War II; however, the new trends in teaching accounting and the move away from the practical approach led in the early 1950's to the discontinuation of the course. The Accounting Systems course was also taught in the Evening School, since it was a necessary prerequisite to the passing of the State's C.P.A. examination.

A group of Philadelphia accountants, including J. E. Sterrett, whose profile was published in the Spring 1975 issue of The Accounting Historian met in 1897 and discussed the question of trying to secure enactment of a law to provide a standard of qualification for persons entering the profession. To lend prestige to this request the Pennsylvania Association of Public Accountants was founded which counted among its charter members these prominent accountants: John Heins, J. E. Sterrett, William M. Lybrand, Robert H. Montgomery, Adam A. Ross, T. Edward Ross; in 1903, Edward P. Moxey, Sr.; in 1905, Walter A. Staub; and in 1907, Edward P. Moxey, Jr. The name of the Association was changed on October 15, 1900, to the Pennsylvania Institute of Certified Public Accountants and Ed Moxey, Jr. served as Chairman of the Philadelphia Chapter of the Institute from 1929-1931.

The first draft of the proposed bill for the certification of public accountants failed to pass. Upon investigation it was learned that a policy of education would have to be adopted to overcome prejudice and convince legislators of the equity and desirability of setting standards for accountants serving in a public capacity. When the bill was finally passed in 1899, the new Association set about to remedy the lack of accounting education and formal instruction. As
stated in Sterrett’s profile, he, as Chairman of the Committee on Education, organized the Society’s Evening School of Accounts in 1902. Two years later the Wharton School assumed the responsibility for the educational program and ever since, Wharton Evening School has formed the theoretical training ground of many well-known Philadelphia C.P.A.’s.

In 1913 Dr. Moxey wrote and published *Principles of Factory Cost Keeping*, The Ronald Press Company, New York, 91 pages. In the Preface to this cost text he stated that in his belief a cost text is needed because “in many minds the idea exists that the principles of cost accounting are more or less mysterious and vague, and that the subject is one for the expert only to be understood after years of study and experience. This idea is due largely to the lack of a clear and simple presentation of the principles upon which cost accounting rests.” He further points out that “the use of diagrams in illustrating the principles of cost accounting is not new. They were used quite successfully in the early eighties by Garcke and Fells in their book *Factory Accounts, Their Principles and Practice*.

This cost principles text consists of five chapters: Introductory; Accounting for Stores; Accounting for Labor; Accounting for Indirect Expenses; and a Summary. The last paragraph of the Summary points out quite significantly that the “principles of factory accounting are always the same, though their application may vary widely. This must be kept in mind by the accountant and the manufacturer, as the ability to adapt the principles of cost accounting to the requirements of a plant is an important factor in securing its economic handling and in securing therefrom the best results.”

Dr. Moxey was also the author of numerous articles which were published in leading accounting journals and, on a number of occasions, was the principal speaker at meetings of various accounting organizations.

This profile is not complete without mentioning Dr. Moxey’s son, Edward P. Moxey, III, a 1930 Wharton graduate, who has followed his father and grandfather as a third generation C.P.A. In addition to his long association with the Philco Corporation and its successor, the Philco-Ford Corporation, he has taught accounting courses at Temple University for the past thirty years. He was one of the founders of the North Penn Chapter of the NAA of which he is a past president. He is also a member of AICPA and PICPA.

In 1981 when the Wharton School will celebrate its 100th anniversary, the Accounting Department will have the opportunity of proclaiming not only its own importance in the life of the School but...
also that of Edward P. Moxey, Jr. His unusual interest and ability in the accounting field, his successful professional life and his much-admired enthusiasm and wit in the classroom endeared him to practitioners, students and teaching associates. As Professor and Chairman of the Accounting Department he contributed substantially to the high standard of accounting education and of the accounting profession in this country.

(Vol. 3, No. 1, pp. 12, 10, 1976)

JOHN MCDONALD

By Harvey Mann
Concordia University

John McDonald was a founding member of the Montreal Association of Accountants, the oldest professional accounting society in North America. He served this Association as a member of Council from its inception and was its president in 1897 and 1898. He was also the father of the founder of McDonald, Currie and Company, a world-wide firm of professional accountants until 1974 when they affiliated with Coopers and Lybrand, thereby formalizing an association that had extended over many years.

McDonald was born in Tain, County of Ross and Cromarty, also known as Ross Shire, Scotland, in 1841 and came to Canada as a youth of fifteen in 1856. It is interesting to note that Tain, which is only a relatively small village (population 1931—1,383) was also the birthplace of Philip S. Ross, another very well known accountant whose name is carried on in the firm of Touche, Ross and Company. McDonald’s first job on arriving in Canada was with his merchant uncle in Picton, Ontario. It is incidental but revealing of the independence of the youth, that his uncle was his only relative in Canada. Three years later, looking for a wider field of action, McDonald came to Montreal where he entered into business with the firm of Louis S. Black and Company, wholesale dry goods merchants. It wasn’t until 1867 at the age of 26, that McDonald went into the practice of the profession of accounting. Although McDonald may have been familiar with the records of the firms he worked with, it seems quite obvious that his formal training as an accountant could not have been too detailed. This, however, may indicate the relative simplicity of the accountant’s lot about a century ago. However, it is also quite evident that McDonald had a natural talent for the work,
that he had learned his lessons well, and probably most important, he had the appropriate character to suit his chosen profession. During the 1880's and afterwards, he was the auditor of many of the larger companies in Montreal, firms such as Laurentide Pulp Company, Shawinigan Power, Shaw-Cassils, Dominion Cotton, Fritheringham and Workman, and the Montreal Tramways. It also seems that he worked for the Bank of Montreal although there was no legal requirement for an auditor in the Bank Act until 1913.

Some evidence of McDonald's work has come to hand as part of the financial statements of Montreal Cotton Company during the 1880's. These statements for 1884 are hand written as is the audit report which is reproduced below.

Auditor's Report

Montreal, 2 February, 1884

A. F. Gault, Esq.
President
Montreal Cotton Company
Montreal

Dear Sir:

I have examined and audited your Company's books, vouchers and final statement for the year ended 31st December, 1883, and found them correct, complete and in proper order.

I would direct your special attention to the final statement called the "Summary" which shows in a concise and comprehensive manner the specific relations of the different classes of assets to their liabilities, and of the surplus of the assets to the capital and reserve accounts.

Yours truly
John McDonald
Auditor

The Summary referred to in the report is a unique presentation of the balance sheet which provides useful information and understanding to the reader. At the same time, it gives us some insight into the expertise that McDonald brought to his work. Since one of the purposes of examining accounting history is to see whether the past can be useful for the future, it is felt worthwhile to reproduce this statement in full.
The Montreal Cotton Company 31st Dec 1883

**Summary**

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expenditure on property, construction and plant</td>
<td>1,236,465.87</td>
</tr>
<tr>
<td>Less: Liabilities thereon:</td>
<td></td>
</tr>
<tr>
<td>J. Bullough, loan</td>
<td>146,000.00</td>
</tr>
<tr>
<td>C. Parham, Mtge</td>
<td>6,553.22</td>
</tr>
<tr>
<td></td>
<td>152,553.22</td>
</tr>
<tr>
<td>Net total on Property Construction plant</td>
<td>1,083,912.65</td>
</tr>
<tr>
<td>Cloth manufactured and in process and other realizable assets</td>
<td>178,846.76</td>
</tr>
<tr>
<td>Cloth manufactured held against advances</td>
<td>209,640.42</td>
</tr>
<tr>
<td></td>
<td>388,497.18</td>
</tr>
<tr>
<td>Liabilities, Bills Payable, Open accounts, etc.</td>
<td>244,190.50</td>
</tr>
<tr>
<td>do, secured by cloth held as above stated</td>
<td>259,668.23</td>
</tr>
<tr>
<td></td>
<td>503,858.73</td>
</tr>
<tr>
<td>Total deficiency in active assets to meet active liabilities</td>
<td>115,361.55</td>
</tr>
<tr>
<td>Net total surplus of assets over liabilities</td>
<td>968,551.10</td>
</tr>
<tr>
<td>Represented by:</td>
<td></td>
</tr>
<tr>
<td>Capital account paid up</td>
<td>794,200.00</td>
</tr>
<tr>
<td>Surplus a/c as shown in contingent &amp; profit and loss a/c etc.</td>
<td>174,351.10</td>
</tr>
<tr>
<td></td>
<td>968,551.10</td>
</tr>
</tbody>
</table>

Memo

Indirect liabilities

Bills receivable under discount 9,532.54

I. W. Howard
Secy:Treas

Verified
John McDonald
Auditor

Montreal 2 Feb 1884

This Summary can only evoke admiration for its conciseness and clarity. It is possible that McDonald wrote all the statements himself but of greater interest is the definitiveness of both the report and
the Summary. There is no equivocation, only one footnote in the body of the statements referring to bills discounted and there seems to be no reservations as to the correctness of the financial statements. Further, the strength of the signature and the title of Auditor leaves no doubt in the reader's mind that the auditor meant every word he said.

The accountant's lot may have been simpler in those days but it is clear that this auditor felt his responsibility very deeply. This is made evident by a paper McDonald presented in 1898 at the quarterly meeting of the Chartered Accountant Association of Montreal. The paper called "The Sphere and Duties of Public Accountants" explains in somewhat rotund and formal language how an individual became a public accountant, how to prosper in the profession and the duties that had to be performed. To enter the profession all that was required was experience, usually acquired as a clerk in business, plus the desire or necessity to strike out on one's own. However, to build up and hold a clientele the accountant needed (and needs to this day) an "honorable character, good judgment, and mental power" plus "courtesy and sauvity." Insofar as his knowledge was concerned, the accountant had to have "the ability to define incontrovertible facts, and to render, record, and certify them so conclusively that they cannot be successfully assailed." With all the complications and problems facing the profession at this time, even the public accountant of today cannot meet these criteria and at the very least would not be able to be so definitive.

The type of work performed by the accountant in the late 19th century also seems to have had different priorities than what is required today. On the assumption that McDonald listed these duties in order of magnitude, the most important was devising and designing methods of accounting for every variety of business. Furthermore, these methods must be accomplished with the least cost but be able to provide clear and incontrovertible proof of each and every transaction. The second duty was to correct and rectify faulty accounting systems and since the accountant was proficient in "adjusting entries" it followed that he would be able to arbitrate any differences in the old improper accounts. The third duty was the administration of estates both solvent and insolvent. It seems that a large portion of the accountant's work was involved with this type of engagement as many of the advertisements by public accountants around this time emphasized the fact that they were administrators of estates. The fourth function was what is commonly considered the professional accountant's job today, that is, examining...
and reporting upon accounts, including auditing. It is imagined that McDonald was speaking from his own experience in this paper so that the words he uses and the thoughts expressed offer some flavor, description and character of the man.

John McDonald did not revolutionize accounting, nor does his name appear as one of the greats of the profession, but by his demeanor, actions, and strength of character he made his mark on the community and his profession. On his death, on January 4th, 1904, at the age of sixty-three, his funeral was written up in the daily newspapers and attracted all the well known accountants of the day, as well as many other well known citizens. He clearly saw the future of accounting and by his foresight and example, albeit unintentionally, laid the foundations of the profession of today.

John McDonald stands out as one of the unsung men who started accounting onto the road towards being a respected and respectable profession.

The man and his times can probably best be exemplified by a few lines penned by an unknown poet that McDonald quotes in the aforementioned speech:

He either fears his fate too much
Or his desserts are small,
Who dares not put it to the touch
To win or lose it all.

(Vol. 3, No. 2, pp. 8, 3, 1976)

GEORGE SOULÉ
By Vahé Baladouni
University of New Orleans

Educator and author, George Soulé was born in Barrington, Yates County, New York, on May 14, 1834. Of French and German extraction, he was barely four years old when he lost his father. Some years later, his mother remarried and in 1842 the family moved to Illinois where they settled on a farm. In 1853, young Soulé graduated from an academy at Sycamore, Illinois and then went to St. Louis, Missouri where he pursued studies at McDowell’s Medical College and St. Louis Law School. But, finally, he resolved to become a teacher of commercial sciences, and in 1856 was graduated from Jones’ Commercial College in St. Louis.
A Pioneer in Business Education in the South. That same year he went to New Orleans where, discovering the lack of good commercial schools, he founded the Soulé Commercial College and Literary Institute. The school, which he started in a single room, soon prospered and in 1861 it was chartered by the Legislature of Louisiana "with authority to confer degrees and grant diplomas." The outbreak of the Civil War, however, disrupted the educational work he had undertaken. He entered the Confederate army as captain and during the course of the war he was successively promoted to the rank of major and that of lieutenant-colonel.

At the close of the war, he returned to New Orleans and took charge once again of his school. Although the primary objective of his institution was to meet the needs of those who wished to be trained in the management of business affairs, he did not fail to perceive the rising need for a broader range of educational programs. In 1870 he added an "English Grammar School" followed, ten years later, by "Preparatory English and Academic Schools," and in 1884 he inaugurated a "Shorthand School." In the year 1874 he acquired a building to house and operate more efficiently the gradually growing programs. A little over a quarter of a century later, the founder and president of this reputable commercial college of the South moved his institution to new and better facilities. The new college building which was erected in 1903 stood on one of the city's most attractive locations: the beautiful Lafayette Square.

When George Soulé founded his commercial college in 1856, the privately owned and managed business school had barely a thirty-year history behind it. This type of institution was variously called vocational, proprietary, and trade school. One of the many early proprietary schools was established by Benjamin Franklin Foster in Boston in 1827, while others such as Mr. R. Montgomery Bartlett established one of the first proprietary business schools in Philadelphia in 1834. In its earlier stages, the proprietary or independent business school—a peculiarly American institution—taught penmanship, arithmetic, and bookkeeping; later, it added shorthand and typewriting. For many decades the proprietary business school furnished most of the office workers in the country; but with the introduction of business education programs into the public high schools, the independent business school faced a serious challenge. To meet the competition, the better business schools not only upgraded their technical programs, but they also broadened the range of their programs to include general education courses and thus help round out the training of their students.
An Overview of Some of the Programs. Between 1890 and 1910 when the American educational world was split apart by the issue of vocationalism versus traditional curriculum, Soulé College offered programs in general education along with its technical courses such as typewriting, shorthand, and bookkeeping. Two such programs were the Intermediate and Higher English Schools. The former program was open to boys from eight to fourteen, while the latter admitted boys thirteen to eighteen years of age. In addition, there was the Academic School which prepared students both for Tulane University and for the Commercial School of Soulé College. This was a two-year course of study and included the following subjects: spelling and defining, penmanship, universal history, higher arithmetic, algebra, plane and solid geometry, higher grammar, rhetoric, literature, physiology, physical geography, civil government, and Latin.

The business curriculum of Soulé College was divided into five courses of study. The first was the "introductory business." This was intended for students without prior knowledge of bookkeeping and any previous experience in business. Then came "business practice." Here the objective was to help students learn how to start and conduct a business utilizing source documents as well as bookkeeping records. "Banking and office routine" constituted the third course. In this course students were made thoroughly acquainted with the details of practical banking by serving in the College Bank on various jobs. Next came the "advanced commercial" course. The objective here was to provide students with knowledge of "higher accounting," as applied to various lines of business, such as foreign and domestic merchandising, banking, plantation, and joint stock companies. Finally, students served in the "actual business" department. Around the turn of the century this was a relatively new and distinguishing feature of the business curriculum. Here, unlike in the "business practice" course, students conducted business with real money and goods and kept a complete set of accounting books.

Author of Textbooks. Dissatisfied with the textbooks of his time George Soulé wrote and published several books in practical mathematics as well as bookkeeping and accounting. As an author of textbooks, Soulé became very successful. According to the testimony of his contemporaries, the use of his works for classroom instruction "produced good results." He became the author of several well-known textbooks, among them: Soulé's Analytic and Philosophic Commercial and Exchange Calculator (1872); Soulé's Intermediate Philosophic Arithmetic (1874); Soulé's New Science and
Profiles

Practice of Accounts (1881); Soulé’s Introductory Philosophic Arithmetical Drill Problems (1882); Soulé’s Philosophic Practical Mathematics (1895). Most of his works were used through several editions.

In the area of practical mathematics, he felt the need for improved methods of instruction. A follower of the Swiss educational reformer, Johann Heinrich Pestalozzi (1746-1827), Soulé found the arithmetic books of the day to be “more or less defective in logical reasons . . . and in clear elucidations of the subjects.” Aside from these shortcomings, the textbooks did not apparently provide adequate practical problems. They did not meet well the changing business demands of the times. His nearly forty years of classroom experience in the field of mathematical education had convinced him that the best results in the teaching of practical mathematics could be attained not by the method of rules, but rather through a reasoning process which clarified the principles underlying the subject matter. His thousand-page work entitled Soulé’s Philosophic Practical Mathematics (1895) was designed not only to provide mathematical knowledge by the method of “reasoning process,” but also to be of immediate help to people with practical problems in the fields of “trade, finance, mechanics, and business.”

Another area of interest to him was the “science of accounts.” Here, too, he undertook the writing of textbooks not only with a view to improving the quality of explanations and discussions, but also to enrich the body of accounting knowledge by including in his treatise new topics of interest not yet incorporated in other published works. His textbook entitled Soulé’s New Science and Practice of Accounts (6th edition, 1901) was designed both for classroom instruction and as a standard work of reference. He believed, however, that just as in the cases of mathematics, physics, and other branches of learning, the mastery of accounting necessitated the aid of a competent teacher. This edition of his work was divided into three parts. In the author’s words, the first part constituted “a critical, concise, and exhaustive” presentation of the “science of accounts.” The next part gave the “actual work of bookkeeping in the best regulated counting-houses” in various lines of business. The last part presented a complete set of books in business areas such as cotton factorage, banking, and steamboating. It also included partnership settlement and practical mathematics. The seventh edition of this book (1903) was recently reprinted and published by Arno Press.

As a Tribute. In addition to his career as educator and author in the areas of practical mathematics and accounting, he lectured fre-
The career of Willard J. Graham, an important contributor to both accounting thought and education for 40 years, was unique in that he pioneered a form of continuing education for management level businessmen that today is widely emulated. In 1943, while at the University of Chicago, he instituted one of the first executive development programs in the nation. This program, in advanced management studies for corporations, became a prototype for those developed later at other schools around the country and the world. At the time of his death in 1966, Professor Graham was recognized both here and abroad as a senior authority in educational programs for businessmen at the executive level, having directed such programs over a longer period continuously than anyone else in the country.

A native of College Corners, Ohio, Willard Graham was born in 1897, a time when the country was in the process of transition from an early and relatively simple state to a distinctly different, more complex and more advanced state of industrial development. The era of the early 1920’s, when he entered the University of Chicago as a graduate student, was marked by aggressive entrepreneurship and rapid industrialization. In a major urban center, like Chicago, where the pace of this transition was accelerated, both the gains and excesses of industrial change brought about by American businessmen in moving American capitalism to a more highly advanced state were exaggerated. It was in this environment that Willard Graham developed his life-long interests of not only participating actively as a business organizer and manager but also of reflecting on ...
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and articulating his views on the broader, societal responsibilities of American business.

The executive program instituted at the University of Chicago was designed to develop a broad perspective among the participants. Entrants were required to be carrying major executive responsibilities and to be candidates for senior management positions within their companies. Courses were held at night over a two-year period. In addition to training that would aid in improving industrial efficiency, the program stressed planning by the participants for their respective firms for one, five and ten-year time horizons. The resulting exchanges of ideas provided the context for the introduction of a wide spectrum of non-business disciplines. These provided an opportunity for the participants to enlarge their understanding of the "whole enterprise" in its competitive situation, and to develop an appreciation of the political, economic and social forces which influence top management decisions. During the ten years Willard Graham directed this highly successful program at the University of Chicago, approximately 400 executives graduated with either a Master of Business Administration degree or a Certificate of Completion.

In 1952, Willard Graham was persuaded by Thomas H. Carroll, newly arrived at the University of North Carolina as Dean of the School of Business Administration, to leave the University of Chicago and assist in the development of a graduate school of business, as well as an executive program, at Chapel Hill.

In common with other far-sighted business leaders, as well as educators, Willard Graham was idealistic about his role in the free enterprise system. In a speech given before the annual meeting of directors of the University of North Carolina Business Foundation, Graham eloquently expressed his belief in the importance of the executive development programs such as those he had instituted at the Universities of Chicago and North Carolina. In his talk, Graham stated:

He [the executive] becomes interested in, and concerned about, problems far beyond his own position, beyond his own company, even beyond his own industry—problems that concern all business and the whole economy of which business is a part.

He becomes interested in the basic economic principles which must govern all business. He becomes interested in and concerned about the attitudes of workers, and the policies of organized labor, not just in order to out-general them on the next contract, but to understand why they
think as they do and act as they do and to determine in what respect management is responsible for the development of these attitudes and what management should do to establish better relationships with labor.

[He continued,] the executive becomes interested in, and concerned about, the relationship of government and business—what has brought about the present high degree of regulation, to what extent it is necessary and desirable, what the probabilities are for the future and what management should be doing about it.

He becomes interested in, and vitally concerned about our free enterprise system. Through intensive study of the principles of economics and the organization of society, he comes to understand better the basic elements of a free enterprise or capitalistic system as contrasted to other forms of social and economic organization; he understands better and becomes more articulate about the advantages of free enterprise and the dangers which appear to threaten it, from within as well as from without.

And he begins to feel his own personal sense of responsibility—and that of management generally—for intelligent action to preserve that system.

This is probably an exaggeration . . . but I like to think that our graduates might make the difference between keeping what we have and losing it.

Thus, to Chapel Hill he would invite such journalists as James Reston and Harry Ashmore or such educators as Robert Hutchins to stimulate the clash of ideas. The goal of these encounters was to broaden tolerances, rearrange prejudices and increase the sense of social responsibility among the participating executives.

Willard Graham's contribution to advanced management education reflected, in part, his unique experience as a businessman as well as an educator. Early in his career, he was an active participant in the formation of a number of corporations, some of which still are thriving. These companies were in fields as diverse as welding, casualty insurance, color dye manufacturing and electric tabulating, a predecessor to the present-day data processing service. In one notable example, the Irwin Publishing Company, he was a member of the Board of Directors and later editor of that firm's Accounting Series. He also served as a consultant to a number of companies, including the Illinois Bell Telephone Co., the Peoples Gas Company of Chicago and General Motors.
Professor Graham played an active role in the American Accounting Association, and it was in that organization that his influence as an accounting theoretician probably found its great expression. His work as Chairman of the prestigious Committee on Accounting Concepts and Standards began in 1950. It was under his chairmanship that the first of the Committee's eight Supplementary Statements, issued as appendages to the 1948 "Statement on Accounting Concepts and Principles Underlying Corporate Financial Reporting," were issued. These supplements recommended, among other things, that appropriations of retained earnings not enter into the determination of periodic income and that the effect of general price level changes on the financial statements of a firm be measured and reported as supplementary information. Willard Graham was chairman of this committee until his election as a vice-president of the Association in 1952, and he took an active interest in its deliberations thereafter.

In 1955, when Willard Graham was elected President of the AAA, this Committee on Accounting Concepts and Standards was charged with the task of completely revising the Association's previous 1948 Statement. Although the resulting revised statement, issued in 1957, often is regarded as another, albeit the final, revision in the series of pronouncements that began in 1936, it differed from its predecessors significantly in that it advocated the measurement and reporting of gains and losses resulting from price changes. Specifically, the 1957 Statement, reflecting the views of those influential in its creation, recommended that both inventories and cost of goods sold be measured in terms of current costs and that such other supplemental data as necessary be reported to disclose the impact of both specific and general price-level changes on the financial statements of the firm.

Although Willard Graham's personal views of accounting theory had their basis in a "matching" notion of income determination that often is associated with the stewardship function of accounting, he was primarily an advocate of the view that accounting should provide information useful to decision-makers in the predictive context within which their decision must be made. With respect to income determination, he felt that it was incumbent upon management and the accounting profession to provide a measure of past business income which would give the most useful basis for estimating future earning power. To accomplish this, he advocated that income be determined within a replacement-cost framework. He also was an outspoken critic of the accounting literature for what he felt was an almost total absence of criteria available for use in selecting from
among the variety of specific procedures often regarded as alternatives in any given situation.

At the conclusion of his term as President of the AAA, Willard Graham was appointed a member of the Committee on Accounting Procedures of the AICPA. He served a three year term on that body, a period which encompassed the issuance of Accounting Research Bulletins 48 through 51 dealing with contingencies, earnings per share, business combinations and consolidations. He later served the AICPA as a member of a Project Advisory Committee to the successor Accounting Principles Board.

Graham's other activities and memberships were extensive. He was active in the Controller's Institute of America, the National Association of Cost Accountants and the American Institute of Management. He was a member of Alpha Kappa Psi, serving on the Board of Directors of that organization's Foundation, and was a member of two honorary fraternities, Beta Gamma Sigma and Sigma Iota Epsilon. He was a member of the Board of Nominations for the Accounting Hall of Fame at Ohio State University. Wherever he lived, he also was active in local professional and civic affairs.

Graham received his A.B. degree at Tarkio College in Missouri in 1921. He subsequently entered the University of Chicago, where he received his A.M. (1924) and Ph.D. (1934) degrees. From 1921 to 1923, he was a professor of business administration at Tarkio College and from 1924-29 at Monmouth College in Illinois. While at Monmouth, he also served as an Instructor of Accounting at the University of Chicago from 1927 to 1930, when he was appointed assistant professor and left his teaching duties at Monmouth. He remained on the faculty of the University of Chicago until 1952. A frequent contributor to various accounting journals and other publications, he wrote several books, including *Auditing, Public Utility Valuation, Economics of Business, Accounting in Law Practice* (with W. G. Katz) and *Financial Management* (with J. O. McKinsey). He also edited over 50 books on accounting and controllership.

Early in 1966, at an unscheduled addition to the graduation ceremonies of an executive program class at Chapel Hill, he was honored by the establishment of a distinguished professorship carrying his name. The endowment was contributed by many of the approximately 500 executives who graduated from that program since its founding by Graham in 1953. Of the many tributes given in his honor upon his death later that year was one by Richard D. Irwin, Chairman of the Board of Directors of Richard D. Irwin, Inc. His announcement expressed the sentiments of many:
Profiles

... we acknowledge his contribution to the improvement of education through his efforts as a Consulting Editor for us during these many years. As such, he was able to project his own talents as a teacher and author by way of inspiration to other authors in a manner which not only benefited their efforts, but gained for him their admiration, respect and friendship. Through their works his influence will, therefore, be felt far into the future.

(Vol. 3, No. 4, pp. 12, 8, 1976)
BOOK REVIEWS

Hans Johnson, Editor
UNIVERSITY OF TEXAS AT SAN ANTONIO


Reviewed by Jack L. Krogstad
The University of Texas at Austin

Professor Sterling and the Price Waterhouse Foundation are to be commended for re-exposing Dickinson's historical classic. Accounting Practice and Procedure, first published in 1914, contains a comprehensive synthesis of the state of the art in the United States during the early years of the 20th century. The book's great value stems largely from the professional experience, intellectual stature, and moral commitment of its author. Dickinson's ambitious objective is to compress his "twenty-five years of practice on both sides of the Atlantic" into a useful compilation of accounting principles and methods (preface). He attempts to avoid technical discussion of accounting matters yet to supply the essential theoretical reasoning which underlies accounting principles and methods. His genuine appreciation and high respect for the accounting profession flavor the book with refreshing moral and ethical dimensions.

The introductory chapter presents a review of bookkeeping fundamentals to provide the basis for understanding accounting principles. Chapter II gives an overview of the balance sheet. Dickinson depicts the balance sheet as presenting financial condition in terms of present values. This statement is viewed as the cornerstone of accounting. Correspondingly, the remainder of the book is organized around the balance sheet format presented in Chapter II (pp. 34-35). Chapter III, explores the nature and principles guiding preparation and presentation of the profit and loss account. This account is viewed as an important extension of the balance sheet and "true profit or loss for the period" is determined by comparison of values contained in beginning and ending balance sheets (p. 74). The detailed attention accorded profit and loss accounting is noteworthy. The format of the account presentation (pp. 64-65) is con-
sidered the forerunner of the modern income statement (forward to the reissue). The next four chapters (IV-VII) elaborate upon the overview of the balance sheet provided in Chapter II. Chapter VIII presents a brief, perceptive discussion of consolidated statements with emphasis on the balance sheet. Cost accounting is the subject of Chapter IX and also is discussed in Chapter V (pp. 99-108). The final chapter deals with the duties and responsibilities of public accountants in activities connected with (1) prospectus preparation, (2) annual audits, and (3) liquidation and reconstruction.

An appendix of eight sections (43 pp.) contains excerpts from English and Canadian laws related to accounting, forms of balance sheets prescribed by the Interstate Commerce Commission, and forms of statements required from national banks and from insurance companies.

Dickinson's book is a rich source of accounting history. Its breadth, depth, and style give it unusual appeal for teachers, students, and practitioners alike. It provides historical perspective for a number of contemporary issues challenging the accounting profession today. For example, the book addresses issues such as adequate disclosure, uniformity in financial reporting, interim financial reports, estimates of future earnings, fluctuations in foreign exchange, and duties and responsibilities of auditors. The book also reveals the evolutionary nature of many currently accepted accounting principles and practices. For example, depreciation accounting is shown to have evolved from needs for creditor protection and dividend payout restrictions. Dickinson's accounting experience in both England and the United States enables him to span cultural factors and contrast unique environmental considerations germane to the development of accounting in the respective countries. The impact of English practice and English laws on United States accounting is both highlighted and judiciously documented.

One section of the book deserves additional comment. Chapter X, "The Duties and Responsibilities of the Public Accountant," (37 pp.) provides an excellent summary of many key issues previously discussed in some detail. A reader would do well to carefully examine this chapter before reading the remainder of the book. In fact, reading this chapter alone is an informative, provocative intellectual experience.

The remainder of the book is of more diluted value. Specific interests might lead to examination of sections dealing with topics such as cost accounting, depreciation, or consolidated statements. However, other sources provide more exhaustive treatment of the
historical aspects of these topics. Furthermore, the discussion of specific issues like valuation, depreciation, and ethics, tends to be scattered throughout the book and is thus not readily available for convenient reference. The inclusion of a detailed subject index (21 pp.), however, facilitates accessibility to such material.


Reviewed by Adrian L. Kline
The University of Texas at San Antonio

This book, *Historical Accounting Literature*, comprises a catalogue of the early works on bookkeeping and accounting included in the library of the Institute of Chartered Accountants in England and Wales. Also included is a bibliography of literature on these subjects published before 1750, but not included in the Institute Library.

An accounting history buff or serious researcher will find this book to be interesting and useful since it is compiled in a manner which greatly facilitates a rapid review of the contents. The main content of each entry is a “literal” copy from the publication’s title page. A great majority of the entries appear in the section on bookkeeping and accounting, which is chronologically arranged under each of eighteen different languages. The breadth of information and chronological arrangement by language enable the reader to quickly gain a working knowledge of the literature as it unfolds through time by country of origin. Other notable features include an introductory essay on the development of accounting literature by Basil S. Yamey, who has also compiled and included select bibliographies on Luca Pacioli and Edward Thomas Jones. An author index with appropriate cross references was also included.

In addition, entries are arranged under the following headings: histories, bibliographies, bookkeeping and accounting, accounts, public accounts, account books, commercial law, commercial arithmetic and various mathematical tables, actuarial science, calligraphy and lithography, and, finally, a list of illustrations from early books in the Institute Library.

Increasing interest in the field is facilitated by the recent issue in microform of the more important and rarer books in the Institute Library by World Microfilms Publications.
It is difficult to make a catalogue of this nature both useful and interesting, but the Institute and their publisher (Mansell) have succeeded. Yamey’s introduction entitled “Four Centuries of Books on Bookkeeping and Accounting,” sets the stage in a professional manner and then the publication description methodology used holds one’s interest, e.g., the entry for James Peele’s work in 1553 states:

The manner and fourme how to kepe a perfecte reconcnyng, after the order of the moste worthie and notable accompte, a debitour and creditour, set fourthe in certain tables, with a declaracion thereunto belongyng, verie easie to be learned, and also profitable, not onely unto suche, that trade in the facte of marchaundise, but also unto any other estate, that will learne the same.

The fringe benefit of watching the accounting vernacular of four centuries ago change through time is in itself a worthwhile and enjoyable exercise, e.g., accomptantship to accountancy and marchaundise to merchandise.

It is also interesting to visualize the apprenticeship system then practiced in England by young aspiring accountants and how accountancy of that day was combined with other practical pursuits; George Fisher’s work in 1750 states:

The instructor: or, young man’s best companion. Containing spelling, reading, writing, and arithmetick. . . . Instructions to write variety of hands. . . . Also merchants accompts, and a short and easy method of shop and bookkeeping. . . . To which is added, the family’s best companion . . . and a complete treatise of farriery. . . . Also some useful interest-tables.

One of the entries was a particular eye-catcher as it exemplified an accounting do-it-yourself kit with a much wider application than we attempt to package today; Mathew Quin’s 1774 entry states:

Quin’s rudiments of book-keeping; comprised in six cases, and attainable in as many days, without the help of a teacher. Calculated for persons of either sex, grown to maturity. With an essay on the fit manner of initiating youth in the rules of temperance and moral rectitude, by an easy arithmetical scale.

This book is an appropriate choice for a researcher interested in accounting history originating outside the U.S. Naturally it is especi-

Reviewed by Kenneth O. Elvik
Iowa State University

*A Short History of Accountants and Accountancy* is a reprinted collection of Arthur H. Woolf's revised articles, which were first published in the journal, *The Accountant*, and later published in book form by Gee & Co., London. The author proposes, as a central concept, that accounting reflects the level of sophistication of the society in which it exists, and builds the content of his book around that idea. Since the book is divided into four parts, I shall discuss each part separately.

In Part I, the author examines the attempts which were made to organize commercial data in ancient Egypt, Babylonia, and among other Near Eastern peoples, including the Hebrews. The scribe is identified as the "accountant of the ancient world." Present-day researchers will be interested in the citations from history texts and ancient records, including those of the Greeks and Romans to 476 A.D. The author concludes that there is no ground for suggesting that these ancients understood double-entry bookkeeping. He considers the Dark Ages "singularly barren and uninteresting" and sees Charlemagne's administrative controls as a direct predecessor to those of the English manors of the thirteenth century. The administration of the Royal Treasury, or Exchequer, is regarded as the first effort toward "scientific accounting" in England. There are numerous and interesting attempts made in the book to find derivations and uses for such terms as the "Pipe Rolls" and "Account of the Comptroller of the Royal Wardrobe." He refers to surveys both before and after the Domesday Book, and the role of keeping accurate records in the management of manors is illustrated by quotations from thirteenth century treatises on the subject and by references to specific records. The author is understandably perplexed by an inability to find anything but the most rudimentary accounts of German
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merchants, particularly in view of their relatively advanced mercantile achievements. He finds accounts in France very orderly, but notes that Italy provides the more significant developments.

In Part II the author mentions a book by Benedetto Cotrugli, which was supposedly completed, but not published, before that of Paciolo. He devotes eight pages of this section to quoting Paciolo's text. A number of sixteenth century Italian texts are noted, and attempts are made to trace the adoption of Italian methods by German and Dutch authors. Paciolo's methods are then traced to England. Woolf concludes that English and American accountants were free to develop their systems to match the growing sophistication of commerce due to a lack of "legislative enactments," which in other nations forced a conformity in keeping "specific books in a prescribed form."

Part III, entitled "Origin and Progress of Auditing," consists of a single, brief chapter referring mainly to earlier chapters.

"Rise and Progress of Professional Accountants" is the title of Part IV. Here the author attributes the failure to identify accountants in the Italian census to the possibility that they were included with mathematicians. He describes an early association of accountants (ca. 1581) and its accomplishments in Venice, and traces the history of accountants in Scotland and England. Associations in the colonies and in the United States are also briefly mentioned. According to Woolf, the Companies Act of 1862 was spoken of as "the accountants' friend." In the final chapter of the book, Woolf sees the exclusion of "undesirables" from the profession as the foremost problem in the field of accounting. Woolf's remedy is legislation, and he reflects disappointment at the failure of a bill in the House of Commons. He is also concerned about the relatively low status of accounting in educational institutions and suggests that a "School of Accounting" be started at the University of London with offerings similar to those of the University of New York. The author sees a need for a code of ethics similar to that of the bar association. Other concerns include a hint at the identification and perseverance of independence.

There are two appendices. Appendix A is a quote from the "First Report of the Commissioners of Public Accounts," dated October 8, 1831. Appendix B identifies court recognition of the professional accountant in Uruguay, as early as 1825, and some instances of early legislation. There is a bibliography of material available at the Institute library and other identified locations and a fourteen-page index.
The book should be useful to researchers interested in the history of accounting and contains views on topics still under discussion today, e.g., accounting relative to its environment (developing nations) and schools of accounting.


Reviewed by Richard H. Homburger
Wichita State University

This book is a collection of articles on various aspects of the history of bookkeeping, written by several well-known Japanese scholars. The articles were previously published; but most have been revised for this edition. This is a text written in the Japanese language, followed by a rather detailed and comprehensive English summary.

While presenting a variety of special interests and points of view, the volume in its entirety reflects the universal outlook of its editor and chief co-author, Osamu Kojima. Kojima, Professor of Accounting at Kwansei Gakuin University, has been a pioneer in promoting in Japan the kind of historical research which goes to the original documents for critical analysis rather than digests the findings of others. The author of several books, Kojima has traveled widely in Europe and North America to build a collection of slides from a variety of sources. He has initiated and supervised the recent reproduction in Japan of such rare works as the full original text of Luca Pacioli's *Summa* and of the original English translation of Jean Ympyn's *New Instruction* ("A Notable and very excellente woorke") whose only extant original copy is presently housed at the Lenin Library in Moscow.

The book is divided into two parts. The first part contains three articles written by Wasaburo Kimura and Katsuji Yamashita which deal with the basic features of bookkeeping development, such as the conceptual difference between double entry *per se* (the balance of accounts) and its application to business, i.e., concepts of revenue and cost and related closing procedures. Differences of transaction profits and total profits, and their integration, are emphasized. The second, more specialized part of the text highlights the most significant contributions made over the centuries to European bookkeep-
ing development in ten topical articles, four of which were written by Kojima, with the others by Katumi Izutani, Etsuzo Kishi, Sadao Takatera and Chozo Muto. Coverage includes the early Italian account books of Florence, Genoa and Venice, the sixteenth century records of Christopher Plantin’s printing establishment, and the particular contributions to bookkeeping development made by Pierre Savonne, Simon Stevin, Mathieu de la Porte, and Edward Thomas Jones. A discussion of early British balance sheets and of the earliest Italian text translated into the Dutch language, imported into Japan around 1847, round out the text. The Italian text came to Japan 26 years prior to the first Japanese edition of Bryant and Stratton’s book.

Distinguishing characteristics of all the articles presented are the emphasis on bookkeeping procedures and their evolution rather than on accounting theory, the scholarly thoroughness and originality of thought, and the attention to detail with which all topics are treated. As an example, the discussion of the Massari Pepper account (presented in the original Latin as well as in translation) explains in great detail the mechanics of using a loss in merchandising as a device to conceal interest charges. In connection with early Italian accounts the different geographical origins of bilateralism (Venice) and double entry (Florence) are discussed. For Jones’ “English System of Bookkeeping” the advantages as well as the disadvantages of the system are presented. Similar thoroughness is evident in discussing Savonne’s treatment of merchandise accounts, Stevin’s closing procedures, and de la Porte’s development of special journals. The author of the chapter on British balance sheets searches with great care for the origin of the reversal of debit and credit sides in some English balance sheets and traces this practice back to the East India Company.

In this reviewer’s opinion, the text represents a very worthwhile addition to the library of the western accountant even though he is not familiar with the Japanese language. The English summary alone provides very easy and stimulating reading as well as a convenient guide to the fuller and more detailed Japanese text. The text itself is interspersed with many interesting reproductions of old accounts in various European languages which can be studied for their own merit. The careful selection of topical material and the concise treatment of selected important aspects in the development of bookkeeping procedures make this book appear unequaled in any language at the present time.


Reviewed by Horace R. Givens  
West Virginia University

This reprint of Green's *History and Survey of Accountancy* is a welcome addition to the growing list of reprinted accounting classics. Green's book was one of the three early attempts, along with Littleton and Brown, to describe the historical development of accounting theory and practice. The fact that some four decades have passed since its initial publication makes the book of interest to accounting historians not only for its content, but also as an object for study in the evolving historiography of accounting.

The first half of the book is devoted to a broad survey of record-keeping beginning with the Babylonians and extending to modern times. The history of bookkeeping, with heavy emphasis on double entry, is presented covering the period from the 13th century to the 20th century. Green used a geographical approach, and discussed separately the developments in a number of different countries. For most of these, the emphasis is on developments of the 19th and 20th centuries.

The same country-by-country approach was followed in the discussion of regulatory legislation for the accounting profession. This section also deals primarily with the 19th century and later and contains a delightful bit of accounting trivia—that Uruguay "was the first country in the Western Hemisphere to legally recognize and regulate accountancy. This recognition occurred in 1825" (p. 153). The history of legislation in the United States received most of Green's attention; here he treated many of the individual states separately. The history of education for accountancy is surveyed, again with most attention given to the United States, although a number of other countries are mentioned.

Turning to the development of accountants' associations, Green discussed the Institute of Accounts, the American Association of Public Accountants, the American Institute of Accountants, the American Society of Certified Public Accountants, the American Association of University Instructors in Accounting and the National Association of Cost Accountants. The various purposes and services of a number of these groups are briefly mentioned. The professional societies of a number of other countries are also men-
tioned, with most emphasis given to Great Britain. In his chapter on ethics Green cites from the various codes developed by several of the American organizations.

Finally, Green provides a synopsis of the requirements for certification as certified public accountant in each of the jurisdictions in the United States. This last is of interest to historians concerned with the evolution of professional licensure for accountants.

The major criticism to be applied to Green's book is the superficial treatment accorded to virtually all the topics discussed. This superficiality is obvious from the size of the work and the long list of subjects included. For example, the "history" of accounting in Austria, Norway, Finland, Switzerland, Czechoslovakia, Poland, Sweden, Belgium, Denmark and France is covered in a grand total of five pages in Chapter II. In similar fashion the history of legislation for the accounting profession in 26 separate countries of the world is discussed in the space of 16 pages. The same superficial treatment was accorded to the bibliography. In addition to being brief, the bibliography lists only book titles and/or author names in many cases. Periodicals are listed only by title. There is little help here for a researcher.

One very favorable point to be made about the book concerns the illustrations. Some thirty of these are provided, of excellent quality, ranging over the history of record-keeping, from cuneiform tablets to George Washington's expense account. While many of these illustrations, or similar ones, may be found elsewhere, it is pleasant to have so many of varying types conveniently gathered together in one volume. I suspect that many accounting historians find themselves, as I do myself, spending a great deal of time reading modern analyses of past events and artifacts. I think there is an undesirable sterility to such activity. So, if we cannot all handle a cuneiform tablet or a libri segreti now and then, at least it is pleasing to have a picture at which to look.

The book deserves a place on the accounting historian's bookshelf both because of its content and its position as a period piece. It can be read in a sitting or two and as such is a useful supplement to reading lists for courses in business or accounting history. Despite the passage of time, it will still give the interested reader a "survey" of the history of the accounting field.


Reviewed by Hans Johnson
The University of Texas at San Antonio

Lord Byron is remembered today for his literary genius and controversial life style. *Lord Byron Accounts Rendered* is the author's second biographical study of the poet. In her latest effort, Moore has tapped a previously unused wealth of documentary evidence pertaining to Byron's financial affairs. Antonio Lega Zambelli, Byron's trusted aide, kept meticulous records of incomes and expenditures. Zambelli's records were passed on to his heirs upon his death in 1847 and eventually were acquired by the British Museum. Such is the volume of documentation that author Moore comments, "we have Byron's domestic economy so minutely yet unconsciously reflected that there can scarcely be anything comparable in the annals of famous men."

Zambelli's ledgers were written in Italian and contain monetary amounts listed in several currencies. Due to her "total ignorance of bookkeeping," the author was reluctant to take on the task of wading through the mass of detail. But after a couple of days of "plodding," a change of perspective was experienced. Recollections of important events in Byron's life took on new dimensions. Moore discovered that there is little "in Byron's life or any other which is not linked up with some financial story." Problems of translation of foreign currencies and "approximation to modern values" were not allowed to impede Moore's study as she decided early upon an approach which "would give the reader occasional reminders and standards of comparison, and not attempt arithmetic beyond [her] capacity."

Accounting historians interested in the biographical use of personal financial information will find the book beneficial as an example of research technique and synthesis of complex evidential material. Moore's approach is chronological with interpretation of important events and personalities based upon her study of the Zambelli records. The author, being very knowledgeable on the life of Lord Byron, carefully weaves personalities, places and events together with monetary exchanges in such a manner as to reveal interesting new insights. As one illustration, although it is commonly believed that Byron did his best work after imbibing heavily, Moore concludes, after carefully analyzing his liquor expenditures over a period of time, that "it is difficult to believe, even when he himself
tries to persuade us, that such works as Don Juan and The Vision of Judgement were composed in a befuddled state."

The first five chapters of the book pertain to the early years of life before Byron departs from London. The remaining eight chapters trace his European adventures until his untimely death in 1824. Byron died at age thirty-six from an illness contracted while in Greece attempting to aid the Greeks in their revolutionary struggle against the Turks.

Byron's financial difficulties began at age three when his deceased father left a will which bequeathed him all his father's debts and funeral expenses. Lady Byron, his mother, was more kind and in fact deprived herself of most of the amenities of life so that he could obtain the best possible education. Byron never forgave her, however, for calling him a lame brat; he was born with a distorted right foot. Lady Byron failed to inculcate in him the virtue of frugality for when Byron came of age in 1809, he owed debts totaling 12,000 pounds. Nevertheless, he did acquire his mother's ability to carefully scrutinize household bills.

Lord Byron soon began getting his works published and took his seat in the House of Lords. He left London in 1816 after a highly publicized divorce. In Europe he met and acquired the services of Antonio Lega Zambelli. Zambelli became Byron's bookkeeper and caretaker of his worldly goods. Byron insisted on a weekly accounting of all transactions and Zambelli zealously complied. One of the most difficult problems experienced by Zambelli was recording transactions in the different currencies encountered during Byron's visits throughout Europe.

Lord Byron's lifestyle is closely revealed by the household accounts. A connoisseur of fine foods, he often gave exquisite dinner parties for his friends. Subsequently, he would go on a prolonged diet of biscuits soaked in fresh vinegar. His favorite pastime activities included rifle and pistol shooting and caring for his pets. The pets included monkeys, dogs, various birds, and, at times, up to ten horses. From the accounts it appears that the pets were "in general provided for more liberally than their master." Although Byron was a romantic figure, the minutely detailed accounts do not disclose any payment for sexual favors.

Two tragic personalities appear in Moore's book. They are Byron's daughter Allegrina and, as you may have guessed, Zambelli the bookkeeper/caretaker. Allegrina was born out of wedlock, was despised by her mother, neglected by her father, and sent off to a convent. There she died from a fever at age five. Zambelli, trustworthy and faithful to the end, followed Byron to Greece despite
the fact that his beloved Italian mistress was desperately ill. Upon Byron’s death, he accompanied the body to London and wound up his master’s financial affairs (the undertaker’s fee was 1101 pounds) only to later discover that Byron had neglected to leave a will. Author Moore states that this “had come upon him as a blow.”

Eleven appendices ranging from such diverse subjects as Byron’s experiences with sodomy to his expenditures for linen and household furniture are included at the end of the book. Also scattered throughout the book are fifteen reproductions of family portraits and various financial papers. The publisher has done a masterful job of printing Moore’s work. The book would be a beautiful addition to anyone’s library.


Reviewed by S. J. Lambert
University of Nebraska

*The First Sixty Years* is a history of Arthur Andersen & Co. (AA) from 1913 to 1973. It represents a thorough revision and reorganization of an earlier history of the firm, *The First Fifty Years*, as well as an updating of the firm’s history for the period 1964 through 1973. *The First Fifty Years* comprised nine chapters in 201 pages. *The First Sixty Years* comprises thirteen chapters in 189 pages. The revision was shortened by eliminating about sixty pages which had listed various personnel in the AA organization. In its place are detailed biographical sketches of the four chief executives of AA from 1913 to 1973: Arthur Andersen, Leonard Spacek, Walter Oliphant, and the current chief executive, Harvey Kapnick. A brief biographical sketch of some of AA’s other key personnel is also included.

The foreword states that material for the period prior to World War II is included almost verbatim from the earlier publication. Material subsequent to World War II has been integrated with the new material from the 1964-1973 period.

The firm’s history begins with the birth of the firm in 1913 when Arthur Andersen and Clarence M. Delany acquired the net assets of The Audit Company of Illinois. The first six chapters trace the growth of AA from its birth through 1973. Critical events which helped the firm grow include, for instance, the work during the
twenties in financial investigations and the firm’s efforts in successfully rehabilitating the companies in the Insull public utility empire.

Chapter seven briefly traces the development of AA as a worldwide organization through three separate phases. AA began operating worldwide through representation arrangements, followed by joint undertakings, and finally established their own offices throughout the world.

Chapter eight analyzes the development of the three divisions of AA’s practice: auditing, taxes, and administrative services. Auditing is treated here only briefly since the development of the firm as discussed in other chapters is related primarily to auditing. It is interesting to note from the discussion of administrative services the impact that World War II had upon systems work. From their wartime experiences businessmen brought back an increased appreciation of accounting data for decision making as well as a favorable attitude toward mechanizing accounting and clerical routines. Thus a new area of development for accounting was opened into which AA successfully expanded.

Chapter nine discusses the evolution of the firm’s administrative structure, significant aspects of which occurred after 1963 and hence were not included in the earlier history.

Chapter ten, “Foundations of Professional Competence,” draws heavily from material in the earlier publication. AA’s emphasis on a “one-firm” concept is discussed along with the firm’s policy of speaking with one voice on professional matters. The history of the firm’s committee on accounting principles and auditing procedures is also mentioned. AA’s approach to maintaining effective communication within the firm through their “subject file,” The Chronicle, and periodic meetings, plus the firm’s position toward “new patterns of litigation,” is also covered in chapter ten.

Chapter eleven entitled, “The Development of People” discusses the transition from the use of temporary staff during the busy season to permanent career-oriented professionals. With career-oriented professionals came a new emphasis on recruiting and professional training and development.

Chapter twelve on “Leadership in the Profession” discusses speeches and articles by the firm’s chief executives and partners. Many of these have been published by the firm and are available to accounting educators. Particular attention is paid to the contributions of Leonard Spacek. A final concluding chapter on “The Challenge of the Future” rounds out the sixty year history.

The First Sixty Years is well written and very interesting, especially to the accounting historian. Through reading the history of how
one accounting firm has grown, one gets another glimpse of how professional accounting has developed in the United States.

(Hvol. 3, No. 3, p. 4, 1976)


Reviewed by Joyce C. Lambert
University of Nebraska

Haskins & Sells: Our First Seventy-Five Years captures the development of the Firm from 1895 to 1970. An earlier history of the Firm covering the first fifty years was essentially a general history of the major events of the U.S. and the world during the Firm's history (Wright brothers flying, Marconi's "wireless telegraph," Edison's inventions), along with various accounting events (the start of the American Association of Public Accountants—now the AICPA; works of Sprague, Montgomery, Sanders, Hatfield, Moore; SEC Acts) with pictures of Haskins & Sells partners on these pages of general history.

Our First Seventy-Five Years differs significantly in its approach from this earlier history of the Firm. The current history traces the development of H&S through the contributions of individuals in the Firm, for as the preface states: "Haskins & Sells are people." In general, the book proceeds through the history of H&S by tracing the events under the various partners in the Firm. In most cases the discussion gives the general education of the individual, the previous employment background, the circumstances surrounding the acceptance of employment with the Firm, the major events and/or clients served, and the progression of the individual through the Firm.

Charles Waldo Haskins, founding partner of the Firm, came from a long line of American ancestors. His great-grandmother was the daughter of Reverend William Emerson, who built the "Old Manse" made famous by Hawthorne. She was also the aunt of Ralph Waldo Emerson. Elijah Watts Sells' great-grandfather served in the American Revolutionary War.

In 1893 the Joint Commission of the Fifty-third Congress of the United States employed two accounting experts, Charles Waldo Haskins and Elijah Watts Sells, to recommend improvements in the operating methods of the Executive Department. Based on their respect for each other as a result of this assignment, they decided
to jointly offer their services to the public. A partnership was formed in New York on March 4, 1895.

Numerous mergers and acquisitions occurred throughout the 75 years. The first merger occurred when the firm of Conant & Grant (London) was acquired in 1901. Other mergers and acquisitions are listed in an appendix, numbering over 80.

This book, in addition to covering the history of H&S, also serves as an accounting history noting important events in the accounting profession as it progresses through the history of the Firm. Some events noted are the start of the American Association of University Instructors in Accounting (now the American Accounting Association), the SEC Acts, the Institute's Committee on Accounting Procedures, the Institute's Committee on Auditing Procedures, and the Accounting Principles Board.

Four appendices are included in the book. Appendix A lists the partners and directors of H&S. Appendix B lists meetings of partners and directors and meetings of principals and managers. Appendix C lists cities where H&S offices are located. As of 1970 H&S had offices in over 70 cities around the world. Appendix D lists mergers and acquisitions from 1901-1970. One merger in 1961 was Pentland, Purvis, Keller & Company (Miami). A history of this firm from 1933 to 1961 has been written by Hugh F. Purvis.

Haskins & Sells' Committee on History with the late Arthur B. Foye as its chairman has produced a book which provides a thorough look at the development of H&S and their pursuit of excellence in serving their clients and the accounting profession.

(Vol. 3, No. 4, p. 4, 1976)


Reviewed by Bill D. Jarnagin
The University of Tulsa

This copy of Pixley's *Auditors: Their Duties and Responsibilities Under the Joint-Stock Companies Acts and the Friendly Societies and Industrial and Provident Societies Acts* is a desirable augmentation to the increasing inventory of reprinted historical accounting classics. Pixley's book represents an early attempt at describing
the principles, practices and general information relative to the
duties and responsibilities of auditors certifying accounts of joint
stock companies.

The book can be divided into the following four parts: (1) excerpts
from Acts of Parliament, (2) books used by public companies, (3)
nature and principles of an audit, and (4) content of the revenue
statement, balance sheet and related auditor responsibilities. The
first three chapters are primarily devoted to excerpts from eighteen
Acts of Parliament ranging from The Companies Act of 1862 through
The Companies Act of 1880. The excerpts provide information about
which acts require auditors, mode of appointment, term of office,
remuneration, access to records and responsibility. In addition, the
extractions specify what books and accounts are required to be kept
by each act and how dividends can be paid.

The second part of the book contains a brief description of the
books generally used by public companies including content, pur-
pose and the books required by each act. The books commonly
used can be divided into two parts: (1) registry or statistical, and (2)
financial or account. Included in the statistical books are register
of members, register of mortgages and minute book. Some of the
financial books are cash, petty cash, journal and ledger. Pixley
states that the auditor should be more concerned with the financial
books when performing the attest function.

Chapter five contains a discussion of the nature and principles
of an audit. Pixley specifies that an audit should be divided into
three parts to disclose three types of errors: (1) errors of omission,
(2) errors of commission, and (3) errors of principle. Pixley does not
define or describe the three types of errors but specifies the audit
procedures required to detect each type. Errors of omission would
generally be discovered by tracing each amount on the debit side of
the balance sheet or cash book to the original source document.
The comparison of items in one book with corresponding items in
another book until they are carried into the balance sheet or revenue
statement isolates errors of commission. Examination of vouchers
commonly provides detection of errors of principle.

Pixley, in the last part of the book, describes in detail the format
and content of the revenue statement and balance sheet as well as
duties of the auditors relative to these statements. A description of
the makeup of each account in both statements is given with em-
phasis on auditor responsibility for the propriety of each account.
Pixley concludes that the balance sheet is the most important state-
ment.
The book contains two appendices. Appendix A consists of a number of detailed statements prescribed by certain of the acts such as a balance sheet and revenue statement. Appendix B describes in detail some of the forms required by Acts of Parliament.

The major criticism of Pixley's book is the treatment of the various Acts of Parliament. Approximately half of the book is devoted to excerpts of eighteen acts, producing an awkward flow of material and contributing to difficulty in interpreting auditor responsibility and requirements in general. Another criticism deals with Pixley's lack of definition of terms. For example, definitions are never given for the three types of errors auditors should be cognizant of in the attest function. Only a procedure to detect the errors is described.

One favorable aspect to the book is the excellent job on the appendices. The detailed statements and forms are very informative, interesting and of excellent quality.

The book deserves a place in the accounting historian's library because knowledge of past auditing practices and principles can be an important input toward understanding better the practices and procedures of today. It reflects that even in today's dynamic environment of accounting, many of the ideas advocated almost a hundred years ago are in practice today.

(Vol. 3, No. 4, p. 10, 1976)
The Effect of Scientific Management on the Development of the Standard Cost System (U. of Oregon, 1973, 206 pp.; 34/12, p. 7385-A) by Marc Epstein. In search of “all relevant facts,” Epstein reviewed primary source materials on file at the F. W. Taylor Collection of the Stevens Institute of Technology in Hoboken, New Jersey, as well as conducting an exhaustive library search. His study concludes that “the scientific management movement had an important and direct effect on the development of the standard cost system” and “this effect was due to the requirements of scientific management in its application in industry.” The bibliography of this dissertation has been published by The Academy as Working Paper No. 9 and an annotated version appears in the December, 1974 issue of Abacus.

The Origination and Evolution of Double Entry Bookkeeping To 1440 (North Texas State U., 1974, 968 pp.; 35/7, p. 3941-A) by Alvaro Martinelli establishes the development of double entry bookkeeping as occurring during the latter thirteenth century. The first part of the dissertation is a refutation of the Sombart thesis followed by a study of how bookkeeping evolved over a period of three centuries. Direct examination of documentary evidence located in the State Archives of Genoa, Florence, Milan, and Venice serves as the basis to study and criticize “economic, political and religious conditions that most likely had a considerable influence on the creation and evolution of bookkeeping techniques and methods.”

The Archive of Laches: Prosperous Farmers of the Fayum in the Second Century (Duke U., 1974, 219 pp.; 35/8, 5270-A) by Whitney S. Bagnall utilizes as a source of study, a group of papyri discovered in a 1934 excavation, and published in P.Mil. Vogliano., to “discuss certain social and economic facets” of a Greek family living in Egypt under Roman rule. Chapters II and III will be of interest to researchers of ancient times. Chapter III, for example, discusses the
agricultural products and farming practices based on an examination of "several accounts and overseer's daybooks" which "show the number of day laborers hired and the different wages paid according to individual work assignments."

A Comparative Study of Selected Areas of the Accounting Thought of William Andrew Paton and Prevailing Accounting Thought: 1915 to 1970 (The George Washington University, 1974, 435 pp.; 35/9, 5583-A) by James G. Fox relies on the "comparative method of quantitative analysis" to analyze Paton's literary contributions. Fox concludes that a "Patonian School of Accounting Thought" does exist and it has a continuing influence in the area of current value accounting. One may wish to study this dissertation in combination with William A. Paton: Pioneer Accounting Theorist (U. of Mississippi, 1972, 300 pp.; 33/11, p. 5886-A) by Howard J. Lawrence.

(Vol. 3, No. 1, p. 11, 1976)

Lukens, 1850-1870: A Case Study in the Mid-Nineteenth Century American Iron Industry (U. of Delaware, 1975, 222 pp.; 36/5, p. 3051-A) by Julian C. Skaggs is a study "of a small family-owned boiler plate manufacturing firm" located in Pennsylvania. By analyzing the "financial books and correspondence" of the firm, the author is able to trace the firm's activities over a twenty-year period. Lukens marketed its product in a geographical area extending from Boston to New Orleans and during the Civil War, when its Quaker management abandoned a pacifistic stance, the firm's output doubled and profits sextupled. Technological problems were to beset the firm in the latter years as it continued to use "antique methods" despite creation of the more modern metallurgical techniques which were adopted by its competitors. According to Skaggs, Lukens' "history demonstrates the frailty of any reconstruction of American Business History that stresses bigness, innovations and profit maximization for any period before the 1870's."

Those accounting historians interested in case studies of business firms will also want to review Gail K. Renner's The Hudson Years: A History of an American Automobile Manufacturer (U. of Missouri, 1973, 867 pp.; 35/2, p. 987-A). "This work traces how the company rose from very humble origins in 1909 to become in effect the fourth largest manufacturer of automobiles in the world and then underwent a long decline, starting with the Great Depression, that finally resulted in its extinction as an individual company." Renner's thesis
is that "Hudson eventually failed, not so much due to bad entrepre-
neural decisions, as because of the industry's long-range dynamics
that increasingly favored the large, full-line manufacturers" who
could "better withstand the terrific competitive pressures arising
from the increased cost of labor, materials, sales, and new model
development."

**Historical Development of Human Resources as a Value in Finan-
cial Accounting** (Mississippi State U., 1974, 177 pp.; 35/8, p. 4756-A)
by Joseph E. Krebs tests the hypothesis "that the concept of human
resource valuation, contrary to some opinions, has developed over
a long period of time and that this historical evolution indicates
precisely the direction in which the accounting theory should be
developed." The evolution of human resource concepts is studied
from two perspectives: "an economic profile" which reveals that
"significant contributions" have been made "intermittently over a
period exceeding several centuries," and, secondly, a discussion of
the topic relative to the development of financial accounting theory.
Krebs concludes that his hypothesis is valid.

**An Economic Survey of the Early Byzantine Church** (Rutgers U.,
1975, 371 pp.; 36/5, p. 3029-A) by William N. Zeisel, Jr., uses "vari-
ous ancient sources and modern studies" to analyze "the financial
condition and administration of Christian churches in general during
the period from St. Matthew to the Edict of Milan, and of the
churches and monasteries of the Eastern Roman Empire in particu-
lar during the next three centuries." The first five chapters discuss
organizational administration, sources, investment and disposition of
wealth and the "ultimate, ostensible ends for wealth accumulation
and administration." Zeisel states that "monks, like clerics, became
wealthy, deeply tinged by secular social values, ultimately con-
ventional." He concludes, "for both diocesan and monastic churches,
therefore, wealth accumulation and administration were parts of the
process of change which led from personal to institutionalized
Christianity."


**The Professionalization of Public Accounting in America: A Com-
parative Analysis of the Contributions of Selected Practitioners
1900-1925** (U. of Alabama, 1975, 434 pp.; 36/12, p. 8134-A) by
Barbara D. Merino. This dissertation utilizes the concept of the
paradigm (dominant explanation) to examine the progressive writ-
ings of W. Sanders Davies, Edward L. Suffern, J. Porter Joplin, John A. Cooper, Elijah W. Sells, Joseph E. Sterrett, and Robert H. Montgomery to "determine if the subjects shared common beliefs by which they could be identified as a specific school of accounting thought." Initially the "environmental constraints" existing at that time are reviewed followed by personal profiles and an assessment of the practitioners' contribution "to the professionalism of accountancy." The remaining chapters provide a "comparative analysis of the ideas of each man in respect to education and training, professional ethics, and auditing theory and practice." According to Merino, the major contribution of this study is that her "analysis of the ideas extant in this period among leading practitioners will permit a more comprehensive investigation of subsequent events."

The Cuneiform Tablets in St. Louis (Columbia U., 1975, 227 pp.; 36/6, p. 3823-A) by Robert D. Freedman catalogues the contents of 262 documents from ancient Babylonia. The tablets are located "in public and private collections in St. Louis, Missouri. Of possible interest to accounting historians are "ten texts dealing with laborers, and twenty-four miscellaneous receipts and expenditures." Eight other documents "refer to land sales, rentals, and inheritances."

Those historians hungry for information about their European ancestors may want to review Feasting in the Fourteenth and Fifteenth Centuries: A Comparison of Manuscript Illuminations to Contemporary Written Sources (Saint Louis U., 1975, 275 pp.; 36/7, p. 4665-A) by Patricia D. Labahn. Labahn uses evidence obtained from fourteenth and fifteenth century wills, domestic accounts and inventory listings to test the accuracy of "visual portrayals" pertaining to the "preparation, service, and consumption of meals in the households of the upper classes." The placement and use of dining furniture and decorations in the great hall, the scene of meals, affirmed the "status and affluence of a medieval lord."

Boards of Directors' Audit Committees: An Exploratory Study (Harvard U., 1975, 337 pp.; 36/10, p. 6793-A) by Michael L. Lovdal. Although first conceived during the 1930's, the audit committee has only recently become a common control feature of the large corporation. The basic objective of Lovdal's study "is to gain an understanding of how audit committees work in hope of suggesting how their functioning might be improved." A clinical methodology was used to conduct in-depth interviews and review "key documents" of thirteen audit committees. Findings and recommendations are
arranged according to committee procedures, participants, and "the roles that these committees play as a corporate institution."

(Vol. 3, No. 3, p. 3, 1976)

A Study of the Evolution of the Legal Liability of Accountants with Implications for the Future of the Profession (Tulane U., 1976, 209 pp.; 37/3, p. 1648-A) by Hubert Hooper relies on "inductive reasoning" and "historical and analytical approaches to review past court cases, pronouncements of the accounting profession, SEC rulings, and the professional literature.

According to Hooper, "this research shows that accountants' legal liability has increased dramatically in intensity and size as well as scope." His conclusions relate to the "factors, events, and attitudes responsible for these changes."

Introduction to the Uyghur Civil Documents of East Turkestan (13th-14th cc.) (Indiana U., 1975, 503 pp.; 36/8, p. 5461-A) by Larry Clark examines various manuscripts "exhumed or otherwise obtained from ruined sites around the present oases of Turfan and Kucha in Northwest China." The manuscripts "constitute a primary source of information on all aspects of the social, economic, and daily life of East Turkestan during the period of Mongol rule."

In Chapter 3, "the chronology of the documents is resolved" by "historical identification, linguistic features, and the inter-relationships that exist between persons mentioned in the texts." A total of 141 documents are examined. Accounting historians may be interested in 93 contracts dealing with such things as loans, land rental, sales of land and slaves, and inheritances. Also 14 "personal and official registers" may be of interest since they "record the outlay and receipt of goods and taxes."

Chapter 5 presents a "detailed analysis of the features of validation, which consist of a date, a statement of attesting witnesses, an identification of seals and personal signs of parties to the deed, and the certification of a scribe." The final chapter provides a "complete physical and bibliographical description, along with a summary of contents, of each of the 141 documents."

The Image of the American Businessman in the Popular Press, 1928-1941 (Ball State U., 1975, 440 pp., 37/2, p. 1175-A) by Kenneth Meeks tests the conventional notion of historians that businessmen were heroes prior to 1929, became the "devils" during the thirties, and then, "as recovery began and foreign war materials
Doctoral Research

orders were filled, the image rose but never reached the level of the pre-Crash period."

Although businessmen "are an integral part of American society . . . historical writing has tended to favor political and military exploits." Meek suggests that the "businessman's ability to influence societal decisions and his role as a major functioning and determining element within society require in-depth study." The dissertation does not broach this subject.

Businessmen are classified into nine different categories. The "popular press" is defined as those "periodicals with a circulation greater than 0.1 percent" of the U.S. population during that period. Statistical analysis of the data selected indicates "that the popular press did not reflect the variations in image suggested by historians."

(Vol. 3, No. 4, p. 6, 1976)
The following from an unidentified source describes the "calf path, city street and country road." It could easily be paraphrased to indicate the "calf path" of bookkeeping and office routine maintained in thousands of "conservative" business concerns:

One day through the primeval wood
A calf walked home, as good calves should;
But made a trail all bent askew,
A crooked trail, as all calves do.
Since then two hundred years have fled,
And, I infer, the calf is dead.
But still he left behind his trail,
And thereby hangs a mortal tale.
The trail was taken up next day
By a lone dog that passed that way.
And then a wise bell-wether sheep
Pursued the trail o'er vale and steep.
And drew the flock behind him, too,
As good bell-wethers always do.
And from that day, o'er hill and glade,
Through those old woods a path was made.
And many men wound in and out,
And dodged and turned and bent about.
And uttered words of righteous wrath,
Because 'twas such a crooked path;
But still they followed—do not laugh—
The first migration of that calf.
And through this winding woodway stalked
Because he wabbled when he walked.
This forest path became a lane,
That bent and turned and turned again;
This crooked lane became a road,
Where many a poor horse, with his load,
Toiled on beneath the burning sun,
And traveled some three miles in one.
And thus a century and a half
They trod the footsteps of that calf.
The years passed on in swiftness fleet,
The road became a village street.
And this, before men were aware,
A city's crowded thoroughfare.
And soon the central street was this
Of a renowned metropolis.
And men two centuries and a half
Trod in the footsteps of that calf;
Each day a hundred thousand rout
Followed the zigzag calf about;
And o'er his crooked journey went
The traffic of a continent.
A hundred thousand men were led
By one calf near three centuries dead.

'OLD ST. NICK' OR YULE MYTHOLOGY

SANTA CLAUS as we know him today is a jolly, mythical old man who brings presents to children at Christmastime. However, he was developed from a real person who lived about 300 A.D. He was known as Saint Nicholas.

As a boy, he became a bishop in the ancient town of Myra, now in Turkey. He was extremely kind and often went out at night taking gifts to needy people. After his death word of his good works spread throughout Europe. During the Middle Ages he became the patron saint of schoolboys who celebrated his feast day on the sixth of December. They elected a boy bishop who dressed in magnificent robes and led a parade through the streets. There was much feasting but generally the occasion was solemn. This custom eventually died out, but Nicholas remained the favorite saint with the children.

In Belgium and the Netherlands, both young and old still celebrate his feast day. Someone representing the saint rides through the streets on a donkey of white. In Germany, Nicholas appears as a hairy imp, Pelz Nichol, meaning "Nicholas in fur." Parents tell Nichol how their children have behaved during the year. Then good children are rewarded with presents and bad boys and girls receive only a bundle of twigs.

Saint Nicholas, and his habit of bringing gifts, were so popular with the children that the custom of his feast was kept.

Dutch settlers brought the custom with them to New Amsterdam (New York) and English settlers eagerly borrowed the customs and festivities surrounding the kindly Saint Nicholas. The English-speaking children tried to pronounce the Dutch name (Sant Nikolaas) but when they said it quickly or excitedly it changed to Santa Claus. His appearance began to change about the same time as his name. Europeans had imagined him being a tall, slim stately person.

Washington Irving created a new picture of him when he described him as a jolly fellow wearing a broad brimmed hat, huge breeches and smoking a pipe. Irvin's Saint Nicholas rode over the treetops in a wagon and dropped presents down the chimneys.

In 1822 Clement Moore wrote the poem "A Visit from St. Nicholas" for his children, which describes Santa as we know him today. The saint is pictured as a round and jolly figure with twinkling eyes, a nose like a cherry and a white beard. He puffs a stump of a pipe and rides in a sleigh pulled by eight reindeer.

The feast of St. Nicholas was celebrated for hundreds of years on December sixth. After the Protestant reformation, Saint Nicholas was replaced by the Christ Child, who was called Christkindl (Khris Kringle) in parts of Germany and Switzerland.

In many European countries, the Saint Nicholas Celebration still takes place on December 6th.

In the United States, Santa Claus' ride always takes place on Christmas Eve.

(Vol. 3, No. 4, p. 6, 1976)
OTHER FEATURES

CONTACT NOTES

—Western Economic and Business Historians, formed May, 1975 will hold their meetings at Tempe, Arizona from April 29 to May 1, 1976. Contact Phillip M. Sarver, University of Southern Colorado, Pueblo, CO., 81001.

—The annual meeting of the Japan Accounting Society, (April 29-May 1, 1976 at Senshu University) will include a study group report by Professor Kurosawa on the “History of Modern Accounting Thought in Japan.”

(Vol. 3, No. 1, p. 10, 1976)

HISTORICAL ANTECEDENTS
Additions to “Parker—1965”

—“A Surmise Regarding the Origin of Bookkeeping by Double Entry,” (The case for a Roman Origin), P. Kats, The Accounting Review, December 1930, pp. 311-316.


—“Early Bookkeeping,” (Correspondence), Edward Peragallo, Journal of Accountancy, January 1943.

—“Neither Pietra nor Flori,” (Correspondence), Henry Rand Hatfield, Journal of Accountancy, February 1943.


HISTORICAL POTPOURRI

—"History was always male history, and literature was male literature. It will help women to get a fair share of the pie in society to become professionals by virtue of education." Professor Domna C. Stanton, quoted in The Tuscaloosa News, "What People are Saying," May 25, 1975.

—"Now, of course, the most nutritious food you can eat is meat. It makes for stronger bodies. In the whole history of the world, whenever a meat-eating race has gone to war against a non-meat-eating race, the meat eaters won. It produces superior people. We have the books of history." Senator Carl Curtis, "Notable and Quotable," The Wall Street Journal, October 7, 1976, p. 24.

—"According to social historians, the nation's first pay toilet was installed in Terre Haute, Ind., for the Pennsylvania Railroad in 1910. Passengers arriving at the Terre Haute depot would rush to its modern restrooms—only to find them occupied by curious natives entranced by the novelty of indoor plumbing. Besieged by complaints from the train-riding public, railroad officials put pay locks on the restroom doors. Thereafter, the stationmaster would unlock the doors for the convenience of passengers on incoming trains. But if a native turned up to use the facilities, he had to pay a nickel." Quoted in Newsweek, "Justice," August 18, 1975.
—"The history of liberty is a history of limitations of governmental power, not the increase of it. When we resist, therefore, the concentration of power, we are resisting the processes of death, because concentration of power is what always precedes the destruction of human liberties." Woodrow Wilson, quoted in *The Sunday Chronicle-Herald*, Augusta, Georgia, Section 2D, March 5, 1972.

—"The student of history must avoid that error which the proverb calls measuring other people's corn by one's own bushel." Notes from the Foundation for Economic Education, March 1976, p. 1.

—"The stuff of history is not opinions but sources." Alexander Solzhenitsyn, [title of publication omitted in original], August 1914, p. 630.

—"I have but one lamp by which my feet are guided, and that is the lamp of experience. I know of no way of judging the future but by the past." Patrick Henry, *Phi Kappa Phi Journal*, Spring 1976, p. 55.


—"Some of [the] . . . planning imperfections—which would conceivably have led to business failure later in the century—might have been remedied had the early industrialists developed accurate accounting techniques. These could have served as a guide to costing, but even one of the more talented and efficient entrepreneurs, George Lee—responsible for the building and equipping of the Salford Twist Mill—was forced to admit to James Watt, Jr., that his production techniques had outrun his knowledge of 'keeping manufacturing Books—in the construction of machinery we never could reduce it to regular piece work or divide the labour of Making and Repairing it in such a manner as to determine the distinct cost of each' [135:27, 39]. And with a few exceptions, notably Josiah Wedgwood or Boulton and Watt, these plaintive words probably represent the unspoken views of the vast majority of entrepreneurs in all branches of economic activity. Pollard's explanation of the failure to develop to any considerable extent the use of accounts on guiding management decisions is significant: ' . . . the problem calling for a solution was not widely or continuously felt. . . . Apart from certain crisis years, anyone with a better technique had no problem in selling, and new techniques were so obviously "better" that it did not
need elaborate accounts to prove them. . . . [129:248]. This verdict almost certainly has a wider application.

"These remarks are not intended to belittle the achievements of the entrepreneurs of the Industrial Revolution. Their object is twofold: to emphasize the need for more detailed comparative investigations of the responses of entrepreneurs to the difficulties that confronted them in the context of the overall economic environment within which they operated; and to suggest that the names that have become famous (Arkwright, Oldknow, Strutt, Peel, Owen, M'Connel and Kennedy, Gott and Marshall in textiles; Crawshay; Lloyd, Reynolds, Roebuck, Walker, Wilkinson, Boulton, Watt, Bramah, Maudslay in iron and engineering; Minton, Spode, Wedgwood in pottery; Dundonald, Garbett, Keir, Macintosh, Tennant in chemicals; Whitbread, Thrale, Truman in brewing) were not typical entrepreneurs."


"The earliest accounting aid used by man is the notched stick—the use of which goes back perhaps 7,000 years to neolithic days. A somewhat more elaborate version of the notched stick was developed in England and called the wooden 'tally'—a narrow piece of wood about 8 or 9 inches in length which served as a receipt. The amounts were recorded by a system of notches cut on the edge of it—each width representing a denomination (a cut the width of the palm was L1000, one the size of the thumb L100, L20 the width of the little finger, L1 the thickness of a grain of barley). From about the 12th century, this was used by the British Court of Exchequer (the Treasury) as its documentary receipts. It did not go out of use until 1826—about 700 years later.

The interesting sequel was still to follow, however. By a decree of William IV, all the tallies (700 years' accumulation) were ordered destroyed. In 1834 they were thrown into the heating stoves of the House of Commons. They burned so efficiently that the Parliament Buildings caught fire and were razed to the ground! I have often wondered whether there were not some symbolic connection between the adoption of rational accounts and the burning of Congressional buildings."


(Vol. 3, No. 4, p. 8, 1976)
HISTORY IN PRINT


(Vol. 3, No. 1, p. 3, 1976)


Other Features

Review of: *A History of Accounting Thought*, by Michael Chatfield,
*Accounting History*, by The Accounting History Society, (England),
February 1976.


28th Annual Meeting, Southeast Regional Group of the AAA, L. Harris, R. Keith and R. West, editors, pp. 104-110.


(Vol. 3, No. 4, p. 4, 1976)

LETTERS

December 10, 1975

To the Editor:

... I was especially interested in the “profile” of Perry Mason, appearing in your Summer 1975 issue. ... That his forebears were musical was obvious, as Perry had extraordinary musical ability and could have made a good living as a professional. He could play any instrument but was a virtuoso on the piano. He could accompany a singer beautifully even if he had never seen the music till he sat down on the piano stool. One reason he retired early from the Institute was to devote himself to his beloved music, including composition. Unfortunately his death from cancer came soon after his retirement.

To say that Perry “was not a forceful person” doesn’t do him justice. He was a dominating and vigorous person in the classroom, and made his presence felt in committee and other meetings. I agree, however, that he was not the pushing type.

The major weakness in the “profile” is lack of reference to Perry’s great musical talent, which was well known among his many friends. ...
manuscript was written in 1458 and is believed by some to have been the basis for Pacioli. However, it does not appear that his work was disseminated to any great extent. The authors of the above paper should correct their footnotes.

Another matter which caused me some confusion was footnote number 3 which read N.A.C.C. Bulletin, April, 1958, p. 1083. . . .

Not to be repulsed by this setback I pursued the search further and eventually came up with the correct reference which is:

Direct costing, N.A.C.A. Bulletin, April, 1953, Section 3, p. 1083. . . .

There is another reference to N.A.A. Bulletin of January 15, 1936, which is incorrect. At that time the association was N.A.C.A. . . .

Sincerely,

Jimmy Jones


OUT OF THE PAST

Timeless Thoughts on Accounting

—"As business organizations have grown larger and more complex, the producer has been less able to grasp all the facts of his business and has come to depend upon the accountant more and more for a summarization of details. . . . But it must be remembered that the producer is not working alone; he is functioning a complex economic organization. . . . If the accountants do not understand the system in which the producer functions, of what use to him will their presentation of facts be? In short, accounting is merely a combination of scientific bookkeeping and economics." Kemper Simpson, Economics for the Accountant, 1921, p. 2.

—"Whether we like it or not, we must know something about accounting. Its ramifications extend into every phase of human endeavor, to such an extent that ignorance of the fundamentals of accounting may lead to serious embarrassment. . . .

"The advantages of a knowledge of accounting were recognized many centuries ago. Let us read a colorful eulogy of our subject written in 1736 by John Mair:

I shall only add, That the Theory of this Art or Science is beautiful and curious, very fit for improving the Mind of Youth, exercising their Wit and Invention, and disposing them to a close and accurate way of thinking. On this Account several Gentlemen, after having got acquainted with
it themselves, have been induced, from the Satisfaction and Entertainment they found, to recommend it to others, as a valuable Piece of humane Literature, proper to be studied and understood by every one who pretends to Liberal Education." *Accounting as a Business Force*, by Robert H. Montgomery, Alexander Hamilton Institute, 1930, pp. 5-6.


**RESEARCH RESOURCES**

—Scholars Book Co., 4431 Mt. Vernon, Houston, TX 77006 has announced new titles in its Accounting Classics Series:

Raymond J. Chambers, *Accounting, Evaluation and Economic Behavior*

John Bart Geijsbeek, *Ancient Double-Entry Bookkeeping*

Paul D. Montagna, *Certified Public Accounting: A Sociological View of a Profession in Change*

Prices, academic quantity, discount information, and a list of all the titles in the series can be obtained by writing the above address.


Other Features

—Historical Accounting Literature, published by Mansell, 3 Bloomsbury London WC1A 2QA England, 359 pp., 1975. £20.00; about $40.

—The Institute of Chartered Accountants Microfilmed Collection of Rare Books on Accounting and Related Subjects: 15th-19th Centuries, Second Edition, complete or partial sets available; contact the ICA library, 62 Queens Grove, London NW8 6ER England.


(Vol. 3, No. 4, p. 10, 1976)

THROUGH THE AGES

Sir Ronald Edwards, chairman of British Leyland Motor Co. and President of Beecham Pharmaceutical Group died January 19, 1976 in London at age 65. Before entering business many years ago, he was a devoted cost accounting historian and wrote several items on the subject.


We have recently learned of the death of Eric Kohler, long renowned as an educator, author, scholar, and practitioner of accounting. A synopsis of his career and contributions will be included in a future issue.


Three notable associates have passed away in the recent months since our last publication. We are saddened at the loss of each of these fine individuals, each of whom led a distinguished and important career in accounting education or practice.

Arthur Bevins Foye. A former president of the AICPA, and member of the Accounting Hall of Fame, Foye is recognized for having played an important leadership role during the period after World War II when the profession was realizing the tremendous growth pressures of expansion. A historian by choice, he was active with other partners of Haskins & Sells in preparing versions of their firm history.

Maurice E. Peloubet. Peloubet retired from partnership in Price Waterhouse & Co. in 1964 after many years of professional service.
and activities involving international and accounting policy committee matters. An advocate of LIFO inventory costing, Peloubet spoke and wrote extensively on the subject. His autobiography, *The Story of a Fortunate Man*, is available through The Academy.

**John B. Ross**, Dean of the College of Business, University of Tennessee. Dr. Ross was an early supporter of The Academy and prided himself in collecting several early American accounting theory works.


**Harvey Sherer**, a charter member of The Academy, passed away during the Fall. An honors graduate of Vanderbilt, with a master’s degree from Illinois, Mr. Sherer was active in NACUBO. His collection was donated to the University of Florida in 1971. He was actively interested in the history of government accounting.

(Vol. 3, No. 4, p. 8, 1976)
Announcement

WORKING PAPER SERIES

For information on the Working Paper Series, including ordering and submitting items, see Announcement on next page.


(Vol. 3, No. 4, p. 6, 1976)
Announcement

COFFMAN EDITS SERIES

Professor Ed Coffman, of Virginia Commonwealth University, Richmond, has been named Editor of The Academy’s working paper series, effective December 1, 1976.

The series currently includes 28 titles and represents an effective means of circulating preliminary research or topics for critique by others qualified and interested in doing so. Manuscripts for the series, and questions relating to format should be submitted to Professor Coffman. His address is: School of Business, Virginia Commonwealth University, Richmond, VA 23284.

The manuscript submitted should be in conformity with the format rules described in the April, 1973 Accounting Review, with all footnotes at the end in a listing. Material should be submitted in a final form suitable for clean reproduction. Manuscripts from eight to thirty pages in length are deemed most appropriate for this series. Copies of the working papers are provided free upon request to members; note the service cost price of $1.00 per copy to non-members.

(Vol. 3, No. 4, p. 4, 1976)
Announcement

JUST PUBLISHED

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Dr. O. ten Have

Translated by A. van Seventer
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(Vol. 3, No. 1, p. 5, 1976)
(Vol. 3, No. 3, p. 6, 1976)
(Vol. 3, No. 4, p. 11, 1976)
Announcement

NOW AVAILABLE

Monograph #1

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(Vol. 3, No. 3, p. 4, 1976)
(Vol. 3, No. 4, p. 3, 1976)
ANNOUNCING
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EVOLUTION OF COST ACCOUNTING
by S. Paul Garner

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This classic of accounting, in paperback for the first time, is
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The result is a work of tremendous value to all theorists,
students, and practitioners.

Dr. Garner is Dean Emeritus of the College of Commerce and
Business Administration of The University of Alabama. His work
is the first to be reprinted in the Accounting History Classics
Series sponsored by The Academy of Accounting Historians.

430 pp., Paperback Edition, November

(Vol. 3, No. 4, p. 7, 1976)
Announcement

NOTICES

—There will be a breakfast for members of The Academy during the Southeastern AAA meetings in Tampa during April. The breakfast will be "dutch" style and will be held at the Riverside Hilton, 7:30 a.m., Friday, April 23.

—The Second World Congress of Accounting Historians is scheduled for Atlanta on August 21-22, 1976. Contact Professor H. Hughes, Georgia State University, Atlanta, GA 30303 for cost information, reservations and details.

—Copies of the minutes of the 1975 annual meeting of The Academy and information on the financial condition can be obtained upon request from Professor Richard Metcalf, Academy treasurer.

—HELP!! If you have encountered an anecdote on American Accounting History and are willing to contribute it to a research project being conducted currently please contact the Editor of The Accounting Historian.

(Vol. 3, No. 1, p. 11, 1976)

HISTORY SESSIONS

ATLANTA AAA MEETING

Members and guests are invited to attend the various sessions of The Academy of Accounting Historians on Monday, August 23, 1976. At 10:00 a.m. the annual business meeting will be held for the purpose of election of officers, and in the afternoon a session on American Accounting History will be held from 3:15-5:00 p.m., with the following speakers: Barbara Merino, New York University; Williard Stone, University of Florida; and Steve Landekich, National Association of Accountants.

Announcement

SCHOENFELD HONORED

Hanns-Martin W. Schoenfeld, currently Vice-President of The Academy, has been named the Weldon Powell Memorial Professor at the University of Illinois. An international accounting lecturer, Professor Schoenfeld is a well known author and popular teacher.


SECOND WORLD CONGRESS
OF ACCOUNTING HISTORIANS
hosted by
The Academy of Accounting Historians

★
Atlanta, Georgia
August 21-22, 1976
Hyatt Regency Atlanta Hotel

★
For any further information inquiries may be directed to:
Professor Hugh Hughes
University Plaza
Georgia State University
Atlanta, GA 30303
U.S.A.

(Vol. 3, No. 2, p. 4, 1976)

HOURGLASS AWARD

The Fourth Award Ceremonies of the President's Hourglass took place during the luncheon banquet at the Second World Congress of Accounting Historians in Atlanta, Georgia, August 22, 1976. Professor Basil S. Yamey and Professor Osamu Kojima, co-authors of the reproduction and analysis of the English version of Ympyn's "A notable and very excellent woorke," (1547) were selected as recipients of this year's award. Professor Kojima was present to accept the award and Professor Geoffrey Lee accepted on behalf of Professor Yamey.

Announcement

OFFICERS AND TRUSTEES

The following were elected at the annual business meeting of The Academy, which was conducted in Atlanta on August 23, 1976.

President Alfred R. Roberts
Georgia State University

Vice-President Hanns-Martin Schoenfeld
The University of Illinois

Vice-President Charles Lamden
Peat, Marwick, Mitchell & Co.

Secretary-Treasurer Anthony Krzystofik
The University of Massachusetts

Trustees (Three Year Term)

Thomas Burns, The Ohio State University
Murray Wells, The University of Sydney
Vernon Zimmerman, The University of Illinois


CALL FOR PAPERS

The first issue of Accounting History published by the Accounting History Society (U.K.), has attracted much interest, and several new members have been recruited to the Society as a direct result of its publication.

Contributions in the form of articles, requests for information, short notes and news items should be submitted by 18th October, 1976 for the second issue to be published in December 1976.

Contributions should normally be submitted on A4 paper and typewritten (double-spaced). The editors reserve the right to alter or amend contributions, but will consult contributors about any material changes.

Any comments on the first issue and/or suggestions for the future will be greatly appreciated.

John Freear
Rutherford College,
The University,
Canterbury
Kent, CT2 7NX United Kingdom

(Vol. 3, No. 3, p. 3, 1976)
Announcement

TRANSLATIONS COMMITTEE

Chairman:
Dr. Geoffrey A. Lee (University of Nottingham, England)

Members:
Professor Dr. Hermann Kellenbenz (Friedrich-Alexander-Universitat, Nurnberg, Germany)
Professor Kenneth S. Most (Florida International University, U.S.A.)
Professor Robert H. Parker (University of Exeter, England)
Professor Turgut Var (Simon Fraser University, British Columbia, Canada)
Professor Basil S. Yamey (London School of Economics, England)

Report to the Annual Business Meeting
of The Academy of Accounting Historians

Since the last business meeting, the chairman has circulated among the members a Short List of Works to have Priority for Translation, containing titles in Latin, Italian, French, German and Dutch, and ranging from the early Middle Ages to the 20th Century. Very helpful comments on the list have been received from members.

Professor B. S. Yamey has published in collaboration with Professor Osamu Kojima (Kwansie Gakuin University, Nishinomiya, Japan), a critical study and part-translation of Jan Ympyn Cristoffells, Nieuwe Instructie, etc. (Antwerp, 1543), and this has earned both authors the President's Hourglass Award for 1976. Professor Yamey has also sent Dr. Lee the draft of a paper on Luca Pacioli, contributed to a symposium in memory of Federigo Melis (1914-73). Professor B. D. Kalinski (University of Maryland) is now seeking clearance from the estate of Joseph H. Vlaemminck for publication of his version of Historie et Doctrines de la Comptabilite (Brussels, 1956), Madame Vlaemminck having died before giving permission.

A complete English version of Capitalate de Villis (c. 800), ascribed to Charlemagne, has appeared in H. R. Loyn and J. Percival, The Reign of Charlemagne (London, 1975).

In the summer of 1977 Dr. Lee intends to take study leave in Florence. He hopes to examine bookkeeping manuscripts of the 13th and 14th centuries and (if practicable) to transcribe these parts of the Renieri Fini ledger (1296-1305) not covered in A. Costellani, Nuovi Testi Fiorentini del Dugento (Florence, 1952).
Announcement

It is recommended that the Translations Committee be continued for a further year.

Geoffrey A. Lee, Chairman

(Vol. 3, No. 3, p. 4, 1976)

HALL OF FAME INDUCTION

The Ohio State University Accounting Hall of Fame inducted John William Queenan as its 36th member at ceremonies held at the annual breakfast during the annual meeting of the AAA in Atlanta. Mr. Queenan, a past president of the AICPA, is the only individual to have served on all three professional standard setting bodies which have existed in the United States: The Committee on Accounting Procedure, The Accounting Principles Board, and the Financial Accounting Standards Board. Born in 1906, he served as managing partner of Haskins & Sells, a firm with which he was associated since 1927. In addition to having received the AICPA gold medal, he has received many other awards, including the CPA exam gold medal in the State of Illinois for the highest marks on that examination in 1931.

(Vol. 3, No. 3, p. 4, 1976)

JOURNAL PLANS

Williard E. Stone, managing co-editor of The Accounting Historians Journal, met with members of the editorial board in Atlanta and reported to the membership at the annual business meeting as to the progress toward the first edition of the journal. Stone reported that plans are well under way, with board appointments, manuscripts in process and production and subscription arrangements being completed. The first volume, expected to be about 100 pages of content, will appear in early 1977. The content of the journal will include full length research items, shorter length “historical nuggets,” and a book review section to be edited by Dr. Ken Elvik of Iowa State University. The news and feature items which are now in the quarterly news sheet will continue as an independent supplement to the journal at regular intervals.

Stone emphasized that early submission of manuscripts will increase the chances for prompt publication. While the board did not
**Announcement**

announce a final policy, the editors of the publication emphasized their preference for English language manuscripts, while recognizing that many quality items not in English could be accommodated as time and resources permitted. The publication, however, will be in English, and translations of non-English manuscripts will require additional time and the cooperation and consent of authors. Stone also noted that perhaps two early issues of the publication would contain in large part papers from the Second World Congress. Authors interested in submitting materials for publication should write W. E. Stone, 202 Matherly Hall, Gainesville, FL 32611 or Historians Journal, Drawer HJ, University, AL 35486.

(Vol. 3, No. 3, p. 4, 1976)

**WORLD CONGRESS**

Over 100 historians registered and attended the sessions of the Second World Congress of Accounting Historians at the Regency Hyatt House in Atlanta, August 21-22, 1976. The meetings featured technical sessions with panelists from around the world. Papers from the Congress will be processed and reviewed for publication in *The Accounting Historians Journal* which will appear in 1977. Banquet speeches by Mr. Ernst Stevelinck of Belgium and Dr. Gary John Previts, Past President of The Academy, touched on the relevance of history and the need for graduate study in the development of accounting thought.


**DUES AND SUBSCRIPTIONS**

Your annual dues statement for the year 1977 will be sent to you shortly. The payment of dues alone does not include the cost of a membership subscription to *The Accounting Historians Journal*, therefore be sure to add the amount for a subscription to your remittance. All dues payments should be sent to Anthony T. Krzystofik, Secretary-Treasurer, School of Business, University of Massachusetts, Amherst, MA 01002.

(Vol. 3, No. 4, p. 1, 1976)
Announcement

JOURNAL TO BEGIN

The Academy of Accounting Historians invites manuscripts on subjects related to accounting history for The Accounting Historians Journal. Articles should have scholarly merit and present an original contribution to the knowledge in the field. Articles presenting the results of research from primary sources will be given preference. All articles will be reviewed by two or more members of the Editorial Board. The Journal is scheduled to appear each Spring and Fall starting in 1977.

Manuscripts should be in English and of acceptable style and organization for clarity of presentation. Submit three copies double spaced, on 8½ x 11 inch paper. The manuscript should not exceed 5,000 to 7,000 words. The title page should contain name of author, affiliation and address for further correspondence. The title should reappear on the first page of the manuscript but the author should not be identified.

Tables and figures should be numbered, titled and presented in reproducible form. Limited use of original documents, etc., can be accommodated in the Journal at modest additional cost to the author by submitting camera-ready copy only. Important textual materials may be presented in both the original language together with the English translation. Certain camera-ready material can be accommodated if properly sized.

Footnotes should be referenced within the article by mention of first author (i.e., Jones, et. al.) and page number. The bibliography should contain full reference to sources arranged in alphabetical order by author. Such footnotes should be referenced by consecutive numbering. Informational footnotes are to be presented at the bottom of the page referenced by letters and should be limited in size and number.

Proofs. Galley proofs will be sent to the author but additions of new material must be strictly limited and excessive alterations will be charged to the author. Ten copies of the Journal on publication will be provided to the author.

Abstract. A 100-word abstract of the article will precede the printed article, and should be submitted with all manuscripts.

Submit manuscripts to:
Professor Williard E. Stone
University of Florida
Matherly Hall
Gainesville, FL 32611
Announcement

Subscription can be obtained at the annual rate of $5.00 (for members) or $7.50 (for non-members) by sending orders to: Historians Journal, Drawer HJ, University, AL 35486, or by writing the Secretary of the Academy and paying the subscription in addition to dues.

(Vol. 3, No. 4, pp. 1, 10, 1976)

DISPLAYS AT THE SECOND WORLD CONGRESS OF ACCOUNTING HISTORIANS
Atlanta, Georgia U.S.A. — August 21-22, 1976
From the Collection of Peter L. McMickle

1. Lucas Pacioli, *Summa de Arithmetica, Geometria, Proportioni et Proportionalita* (Venue: Paganinus de Paganinis, 1494)

Wooden boards, signed binding. Very good condition. Larger than the copy in the British Museum. First edition of the first great general work on mathematics printed. Particularly famous as the first printed work to discuss double-entry bookkeeping. Sought after by book collectors as a masterpiece of 15th century Italian book decoration, it contains hundreds of woodcuts and geometrical diagrams in the margins and numerous large and small ornamental and figurated initials. This work has become extremely rare and no copies have appeared on the market for a very long time.

2. The three English translations of Pacioli's Treatise on Bookkeeping:

   This copy signed by author.


3. Two English Tallys (only eight known in private hands). These two tally "foils" are from the reign of Elizabeth I (ca. 1575). The short one is a receipt for £41 (two large notches and one small one). The longer is a receipt for £60 (three large notches). Along
Announcement

the edges, written in Latin in cursive script, is indicated that the amounts were paid in cash to the English Exchequer by Richard Leigh Junior, for taxes of the County of Chester.

4. Early authorized facsimile (1828) of George Washington’s accounts with the United States. Their authenticity is attested to by the signature of the Chief Clerk in the Register’s Office of the U.S. Treasury Department, January 1, 1828.

5. Three works from the 17th and 18th centuries illustrating a style of bookkeeping little changed from the time of Pacioli.


CLOSEOUT SALE

Copies of the Book *Four Accounting Pioneers*, containing abstracts of the writings by Paton, Kohler, Littleton and May can be ordered for $1.50 per copy (original price was $7.50) from:

Division of Research
Room 5-J, Berkey Hall
Michigan State University
East Lansing, MI 48824

Checks payable to MSU must accompany your order. Michigan residents must add 4% sales tax. Price above includes postage.

(Vol. 3, No. 4, p. 4, 1976)
Announcement

BOOK REVIEWS

Prof. Ken Elvik, book review editor of The Accounting Historians Journal is seeking suggestions as to books which you feel are appropriate for review. Also, if you are willing to serve as a reviewer, and will specify your area of interest, he will add you to his list of resource persons.

Elvik's address is 390 Carver Hall, Iowa State University, Ames, IA 50010.

(Vol. 3, No. 4, p. 6, 1976)