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Maurice E. Peloubet: A Life Of Impact On Accountancy And Society

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MAURICE E. PELOUBET: A LIFE OF IMPACT ON ACCOUNTANCY AND SOCIETY

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ABSTRACT

Maurice E. Peloubet was one of accountancy's major players during the profession's highly evolutionary period in the United States from before World War I to the Vietnam War. Though Peloubet spent his entire career from 1911 to 1964 in public accounting, he also promoted the profession on the academic, governmental, and international fronts. This dissertation explores his contributions to the profession of accountancy and in turn society at large. Particular focus is placed on his role in the evolution of the American Institute of Certified Public Accountants (AICPA), his lobbying efforts before Congress concerning the Last-In, First-Out (LIFO) Inventory method and depreciation reform, his contribution to accounting thought and literature through his writings and speeches, and the development of his accounting firm into a formidable national presence. This dissertation contributes to accounting history literature, as it gives insight into how and why the profession has developed into its present state. And by tracing Peloubet's role within the dynamic relationship between accountancy and society, insight into this interplay is gained, which can inform and guide future decisions for the profession.

DEDICATION

To my son, Kurban James Holley.

LIST OF ABBREVIATIONS AND SYMBOLS

AAA	American Accounting Association
AAPA	American Association of Public Accountants
ABA	American Bar Association
AIA	American Institute of Accountants
AIABE	American Institute of Accountants, Board of Examiners
AICPA	American Institute of Certified Public Accountants
APB	Accounting Principles Board
ARB	Accounting Research Bulletin
ASCPA	American Society of Certified Public Accountants
BIR	Bureau of Internal Revenue
CAP	Committee on Accounting Procedure
CPA	Certified Public Accountant
EPD	Excess Profits Duty
FASB	Financial Accounting Standards Board
FDIC	Federal Deposit Insurance Corporation
FRB	Federal Reserve Board
FTC	Federal Trade Commission
ICWA	Institute of Cost and Works Accountants
ITC	Investment Tax Credit
LIFO	Last-In, First-Out

NACA	National Association of Cost Accountants
NACPA	National Association of Certified Public Accountants
NYSE	New York Stock Exchange
NYSSCPA	New York State Society of Certified Public Accountants
PSA	Poetry Society of America
RFC	Reconstruction Finance Corporation
SCPASNJ	The Society of Certified Public Accountants of the State of New Jersey
SEC	Securities Exchange Commission
TD	Treasury Decision
WPB	War Production Board
WWII	World War II

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TABLE OF CONTENTS

LIST OF TABLES

Table

CHAPTER I

INTRODUCTION

For fifty-three years, Maurice E. Peloubet spent his career forging accounting thought and practice to shape as well as meet the demands of society. Between his first job with Price, Waterhouse & Company in 1911 and his retirement from the firm as a partner in 1964, Peloubet held multiple offices in the AICPA, testified several times before Congress, spearheaded the effort to allow LIFO for income tax purposes, coined the phrase "forensic accounting," produced just under 200 academic publications, represented the U.S. at three International Accounting Congresses and at four Inter-American Conferences, and developed his own accounting firm into a national leader. Peloubet believed an accountant had a duty to the profession, as well as the public. He pushed himself throughout his career to help shape the profession and to use the profession to shape society. A speech he gave at a meeting on the fiftieth anniversary of the New Jersey Society of CPAs in 1948 highlights his position.

> . . . when an opportunity for any sort of public service is presented to an accountant, he should take advantage of it and do the best job possible for his own benefit and for that of his profession. Many people still have no clear idea of what an accountant is and what he can do. One of the best and most effective ways of showing the public what the abilities and training of an accountant stand for is for the accountant to do some work for the public which will attract some public notice.
>
> I would be the last one to minimize the value of institutional advertising and properly disseminated public information about accountants and accounting. However, no amount of printed or spoken information can be as effective as the example of trained and capable members of the profession doing a public job suited to their abilities in the best possible way. (Noyes 1948, 4)

Peloubet was a leader in the profession throughout his career, and as such, the evolution of the profession and in turn the impact on society can be examined through the lens of his career and contributions.

Though Peloubet began and ended his career with Price, Waterhouse & Co., he spent the better part of his career as senior partner at Pogson, Peloubet & Co., whose clients included the leaders in the mining industry. Even after retirement Peloubet continued to publish articles and books, as well as testify before Congress. His years of contribution cover WWI, WWII, the Korean War, and the Vietnam War. During these years it is evident how accounting was influenced by changes in society, such as inflation and the formation and interaction of numerous government entities with private business, as well as how accounting in turn impacted society, such as through tax legislation on depreciation reform and the acceptance of the LIFO inventory method for tax purposes. This interaction of accounting and society is a prominent theme in the study of accounting history. In the Introduction to *Accounting as Social and Institutional Practice*, Peter Miller (1994) states,

> In the space of little more than a decade, there has been a profound transformation in the understanding of accounting. Accounting has come to be regarded as a *social and institutional practice*, one that is intrinsic to, and constitutive of social relations, rather than derivative or secondary. (1)

S. P. Walker (2016) extends this line of reasoning to accountants:

> Indeed, accountants themselves become agents of control. When they intervene as third parties in ways designed to secure the conformity of others to norms, they activate ‘formal’ social control. (46)

Peloubet can be considered an agent of social control through his extensive contributions to the profession and the resultant influence on society. He lobbied before Congress and testified as an expert witness before the SEC and in courts of law, thereby assisting in the formulation and modification of laws and regulations. He helped shape accounting through his dedication and service to the American Institute of Accountants (AIA) (and AICPA). He served on both the Committee on Accounting Procedure and the Committee on Auditing Procedure where he helped draft new accounting and auditing standards.

Peloubet also provoked accounting thought and debate through his writings, speeches, and testimonies. As evidence, the AIA awarded Peloubet the Gold Medal Award of Distinction in 1946. This award "recognizes a person whose influence on the accounting profession as a whole is especially notable in comparison to other industry leaders" (AICPA 2019). Several leaders in the development of accounting thought and theory also confirm Peloubet's standing in the field. Maurice Moonitz and A. C. Littleton included two of his works in their *Significant Accounting Essays*. His 1935 article, "Is Value an Accounting Concept," was included because "it is a clear-cut statement of the views of a respected leader of the profession" (Moonitz and Littleton 1965, 95). And his 1938 testimony before the Senate Finance Committee was included,

> because it is probably the first extended public explanation of the need for the last-in, first-out method of pricing inventories and of determining cost of goods sold. It also represents one of the few cases where a group of prominent accountants in practice lobbied openly, persistently, and successfully for a change in the income tax law. (Moonitz and Littleton 1965, 450)

Carman Blough, as AICPA Director of Research in 1958, referred to Peloubet as "a well-known and highly regarded member of our profession, for whose views we have the highest respect" (Peloubet and Blough 1958, 73). And over the course of his career, the elite institutions of Columbia, Harvard, New York University, Temple, Wheaton, and Rutgers invited Peloubet to lecture (*World Who's Who in Commerce and Industry* 1965, 1020).

Peloubet was not afraid to discuss difficult questions in his writings, which promoted the evolution of the profession. In his 1935 article "Is Value an Accounting Concept?", which followed on the heels of the 1934 Securities Act, Peloubet sought to clarify the accountant's duties in his role as auditor. Asset valuation was a hot topic at the time, as the Federal Trade Commission (FTC) conducted a Congressionally mandated investigation from 1928 to 1934 into the corrupt practices of public utility holding companies including asset value write-ups (Zeff 2007b, 49-50). In his paper, Peloubet discusses the myriad of definitions for value and concludes that "value" is an opinion and that an "accountant cannot make valuations," as he does not have the requisite expertise, but he does have enough knowledge to critique them (208). He states:

> We are not required by the securities and exchange commission to do more than to disclose the basis on which assets are stated in the accounts. I do not think the accountant has any responsibility under the securities and exchange act for anything further than this, and I do not believe that periodical reappraisal, which is the only logical result of the assumption that accounts should show some sort of value, will be welcomed with much enthusiasm by the commission. (204)

Shortly after the Accounting Principles Board was formed in 1959 and charged with the task to issue pronouncements on GAAP and form a research program, Peloubet wrote the paper, "Is Further Uniformity Desirable or Possible?" as a rebuttal to Leonard Spacek's paper, "Are Accounting Principles Generally Accepted?". Both papers were presented at the 1960 annual meeting of the AICPA and published in the *Journal of Accountancy* the following year. While Peloubet lauds the need for "uniformity of practice and enforcement of these generally accepted principles," he warns that uniformity does not insure absolute comparability between companies due to "the fact that physical and financial conditions and management policies are different, and this must be reflected differently in the accounts" (Peloubet 1961, 36, 39). Whereas in Spacek's paper, he frets over the lack of uniformity of accounting principles and argues for more narrowly defined principles (Spacek 1961). One of the biggest issues leading to these arguments was the lack of an agreed upon definition of "principles" in the phrase "generally accepted accounting principles." At the time, "accounting principles" and "accounting procedures" were often used interchangeably. In a commentary on Peloubet's and Spacek's papers, Carman Blough states,

> It seems to me that, for the present at least, the term "accounting principles" means nothing different from the term "accounting procedures." Possibly by definition there may be a difference but there seems to be none now. It makes no difference in my interpretation of an auditor's report whether he says that the statements are "in accordance with generally accepted accounting principles" or "in accordance with generally accepted accounting procedures." Possibly the Accounting Principles Board will be able to change all this. Certainly it hopes to. (Blough 1961, 52)

This open conversation between leaders in the profession is an excellent example of how Peloubet contributed to the evolution of accountancy in these formative years.

From the beginning of his career, Peloubet sought opportunities to partake in the profession on a global scale. He did this through his time with Price, Waterhouse & Company in Europe during World War I, his service as a delegate at three International Accounting Congresses and at four Inter-American Conferences, and his work with British and Canadian accountants to settle the Civil Affairs Division accounts in Europe after World War II. With his wide-ranging skillset as auditor and tax accountant coupled with his global approach to the profession, Peloubet's career in public accounting remains an example for accountants today. And as testimony that he made a lasting impact, Maurice E. Peloubet was included in the 2012 *Journal of Accountancy* article, "125 People of Impact in Accounting: Leaders Who Left a Mark on the Profession" (Tysiac 2012, 70).

Other than an autobiographical memoir, there is very little published research on Peloubet. As such, this paper documents and examines his career and contributions while drawing attention to the dynamic relationship between accounting and society. Due to Peloubet's extensive career, this paper focuses on his role in the development of the AIA (and AICPA), his lobbying efforts before Congress, his literary contributions, and the rise of his accounting firm into a national leader.

Need for Historical Accounting Research

As long as accounting changes dynamically to accommodate an increasingly complex society, historical accounting research is necessary. Accounting historians examine accounting within its social, political, and economic context in order to draw time-independent insights from history that can be applied to the present or future (Gomes 2011, 391). But these time-independent insights must also be understood within their rich historical context to fully appreciate the interactive process that brought these theories, standards, and practices into being. Accounting theory and practice do not exist within a vacuum, and therefore should not be studied in isolation from their surroundings. The interactions between accounting and society's institutions must be studied in detail. As a society and its organizations become more complex, they place new demands on accounting. The decisions and methods of accounting create phenomena that have their own existence. These in turn affect how a society's institutions operate. As Burchell et al. (1980, 22) state, "Once implemented, an accounting becomes an organizational and social phenomenon, there to be used for a variety of ends by a range of actors in an organization." To study and know the birth, development, and reaction of these accounting phenomena allows for a deeper understanding of where we are today and what may and may not work if a similar situation were to arise. To this end, Gomes et al. (2011, 392) state:

> . . . enhancing an understanding of accounting's past may also augment our understanding of contemporary accounting thought and practice and hence strengthen our appreciation of the social dimensions and impacts of accounting on individuals, organizations and society, allowing us to evaluate accounting in its current modes of operation more effectively.

And by studying the past, the unforeseen ramifications of these phenomena may also be considered, which could prevent repeating mistakes. In a similar vein, there is the need to study the evolution of the profession, and therefore the people who contributed to the development of the field. We need to know how to be better accountants, thinkers, and contributors to society. Previts, Parker and Coffman (1990, 7) assert that historical studies of accounting and auditing policy pronouncements can provide insight to today's accounting professional "by providing an explanation of the manner in which the structure and values of a society will affect the demand for services and the competencies expected of professional accountants."

There is also the policy perspective of accounting history. Previts, Parker, and Coffman (1990, 5) draw from other time-honored professions to speak to this point:

> Just as attorneys cite precedents in arguing cases and physicians study a patient's medical history for diagnostic purposes, accountants should consider the tradition of an issue when they formulate research or revise standards.

Gomes et al. (2011, 398) go so far as to say accounting historians have the responsibility to educate policymakers. Past accounting changes, failures, or scandals may be relevant to policy formulation today. With the knowledge of how and under what societal circumstances the current legislation evolved, policymakers may have better insight into possible consequences of changes. The study of the past highlights lessons learned so they are not forgotten.

Accounting has a history, and it should be studied in order to understand why accounting functions as it does today and how it might better function tomorrow. Both qualitative and quantitative research are needed to keep pushing, probing, and extending the knowledge base in the field of accountancy. The examination of accounting's history may bring to light events or changes that can be further analyzed with quantitative data. Or knowledge of the past may be needed to better understand why and how certain variables are correlated. With the added value of hindsight, accounting historians can more easily see the broad social context in which accounting was shaped and is being shaped. This provides a deeper understanding and appreciation of the present, as well as insight into the future.

History is composed of the actions and ideas of individuals, therefore the lives that contribute to the development of accountancy should be studied. The “good” as well as the “bad” actions and ideas of individuals are worthy of examination. The consideration of the motivation and context of decisions may well serve to guide the profession in the present and future. Flesher and Flesher (2003, 113-114) speak to the importance of biography as history in the following quote:

> How much of what we think is history is forgotten; dates and battles are remembered for a while, but when the next battle comes along, history is rewritten. Ideas of individuals, however, last longer. Thus, a meaningful study of history need not be more than a study of ideas, ideas that are the product of the thought processes of individuals. To understand ideas fully requires a feel for the context in which those ideas arose; to understand history fully requires biography.

Biographies of accounting leaders personalize and contextualize the developments in accounting, which furthers the understanding of the profession.

Objectives of the Study

The overarching objective of this study is to document and explore the contributions Maurice Peloubet made to the accounting profession and in turn society at large. Particular focus is placed on: (1) his impact on the development of the AICPA, (2) his lobbying efforts before Congress, particularly concerning LIFO and depreciation reform, (3) his contributions to accounting thought through his writings, speeches, and participation in state, national, and international organizations, and (4) his practical influence on accounting through the development of his accounting firm into a formidable national presence.

Methodology

Any biography of Maurice Peloubet must start with his posthumously published memoir, *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting*. The memoir is a window into Peloubet's personality and provides a rough outline of his life. While the volume is an insightful and an enjoyable read, it is comprised chiefly of anecdotes from his career. As a recollection in old age, details, such as dates, are frequently inaccurate and important events glossed over or omitted. Much research was needed to corroborate and expand on his lifetime of accomplishments. A professional biography must rely on many different resources.

Newspaper databases such as Newspapers.com and NYTimes provided professional and personal information and dates. The genealogy website Ancestry.com also provided insightful institutional and governmental documents related to his professional and personal life. To understand and build the context in which Peloubet practiced, four resources were of primary support: *A History of Accountancy in the United States* by Gary J. Previts and Barbara D. Merino, *Forging Accounting Principles in Five Countries* by Stephen A. Zeff, the two-part article "How the U.S. Accounting Profession Got Where It Is Today," also by Zeff, and the two-volume work *The Rise of the Accounting Profession* by John L. Carey.

As one of the main purposes of this paper is to highlight Peloubet's writings, a list of his works was compiled from the Accountants' Index, the ProQuest database Accounting, Tax & Banking Collection, and the WorldCat database. All available publications and speeches were examined (See Appendix A for a list of Peloubet's works). To trace his service and impact on the AICPA, the author referred to the AIA (AICPA) bulletin *Certified Public Accountant (or CPA)* from its inception in 1922 to Peloubet's death in 1976. The AICPA Digital Collection housed at the University of Mississippi was invaluable in this process. The ProQuest Congressional database provided Peloubet's congressional testimonies. A broad search for Maurice Peloubet on the Internet also turned up several interesting sources, the chief of which was the PricewaterhouseCoopers Records housed in the Rare Book & Manuscript Library at Columbia University in New York. Copies of the relevant records were obtained and revealed various correspondence between Peloubet and George O. May from 1944 to 1960.

Scope and Limitations

A limitation of the study is the archival nature of the study given that Maurice Peloubet died in 1976. His writings must be interpreted within their context and as they stand, without opportunity for further explanation or clarification from the author. Along this same line is the lack of a significant source with first-hand personal knowledge of the subject. A third limitation of the study is the inability to provide an in-depth view of the broad expanse of Peloubet's 53-year career in public accounting. The years of his career, which ran from 1911 to 1964, cover a period of rapid change for the profession of accounting, and as such the scope of this study was limited to Peloubet's most significant contributions.

Contributions of the Study

This study contributes to the accounting history literature in that it documents the life and contributions of one of its important players, Maurice Peloubet. It also serves to provide accountants an example to emulate in the various roles they play. Peloubet's career illustrates how to make an impact on the institution of accounting through research and writing, as well as involvement in the profession's organizations. His career also highlights how the institution of accounting can impact society through client advocacy and lobbying efforts before the government.

Plan of Presentation

To better grasp how Peloubet was able to impact the profession, a picture of the individual man is needed. As such, Chapter II presents a biography, which seeks to not only document the facts of his life but to capture his personality as well. The rest of the paper proceeds as follows: Chapter III provides the context of his career, Chapter IV gives the history of his accounting firm Pogson, Peloubet & Co., Chapter V details his service and contribution to the AICPA and state societies of CPAs, Chapter VI provides an analysis of his writings, Chapter VII outlines his congressional testimonies on the LIFO inventory method and depreciation reform, and Chapter VIII concludes and summarizes the paper.

CHAPTER II

BIOGRAPHY

Family and Background

Maurice Edouard Peloubet was born in Chicago on January 7, 1892 to Louis Gervais Peloubet and his wife Sophia Louise Wardell. Maurice was the couple's first child, and he was followed by his brother Sidney Wardell Peloubet in May of 1894. The Peloubets were a musical family, whose American origins trace back to the turn of the nineteenth century when an ancestor fled the guillotine during the French Revolution (Nolan 1971, 22). For almost the entire nineteenth century a Peloubet was in the business of making musical instruments, such as melodeons and organs, in New York City. Maurice's father Louis was the first in four generations to break from the family business. He became an accountant, as did both of his sons, and in 1897 started his career with Price, Waterhouse & Company in Chicago (DeMond 1951, 39). Louis's accounting career and the foundation it provided for Maurice's career is detailed in a later chapter.

Maurice and his family lived in South Chicago in what was known at the time as the Kenwood District. The house was just a short walk from Jackson Park and a few blocks from the shore on what is now Blackstone Avenue (Peloubet 2000, 2). In his memoir, *The Story of a Fortunate Man*, Maurice recalls happy tales of fishing for perch in Lake Michigan and riding bikes through local farms. The family left Chicago and moved to East Orange, New Jersey around 1902 for the founding of the New York office of Louis's accounting firm Pogson, Peloubet & Company. Life in New Jersey was interrupted for one year when the family moved to Anaconda and then Butte, Montana in 1908, so that Louis could be close to his client Anaconda Copper Mining Company (Peloubet 2000, 4). The transition for the seventeen-year-old Maurice must not have been that difficult, as a newspaper clipping from *The Anaconda Standard* in Anaconda, Montana dated January 24, 1909, reports a group of high school students, including Maurice and his brother Sidney, had a fun afternoon at the skating rink followed by a dinner party (*The Anaconda Standard* 1909). The family returned to New Jersey in 1909, where Maurice finished his last two years of school at East Orange High School (Peloubet 2000, 4).

After high school Maurice went on to a career in public accounting, first with Price, Waterhouse & Co. (1911-1918?) and then his father's firm of Pogson, Peloubet & Co. Price Waterhouse transferred Maurice to its London office in 1914, where he resided until 1919. Details of his career are given later.

In June 1917, the United States had the first call for military service registration. Maurice's draft registration card is dated July 19, 1917, and lists his occupation as accountant and employer as Price, Waterhouse & Co. in London (*U.S., World War I Selective Service System Draft Registration Cards, 1917-1918*, 1917a). But as Peloubet recalled, "I was not only rejected, but I might even say ignominiously rejected, as I was placed in Class VG, 'totally and permanently mentally or physically unfit for service'. I have never yet been told whether the disability was mental or physical" (Peloubet 2000, ix). There is no record of Peloubet suffering from a disability of any kind.

While in England, Peloubet met Ellen Wilhelmina "Mina" Ayres, and on May 25, 1918, they married in St. Mary's Church in Fulham, London. Mina was around 3 ½ years older than Maurice, and on the marriage certificate she is listed as 29 and a "spinster" with no occupation.

Mina's background seems humble, as her father's occupation is listed as "Billiard Marker[1]" on a 1901 census and as "Traveller" (or travelling salesman) on his daughter's marriage certificate (*London, England, Church of England Marriages and Banns, 1754-1932*, 1918).

It is unclear what prompted Maurice and Mina to leave England, but on July 11, 1919, Maurice filed for an emergency passport (*U.S. Passport Applications, 1795-1925*, 1919a). The young couple soon set sail from Liverpool and arrived in New York on July 22, 1919, aboard the Royal George (*New York, Passenger and Crew Lists (including Castle Garden and Ellis Island), 1820-1957*, 1919).

Maurice and Mina did not have any biological children, but in the 1930's, Maurice adopted Anna Louise Schwartz Peloubet as a teenager. Anna was a distant relative on Maurice's father's side of the family,[2] and she is listed as his adopted daughter in the 1940 census (*1940 United States Federal Census*). In April 1943, Mina filed for a divorce on the grounds that Maurice deserted her (*The Palm Beach Post* 1943a). Two months later the divorce and joint custody of Anna was awarded (*The Palm Beach Post* 1943b). Maurice wasted no time in remarrying. On July 2, 1943, he married Louise Southworth Pedlow (1895-1981) (*Montana, County Marriage Records, 1865-1993.* 1943). Even though Louise's daughter from a previous marriage, Lovedy Pedlow, was eighteen at the time, she was strongly influenced by her stepfather (*The Palm Beach Post* 2010). Lovedy earned a degree in accounting from the University of Maryland in 1946 and went to work in the New York office of Pogson, Peloubet & Co. She later married Ettore Barbatelli who was the president of the National Association of Accountants, now IMA®, from

[1] A billiard marker kept score in a game of billiards, as well as tend to the players' needs.

[2] Anna was the daughter of Edith Carlisle Scott Peloubet Schwartz (1894-1932), who was the step-daughter of William Spalding Peloubet (1862-1943). William was Louis Peloubet's brother.

1970 to 1971. Maurice Edouard Peloubet died on June 1, 1976, while visiting the Barbatellis in Milwaukee, Wisconsin. The cause of death is not known, but he did suffer a severe stroke in the fall of 1969 (Peloubet 1970, 20).

Though his involvement and accomplishments in the accounting profession were extensive, Maurice also nourished the whole man. He was baptized at St. John's Episcopal Church in New York City on January 4, 1948 (*New York, Episcopal Diocese of New York Church Records, 1767-1970* 1948), and he was a member of the Downtown Athletic Club in New York City and the Poetry Society of America (*World Who's Who in Commerce and Industry* 1965, 1020). The familial creative thread continued to run through Maurice's life, as he was known as a musician and poet. He even applied these right-brained talents to accounting by drawing on assignments for poetic subject matter. His love of poetry led to an extensive collection, and on his retirement in 1964, he donated over 500 volumes on the 18th century English poet William Blake to the New York University Library (Nolan 1971, 22). His involvement in the arts also took form as philanthropist through his membership in the Paderewski Foundation,[3] which supported young musicians. Maurice was a Renaissance man, engaged with society.

Early Career with Price, Waterhouse & Company

From a young age Maurice knew he wanted to follow in his father's footsteps and pursue a career in accounting (Peloubet 2000, 3). Louis must have realized the opportunities for his son were greater at Price Waterhouse than with his own firm, because in 1911, Louis took Maurice to the New York office of Price, Waterhouse & Company to meet with George O. May (Peloubet

[3] Ignacy Jan Paderewski (1860-1941) was a famous Polish pianist and conductor who became Prime Minister of Poland in 1919.

2000, 4). This was the year May took over as senior partner of the New York office from Arthur Lowes Dickinson. May hired the young man, and so began Maurice's career in public accounting in 1911. The following year he enrolled in evening courses at New York University School of Commerce, Accounts and Finance where he was exposed to the teachings of John R. Wildman. Maurice was unable to finish the program because in 1914 he was transferred to the London office of Price Waterhouse.

After the onset of World War I in late July 1914, the workforce in the London office of Price Waterhouse began to change. Many staff members started volunteering for active service, and by 1915 fifty percent of Price Waterhouse had enlisted (Jones 1995, 111). This shortage of staff brought on the transfer of Peloubet and others from the U. S. and Canada, such as Bauke Gaastra from New York and W.M. McKinnon from Toronto (Jones 1995, 119), as well as providing the opportunity for women to enter the employ of Price Waterhouse. On October 8, 1914, Maurice was issued Passport No. 42265 (*U.S. Passport Application, 1795-1925*. 1914), and on November 4, 1914, at age 22 he set sail for England (*U.S., Consular Registration Applications, 1916-1925*. 1918).

Peloubet was based in the London office, but he spent much time traveling and working throughout Europe. Though Price Waterhouse had various engagements throughout Europe prior to World War I, additional work brought on by the war pushed the firm to open its first offices on the Continent. During the war Price Waterhouse opened offices in Russia, France, and Holland, though the office in Holland was not officially announced until after the war in October 1919 (Jones 1995, 119). This expansion of the firm allowed Maurice to travel and see much of Europe. He witnessed several monumental moments in European history during his travel. In December 1914, while working under the partner William C. Sneath on an audit of Irish railways headquartered in Dublin, Peloubet witnessed the tensions between the Catholic and Protestants that would soon lead to the Easter Rising in 1916 (Peloubet 2000, 11). In the Spring of 1916, he witnessed the first German Zeppelin shot down over London. The British had devised a new bomb with a sharp point that could pierce the dirigible and ignite the hydrogen (Peloubet 2000, 33). His memoir contains many anecdotes from his various assignments, and travel documents corroborate many of his movements. This paper will not recount all of Peloubet's assignments, but a few are worth mentioning as they are contextually rich stories that provide insight into the interaction of accounting and society, such as how the war influenced accountants' jobs.

World War I brought the importance of cost accounting to the forefront in the UK, as well as the US. The urgent demand and massive scale of production needed for war supplies was unprecedented, and it created an atmosphere ripe for profiteering. The British government soon realized cost accounting was needed to calculate a fair price for supplies. Most contracts were either at a set price (agreed on upfront) or based on actual costs plus a reasonable profit (Loft 1994, 122). Because of government contracts, many businesses, which previously did not consider cost systems, found it necessary to implement one.

Maurice found himself knee-deep in cost accounting during the war, and its importance made a lasting impression as later in his career he was the national director of the National Association of Cost Accountants, the predecessor of the Institute of Management Accountants. In 1917, Maurice traveled to Dublin to the workshop of Sir Howard Grubb and Sons, Limited, a company who normally made telescopes but turned to helping in the war effort by producing rifle telescopes and submarine periscopes for the British Army and Navy (Peloubet 2000, 12). Peloubet's assignment was to either improve their existing cost system or create one if there was none. On another assignment working under Sir Nicholas Waterhouse, Peloubet designed and installed a cost system for Isleworth Rubber Company in 1916 (Peloubet 2000, 27). The company was owned by Germans, so the British government took over the company and the production of rubber tires and rubber parts for machinery during the war. Their main customer was the British Ministry of Munitions. It was also during this time that Peloubet was exposed to the base stock (forerunner of LIFO) method of inventory, which was allowed for British income tax purposes (Peloubet 2000, 38). Nearly two decades later, Peloubet lobbied for the acceptance of LIFO for income tax purposes in the United States (Moonitz and Littleton 1965, 450).

Peloubet also worked in Holland on behalf of Price, Waterhouse & Co. under Charles Evans from 1915 to 1916 (Peloubet 2000, 23). Here he performed raw materials control work required by British governmental contracts. The British consumed more margarine than they produced, so importation was necessary. The large Dutch manufacturer Van den Bergh, a Price Waterhouse client, produced much of this margarine in Holland, but the necessary ingredient, vegetable oil, was acquired from and refined in neighboring German territory (Jones 1995, 119). The British government allowed this setup but required Van den Bergh to sever ties with their German factory. And, since vegetable oil was one of the main ingredients for explosives, the tracking of these goods was critical. The government required verification of all materials going in and out of the manufacturer. This was Peloubet's task at Van den Bergh's in Rotterdam, and while on the assignment he helped uncover the smuggling of raw materials into German territory for munitions manufacture (Peloubet 2000, 19). The control work's sole focus was on types and quantities of ingredients and not monetary figures. This control system actually allowed Van den Bergh to grow their exports to Britain until 1916, when German submarine activity made it too dangerous for Britain to continue to export the raw materials and import the finished goods (Wubs 2008, 13). So, Van den Bergh and another Dutch margarine manufacturer, Jurgens, set up a factory in Britain. Peloubet's registration with the American consulate in Rotterdam on September 18, 1915 corroborates his time in Holland (*U.S., Consular Registration Certificates, 1907-1918*, 1915).

Other business travels and details of Peloubet's life can be gleaned from official papers. In September 1916, he applied for and received travel passport No. 35639 from the American Consulate General in London for the purpose of "travelling through Europe as an expert accountant" (*U.S. Passport Applications, 1795-1925,* 1916). The document lists the United Kingdom, France, Holland, and Russia as countries in which he planned to travel. His residence is noted as the Connaught Club, Marble Arch, London, which was a residential club for university, service, professional, and businessmen. The passport was amended on January 1, 1917, to include impending trips to Norway and Sweden to audit branches of Remington Typewriter Co.

Peloubet's registration with the U. S. consulate in London dated September 3, 1918, reveals several interesting facts (*U.S., Consular Registration Applications, 1916-1925*. 1918). It lists dates and places Peloubet resided outside of the United States since his initial arrival in England:

> United Kingdom, from 20th November 1914 to 1st Mar 1915
> Holland, from 1st Mar 1915 to 14th Aug 1916
> United Kingdom, from 14th Aug 1916 to date.
> Have made short trips to Norway, Sweden & France.

The document also states that he resides in London "for the purpose of being in charge of accounts & costs on behalf of John ver Mehr (An American) 6&7 Cowley Street, Westminster, London. S.W.1." One wonders if this indicates he was no longer employed by Price, Waterhouse & Co. Peloubet's wedding announcement in the *New York Times* in June of 1918 also states that he "is now engaged in the building of concrete ships." Although his memoir is mute on this topic, additional support for the theory is the listing of his occupation as "Commercial business" on the application for his emergency passport in July 1919 (*U.S. Passport Applications, 1795-1925*, 1919a). John ver Mehr was an engineer and machinery manufacturer who arrived in London from America in 1906 with the aim of selling American-made machinery (*U.S. Passport Applications*, *1795-1925*, 1919b). He had several businesses including Ransome Ver Mehr Machinery Company, Ransome Tipton Limited, John Ver Mehr Shipbuilding Company, and John Ver Mehr Machinery Company. On his World War I draft registration card from 1917, Ver Mehr lists his occupation as "Engineer Shipbuilder," and he claims exemption from the draft due to "Importance of occupation" (*U.S., World War I Selective Service System Draft Registration Cards*, *1917-1918*, 1917b). The ver Mehr job is the last European assignment or employment documented for Maurice, as he returned to the United States in 1919.

Years with Pogson, Peloubet & Company

Career with the Firm

Shortly after his return to the states, Maurice joined his father's firm of Pogson, Peloubet & Co. He earned his CPA certificate in 1920 and by 1921 was a partner with Pogson, Peloubet & Co. Maurice helped build Pogson, Peloubet & Co. into a formidable national firm with a specialty in the mining industry. A history of the firm is outlined in Chapter IV. In 1963, when Maurice was a senior partner, the firm merged with Price, Waterhouse & Co. This was a boon to Price Waterhouse as the Pogson Peloubet clients they gained included Anaconda, Phelps-Dodge, and Newmont – all top mining companies on the New York Stock Exchange (Allen and McDermott 1993, 117). Maurice was made a partner with Price Waterhouse on the merger, and he retired shortly thereafter in May 1964 (Peloubet 2000, viii). Throughout Maurice's years with Pogson, Peloubet & Co, one can see the manifestations of his prolific career in his testimonies as an expert witness, involvement in the profession's associations, governmental work, and extensive accounting publications.

Forensic Accounting and Expert Witness

Maurice is credited with coining the term "forensic accounting" in his article "Forensic Accounting: Its Place in Today's Economy," published in the June 1946 issue of the *Journal of Accountancy* (Crumbley and Apostolou 2002, 16). When discussing WWII and its effect on accountants, Peloubet describes how war contracts between the government and private business shifted the focus of cost accounting from "control or reduction" to "justification and proof". He states, "during the war both the public accountant and the industrial accountant have been and for a long time after the war will be engaged in the practice of forensic accounting" (1946, 459). Peloubet elaborates and sets forth two types of forensic accounting practices. In one type the accountant is an expert witness in a court of law, and in the other, he is an expert witness before an administrative or regulatory government agency. This second circumstance was a rather new development brought on by the increasing number of governmental agencies that grew out of the war and the control these agencies exerted over business. Peloubet did not see the accountant as an advocate in these circumstances.

> The preparation of data for regulatory or other governmental agencies and the appearance before such agencies as a witness to facts, to accounting principles, or to the application of accounting principles is essentially forensic accounting practice rather than advocacy. (Peloubet 1946a, 460)

Maurice practiced both types of forensic accounting, testifying in a wide variety of situations. Outlined below are some of his more prominent governmental and court testimonies.

Governmental Testimonies

Maurice testified before the federal government on multiple occasions. With his testimonies before the Senate Finance Committee in 1936 and 1938 representing the American Mining Congress and the Copper and Brass Mills Products Association respectively, he was instrumental in convincing Congress to allow the last-in-first-out (LIFO) inventory valuation method for income tax purposes (Pincus 1989, 30, 35).

Maurice also championed depreciation reform throughout his career. In January of 1958, he testified before the House Ways and Means Committee in regard to insufficient depreciation due to inflation (Committee on Ways and Means 1958, 975-1013). In 1959, he submitted a paper to the Ways and Means Committee in which he advocated accelerated depreciation either based on shorter asset lives, higher rates, or by allowing bonus depreciation in the year of purchase (Committee on Ways and Means 1959c, 891-919). He also proposed another option, known as reinvestment depreciation, which also attempted to ameliorate the effects of inflation. In 1963, he testified as a consultant to the National Small Business Association before the House Ways and Means Committee and the Senate Finance Committee in favor of depreciation reform and for the repeal of the Long amendment, which was a provision from the Revenue Act of 1962 that required the investment tax credit to be deducted from the depreciable tax base (Committee on Ways and Means 1963, 1907-1919). He also addressed the need for an extensive study on depletion of natural resources before any changes were made to the tax law. In September 1966 Maurice, again acting as consultant to the National Small Business Association, testified before the House Ways and Means Committee regarding the President’s proposal to temporarily suspend both the 7% investment tax credit and accelerated depreciation for real property (Committee on Ways and Means 1966a). Even though these measures were meant to help address inflation brought on by the Vietnam War, Maurice was against them and testified that they would hurt small businesses hardest. Though the proposal passed, the suspension was short-lived and was lifted effective March 10, 1967 (Kern 2000, 153).

Maurice also testified before the Securities and Exchange Commission regarding the possible delisting of Transamerica Corporations' stock in 1944. In a letter dated March 8, 1944, from Maurice to the Subcommittee on Surplus of the Committee on Accounting Procedure, he mentions, "The testimony was largely on points concerning surplus, the status of surplus created in [a] quasi-reorganization and the nature and propriety of charges to capital or earned surplus" (PricewaterhouseCoopers Records).

Testimonies in a Court of Law

In June 1953, Maurice testified as an expert witness in a district court case in Des Moines, Iowa that eventually landed in the Iowa Supreme Court (*Sperry & Hutchinson Co. v. Hoegh*, 246 Iowa 9, 65 N.W.2d 410 (Supreme Court of Iowa July 26, 1954)). The case dealt with the legality of using cooperative trading stamp premium plans under the Iowa "gift enterprise" law. Maurice testified for Sperry & Hutchinson that using S&H green stamps as a discount system was no different than other cash-discounts readily used in business (*Sioux City Journal* 1953). In October 1955, he was called to testify on the same topic when several merchandisers were suing the city of Orlando, Florida over the right to use cash-discount trading stamps (*The Tampa Tribune* 1955). The same month he also testified on behalf of the plaintiff in *Social Sec. Administration Baltimore Federal Credit Union v. United States*, 138 F. Supp. 639 (United States District Court for the District of Maryland, Civil Division January 26, 1956), a case which fell under the Federal Tort Claims Act. The credit union's office manager embezzled $395,000 over several years, and Maurice testified that there were “standard danger signals” in the records that the Government examiners did not recognize (*The Baltimore Sun* 1955).

Organizations

Maurice embraced his duties to the profession through his involvement in accounting organizations. He was very active in the state CPA societies, as well as the AICPA. He was licensed in New Jersey, New York, and Texas, and he served as the president of the New Jersey CPA society from 1928-1929 and the New York CPA society from 1950-1951. His extensive service to the AICPA (then the AIA) began soon after he joined in 1920 and spanned over four decades (AIA 1946a, 3). Among other early services to the AIA, he was a grader for the CPA exam (Peloubet 2000, 75). He served as auditor from 1926 to 1928 and was on the Board of Examiners from 1930 to 1939, serving as Chairman of the Board from 1933 to 1939 (AIA 1940b, 20). When the Committee on Auditing Procedures was appointed in the aftermath of the 1939 McKesson & Robbins auditing scandal, Maurice was one of the ten committee members (AIA 1939a, 5). He continued to serve on the Committee of Accounting Procedure, the predecessor of the Accounting Principles Board (APB), from 1941 to 1953 (Peloubet 2000, 123-124). He served one term as vice president from 1940 to 1941 (AIA 1940b, 20), and three terms as treasurer from 1944 to 1947 (AIA 1946a, 3). He was awarded the AICPA Award for Service in 1946 (AIA 1946a, 3). Maurice was also one of three members who composed the original insurance committee in 1947, and over his 15 years of service to this committee he never missed a single meeting (AICPA 1962b, 7). He served on numerous other committees throughout his career. To fully appreciate his devotion to the Institute, a later chapter expounds on his service, detailing his contributions in shaping the accounting profession.

The AICPA, and its predecessor the AIA, supported and participated in the International Congress on Accounting and the Inter-American Conference on Accounting in an effort to establish and maintain good relations with professional accountants in other countries and to strengthen public confidence in the accounting profession as a whole (Foye 1952, 7). Maurice strongly believed in this mission, as he sat on the executive committee at the third International Congress on Accounting in New York City in 1929 where he presented his paper "Valuation of Normal Stocks at Fixed Prices" (*International Congress on Accounting 1929: Proceedings* 1930, 565-581). He was a delegate at the fourth Congress in London in 1933 where he was a discussant on Sir Albert W. Wyon's paper "Holding and Subsidiary Companies: Accounting Principles Involved in the Treatment of Earnings and Valuation of Holdings." (*Fourth International Congress on Accounting, 1933* 1933, 143-151). Maurice was also a delegate at the seventh Congress in Amsterdam in 1957 (*Proceedings of the Seventh International Congress of Accountants, 1957* 1957, 696). The Inter-American Conference on Accounting was put on by the Puerto Rico Institute of Accountants and began in 1949 (AIA 1948a, 1). The aim of the conference was to foster relationships among accounting professionals in the Western Hemisphere and promote higher professional standards. Peloubet was a delegate to the Inter-American Conference in Mexico City, Mexico in 1951; São Paulo, Brazil in 1954; Santiago, Chile in 1957; and New York City, New York in 1962 (*World Who's Who in Commerce and Industry* 1965, 1020). At the November 1954 conference in Brazil, Maurice presented the paper "The Cost Accountant and the Modern World," which he sent to George O. May beforehand for comment. In a letter dated August 5, 1954, Maurice's explanation as to why he sent the paper to May alludes to their long history:

> As I received my first lessons in foreign exchange from you when you, I believe, were the President of the Esperanza Mining Company, and I was trying to keep its

> accounts, I thought you might be interested in the enclosed paper which I am to give next November at the Third Inter-American Accounting Conference in Brazil. (PricewaterhouseCoopers Records)

This "lesson", which took place sometime between 1911 and 1914 while Maurice worked for Price, Waterhouse & Co. in New York, consisted of the monthly preparation of accounts in Mexican currency, converting the highly volatile Mexican currency into U.S. dollars, and then translating the financial statements into sterling so the reports could be sent to the British investors (Peloubet 2000, 7).

Maurice's involvement in accounting and business organizations was extensive and varied. He was a national director of the National Association of Cost Accountants in 1947 (AIA 1947a, 5) and the chairman of the Board of Nominations of the Accounting Hall of Fame at Ohio State University in 1955 (*The Bridgeport Post* 1955). He was also a member of the American Accounting Association, the Mining and Metallurgical Society of America, the American Institute of Mining, Metallurgical, and Petroleum Engineers, the American Arbitration Association (Board of Directors), the accounting honors society Beta Alpha Psi, and the professional business fraternity Alpha Kappa Psi (*World Who's Who in Commerce and Industry* 1965, 1020). His service as an accountant extended into the field of education as well. In 1956, Rutgers School of Business Administration established a Graduate School of Public Accounting, the first of its kind, and Maurice was one of fourteen national accounting leaders selected to serve on the school's advisory committee (*The Central New Jersey Home News* 1956).

Governmental Work

During World War II many accountants served the U.S. government in a professional capacity while maintaining their pre-war job, and Maurice was no exception. Beginning in 1941, he became one of World War II's "dollar-a-year men" when he was paid $1 a year to serve as accounting consultant to the Office of Production Management (OPM), which was replaced by the War Production Board (WPB) in early 1942 (*Chicago Tribune* 1942). The position with the OPM led to Maurice being named assistant chief accountant of the advisory branch with the WPB, but in September 1942, he left the WPB and went to work as a consultant to the Cost Inspection Division of the U.S. Navy for one year (*The Decatur Daily Review* 1942).

Maurice also served as a consultant to subsidiaries of the Reconstruction Finance Corporation (RFC) from 1942-1944 (*World Who's Who in Commerce and Industry* 1965, 1020). The RFC, a federal government corporation, provided financial support to a variety of entities in the aftermath of the Great Depression, and Peloubet's firm audited and investigated several mining operations on their behalf. This included an audit of the Anaconda Copper Mining Company, and an investigation of the Metals Reserve Corporation (Peloubet 2000, 61-62).

In 1945, T. Coleman Andrews, who at the time was the director of the Corporation Audits Division of the General Accounting Office, asked Maurice to be the lead American auditor for the Combined Auditors of Civil Affairs Accounts (Peloubet 2000, 63). For this task Maurice worked alongside British and Canadian accountants in reconciling the Civil Affairs Division[4] accounts across the European Theatre of War. A letter of commendation from Major General Oliver P. Echols, notes, "The survey included cash accounts amounting to hundreds of millions of dollars and civilian supply accounts involving even larger amounts" (Peloubet 2000, 121).

In 1947, Maurice was hired by Representative John Taber of New York, the acting chairman of the House Appropriations Committee, to find ways to cut the federal budget. A

[4] The Civil Affairs Division helps run civilian functions in occupied territories, as well as allied territories receiving aid.

newspaper article states, “But for several months during the last session of Congress, some 30 mysterious characters operated under cover in Washington, checking up on government expenses” (Edson 1947). Maurice worked on the Maritime Commission with Edward A. Kracke of Haskins & Sells and John M. Dunnick of the Huntington National Bank in Columbus, Ohio. This team cut $103 million off the requested budget of $443 million.

Maurice was a consultant to the first Hoover Commission, which was officially named the Commission on Organization of the Executive Branch of the Government and ran from 1947 to 1949 (*The Montana Standard* 1952). He was a member of the accounting policy committee of the fiscal budget and accounting task force. He also served on the same task force for the Second Hoover Commission from 1953-1954 (Peloubet 2000, 128).

Awards

In 1946, Maurice received the AICPA annual award for outstanding service to the profession. The award citation noted:

> for his many contributions to the literature of the accounting profession in the United States, among the most recent of which is his article on ‘Forensic Accounting,’ published in *The Journal of Accountancy*, June 1946, notable for its original thought and light it throws on an important problem of professional conduct. (AIA 1946a, 3)

In April of 1957, Long Island University’s Accounting Department bestowed upon Maurice the “Honored Fellow in Accounting” award for “especially distinguished leadership in the accounting profession” (*Daily News* 1957). And the Poetry Society of America awarded Maurice the Medal for Distinguishing Service for his decade long tenure as treasurer in 1962 (Terte 1962).

Review of His Writings

Maurice's writings made an impact on the profession. When Moonitz and Littleton compiled their *Significant Accounting Essays*, they included two of Maurice's works – "Is Value an Accounting Concept" and his 1938 statement made before the Senate Finance Committee on LIFO (Moonitz and Littleton 1965, 95, 450). He was also selected to present papers at the annual AICPA meetings in 1939, 1944, 1946, and 1960 (Zeff 1982 and Peloubet 1961). He was one of "twenty leading authors in the accounting field" that were consulted for the 1963 *Journal of Accountancy* article "Professional Writing – Why and How" (Dilley 1963, 59). In 1957, he was asked to speak to the members of the Lehigh Valley Chapter of the Pennsylvania Institute of Certified Public Accountants on how to write effectively (*The Morning Call* 1957). He reminded the audience to aim written material at the reader, that third parties may disregard communications if it contains technical accounting terms they do not understand. He said, "Whenever you are tempted to write a word you don't use in oral conversation, be suspicious of it." This practical approach brought him much success with publication. His writings are examined in detail in a later chapter, but a brief mention is warranted here as it illustrates his dedication to the profession. The *Accountants' Index* lists just under 200 entries for Maurice E. Peloubet from 1920 to 1971. The bulk of these entries are for journal articles and paper presentations. Maurice was the sole author of three accounting texts and a memoir that was published posthumously. He also co-authored two texts and contributed chapters to numerous additional volumes on accounting and business.

Maurice wrote poetry and at times drew from his experience as an accountant for subject matter. This sounds a bit odd, but Maurice absorbed the context and minute details of his surroundings on assignments. Some of his verse pays tribute to prospecting, mining, and brass production. While other works celebrate the fiftieth anniversary of the Institute of Chartered Accountants in England and Wales or the Mexican folk-dancers at the 1951 Inter-American Accounting Conference. In “The Comma Comes After Hereafter, or McKesson’s Ghost,” Maurice commemorates his time on the Committee on Auditing Procedure while dealing with the aftermath from the McKesson & Robbins case. The following verses from the poem give a taste of his writing style.

> Recalcitrant members
> Say “Go climb a tree”
> When they’re told it’s the wishes
> Of dear Ess Ee See.
>
> They say, only stronger,
> “No, no, what the heck
> No dictation to us,
> From any damn Sec.”
> (Peloubet 2000, 100)

His poetry did not have the same level of publication success as his professional writings, although he did self-publish a volume of his poetry in 1938 and a few poems were published in accounting literature over the years. Maurice was not shy about sharing his poetry. Philip B. Chenok, a former AICPA president who started his career with Pogson, Peloubet & Co., recalled Maurice handed out Christmas poems to his employees every year (Bisky 1980, 49). And a poem of Maurice’s that he sent to noted poet Robert Frost in 1962 is preserved in Dartmouth Library’s Rauner Special Collections Library (Albright 2017).

Conclusion

Maurice E. Peloubet lived a life dedicated to the accounting profession. An examination of his extensive career from 1911 to 1964 reveals an accountant who questioned, argued, and pushed for better accounting policies. He was not interested in maintaining the status quo.

Peloubet helped shape the profession through his extensive involvement in the AICPA and state accounting organizations, as well as through his writings, his testimonies before Congress, and his accounting firm Pogson, Peloubet & Co. Peloubet was a man "out in front" in the field of accountancy in its formative years. His career paints a picture of the dynamic relationship between accounting and society, and when accounting is viewed as a social science, the history of its evolution is essential to understanding its present and future states. The following excerpt from a 1971 interview, speaks to his desire for the profession to continue to evolve.

> We asked Mr. Peloubet if he ever longed for the good old days of public accounting, before the profession was swept into the eye of the storm over APB Opinions, third party liability court suits, critical attacks in the press from within and without the profession. He thought for a long minute and replied:
>
> "No. I think they'd have to be called the bad old days. Ever since I have had anything to do with accounting, the whole thrust has been to improve and to throw out the things that don't work. I think that accountants – and I mean the organized profession – have made mistakes. But one of the mistakes they haven't made is to get into a state of complacency." (Nolan 1971, 21)

CHAPTER III

CONTEXT OF PELOUBET'S CAREER

Introduction

To fully appreciate Peloubet's career and contributions to accountancy and society, they must be viewed in context. This "sense of place," as the journalist and biographer Robert A. Caro calls it, helps the reader visualize the physical setting of Peloubet's career (Caro 2019, 141). Within this vivid setting, the reader is more likely to identify with or understand the tensions, influences, and motivations informing Peloubet's career, thereby magnifying its significance. To provide this "sense of place" for the facts of Peloubet's life and career, this section of the paper gives a broad overview of accountancy and society for the decades of his career (1911 – 1964).

1910s

Society at a Glance

In the U.S., prominent themes and events of the 1910s included Progressivism, prohibition, immigration, the sinking of the Titanic and the Lusitania, and the onslaught of World War I. Progressivism was a broad movement comprised of several factions, but overall progressives:

> focused on political corruption, social injustices, and economic exploitation arising from concentration of wealth. . . . Progressive reformers' demands for increased efficiency in government and industry, regulation of large businesses,

> and passage of an income tax law to equalize wealth, created the opportunity for accountants to gain professional recognition in the United States. (Previts and Merino 1998, 176 – 177)

In 1912, President William H. Taft's conservative ways did not line up with the Progressive movement, and he lost reelection to the Democratic candidate Woodrow Wilson who went on to serve a second term. Among other reforms, Wilson's administration ushered in the Federal Reserve Act in 1913, which created the Federal Reserve System to oversee monetary policy. The following year, both the Clayton Antitrust Act and Federal Trade Commission Act were signed into legislation to help curb anti-competitive behavior and the formation of monopolies. Other major reforms of the decade included four constitutional amendments. The 16th amendment, which allowed the government to levy an income tax, and the 17th amendment, which established election of U.S. senators by the people of the states instead of election by state legislatures, were ratified in 1913. The 18th amendment, which established prohibition, was ratified in 1919. And the 19th amendment, which gave women the right to vote, passed Congress in June 1919 and was ratified August 1920. Though Wilson was elected as a social reformer, he waivered at times, as evidenced by his administrations' lack of progress in race relations. Segregation began in the Post Office and the Treasury Department as early as 1913 and continued with Wilson's approval throughout many other federal agencies (Wolgemuth 1959, 160-163). This was a particularly striking blow, as the social status of blacks in Washington, D. C. was unequalled anywhere else in the country and the city was considered the center of black society at the time (Wolgemuth 1959, 170). Throughout the decade, government regulation was evident in the railroad industry with the increasing oversight of the Interstate Commerce Commission, and the U.S. remained involved in Caribbean policy partially controlling Cuba and occupying the Dominican Republican, Haiti, and Nicaragua (Reeves 2000, 35 and 38-39).

Though Europe was embroiled in World War I by July 1914, the United States did not enter the war until April 6, 1917, when she declared war on Germany. The U.S. was a nation of rich resources, and even before officially entering the war, the industrial, agricultural, and financial sectors responded to the Allies' needs. Exports went from $825 million in 1914 to more than $3.2 billion by 1916, and munition sales were $1.7 billion between January 1916 and March 1917 (Reeves 2000, 62). The U.S. Government raised taxes and issued war bonds to the American public to fund the government's war costs. "Both instruments proved to be critical steps in increasing political authority for the federal government – in increasing its ability, through democratic politics, to acquire resources for national defense and the waging of war" (Brownlee 1996, 58). The war had a variety of effects on the nation. Numerous federal agencies were created to manage the nation's economy and the war effort. The loss of the male workforce to the draft provided more jobs for women. And higher paying jobs in the north caused half a million blacks to leave the south between 1914 and 1919 (Reeves 2000, 72). The war came to an end November 11, 1918, and with it the loss of over 116,000 American lives. Of course this paled in comparison to the loss of millions of lives in Europe. Reeves (2000, 74) states, "The first modern war, with its powerful artillery, tanks, machine guns, submarines, airplanes, and poison gas, had been the most destructive in history." At the Paris Peace Conference in January 1919, President Wilson proposed the League of Nations, an international peacekeeping organization, as part of his Fourteen Points plan. The Peace Conference produced the Treaty of Versailles, which included the League of Nations Covenant, but due to political and personality differences in the U.S. political scene, the U.S. never joined the League.

Accounting

Organization of the Profession

The profession of accountant was still quite young in the United States when Peloubet entered the field in 1911. It was only fifteen years prior, in 1896, that the state of New York passed the first law recognizing the qualification of Certified Public Accountant. In 1911, the profession was represented nationally by the American Association of Public Accountants (AAPA), which was founded in 1887. The AAPA reorganized in 1916 and became the Institute of Accountants in the United States of America, but the name was short-lived, as they changed it to the American Institute of Accountants (AIA) in 1917 (Carey 1969, 124, 378). The reorganization sought to strengthen the standing of accountants by creating guidelines for the independent audits of financial statements, as well as uniform standards for the licensing of CPAs. Both of these aims were meant to placate the Federal Reserve Board (FRB) and the Federal Trade Commission (FTC), so as to keep the oversight of accountants within the professional body. Because of the AAPA membership requirement of a background of practical experience, many university and college accounting educators were precluded from joining (Zeff 1991, 5). So in 1916, they formed the American Association of University Instructors in Accounting, which was renamed the American Accounting Association (AAA) in 1936.[5] Just before the close of the decade in 1919, another major accounting organization was established – the National Association of Cost Accountants.

[5] In 1924, the AAPA passed a resolution to extend "full membership for instructors who were CPA's and who had been teaching accounting subjects for a least five years immediately prior to making application" (Zeff 1991, 13).

Uniform Accounting

In the early 1900s, organizations such as the AAPA and the National Municipal League pushed for uniformity in municipal accounts to improve the quality of municipal reports and promote efficiency in the management of public funds (Previts and Merino 1998, 230). This left the federal government with the view that uniformity of accounts and financial reports was the answer to all accounting and reporting problems. The accounting profession was hesitant to apply this theory wholesale to private industries until the various users and objectives of financial statements were considered. One of the loudest voices from the federal organizations belonged to Edward Hurley the FTC chairman who wanted uniform accounting in financial statements and a federal register of public accountants with acceptable audit certificates (Carey 1969, 129-130). Hurley had successfully worked with the AAPA to develop uniform cost systems, but now he failed to grasp the distinction between uniformity of a classification system and the uniformity of accounting rules (Previts and Merino 1998, 230). While the accounting profession did not take issue with the FTC designating a chart of accounts, they did take issue with the FTC wanting to dictate the application of accounting principles, as well as a federal register of certified accountants. The Institute wanted to leave the state societies in charge of licensing CPAs but create uniform standards for the process. The profession decided to appease the FTC's desire for a uniform accounting system and work with Hurley on the project. In 1917, Hurley transferred the "uniformity" project to the FRB. It was the Institute's committee on federal legislation composed of Robert H. Montgomery, chairman, George O. May, and Harvey Chase that worked with the FRB and FTC (Carey 1969, 131). George O. May was the senior partner of Price, Waterhouse & Co. in the U.S., and in 1917, the Federal Reserve Board published the pamphlet *Uniform Accounting*, which was largely based on a Price, Waterhouse

Co. internal document written by John C. Scobie outlining audit procedures (Carey 1969, 133). In name only did the pamphlet speak to uniformity of accounting systems, rather the Institute used the document to begin shaping the independent audit in the United States. In 1918, the FRB reprinted *Uniform Accounting* under the more fitting title of *Approved Methods for the Preparation of Balance Sheet Statements* (Zeff 1972, 114). Unfortunately, since the bulletin was based on procedures conducted by Price Waterhouse, it was largely aimed at auditing large companies that already had good internal controls (Previts and Merino 1998, 232-233). One of its biggest downfalls was that it relegated the verification of receivables and observation of inventories as optional procedures. To quote Previts and Merino (1998, 233), "Management now had an 'authoritative' source to prohibit such procedures as too costly, and they fell into disuse in the 1920s." This would come back to haunt the profession with the McKesson & Robbins audit scandal of 1938.

Taxation

When the federal government proposed the 1909 Corporation Excise Tax Law, which was actually an income tax, there were few involved with the drafting of the law that understood accrual accounting (Carey 1969, 213). The legislation was drafted to measure income and expenses on the basis of cash receipts and disbursements, and it imposed a calendar year end. The AAPA took issue with both concerns, as corporate books were kept on an accrual basis and many corporations had a fiscal year end. But the Attorney General rejected the accountants' arguments, and the legislation was enacted without change. It was the Secretary of the Treasury who understood the accountants' arguments and instituted regulations that allowed the accrual method of calculating net income, though no change was made to allow for fiscal-year returns.

To avoid the tax many corporations simply changed their form of operation to a partnership or an association (Carey 1969, 68). As Previts and Merino (1998, 181) point out, “For accountants, the 1909 corporate excise tax had become a highly profitable nightmare.” Then in 1913, just two years after Peloubet entered public accounting, the 16th amendment to the U.S. Constitution was ratified, which instituted a federal income tax. This time Congress worked closer with accountants when drafting the legislation and allowed for fiscal-year filings. Owing to personal exemptions of $3,000 for single and $4,000 for married individuals, only 2 percent of American workers paid any income tax, and the top tax rate for individuals was 7 percent (McGill 1996, 319). The 1913 income tax act was rather modest, as both republicans and democrats did not want to be divisive and were unsure of just how much redistribution of wealth was desired (Brownlee 1996, 44-45). Consumption taxes remained the principal revenue raisers for the federal government.

The above illustrates the important role professional accountants played in the shaping of income tax law. The AAPA efforts, led by Robert H. Montgomery, solidified the importance of the profession’s advice in tax legislation, and the reliance of tax laws on accounting concepts was acknowledged (Chatfield 1974, 209). For the profession, taxation brought on the new role of client advocate. Until this point an accountant’s independence from the client was viewed as the hallmark of his professional status (Previts and Merino 1998, 254). But Carey (1969, 71) notes that the profession’s involvement in tax affairs advanced the profession’s development. Prior to the 1909 and 1913 tax laws, few companies kept detailed accounting records, and even fewer bothered with recording depreciation, but the tax laws provided the motivation for better accounting practices. While the increased demand for accountants was a boon for the profession, it also enticed many unqualified “accountants” and “tax experts” into the field (Previts and Merino 1998, 182).

The Rise of the Accountant during World War I

Since Peloubet was an American accountant who spent the War years working for the London office of PW (1914-1919), it is important to look at the impact of WWI on the accounting profession in the U.S. and the U.K. While Peloubet embraced U.K. practices during the War, it was the wartime changes to the profession in the U.S. that provided the foundation for his career once he returned home in 1919.

The First World War helped establish accountancy as a profession in both the U.S. and the U.K. In the US, the War highlighted the usefulness of the profession to the civilian and military economies, and through the service of many of its members, it cemented politically important friendships in Washington, D. C. (Carey 1969, 142, 144). In England, the entire country was involved in the industrial and commercial wartime effort, so the War provided a public platform for accountants to demonstrate their skillset (Jones 1995, 105). Accountants became the nation’s bookkeepers and auditors, as they were needed to maintain records, track costs, and curtail profiteering. Because they were so vital to the British government’s war effort, qualified accountants were exempt from conscription for several years of the War (Loft 1994, 125). They were legally classified as members of a profession, and in the first census after the War in 1921 their occupation was no longer noted as ‘commercial’ but ‘professional’ (Loft 1994, 127).

Much of the status advancement of accountants during the War was linked to the wartime growth of cost accounting. Both the U.S. and U.K. implemented a corporate excess profits tax, which increased demand for cost accountants. Though there is disagreement as to which nation developed the more sophisticated costing techniques during the War (Loft 1994 and Fleischman and Tyson 2000), both countries saw a rise in the status of the cost accountant and the usage of cost-plus contracts. In the following quote, Loft (1994) discusses the wartime situation in the U.K., but it also speaks to the circumstances in the U.S.

> Cost accounting came into the light as an unintended consequence of the compromise between free trade and a command economy. As profiteering had become an important political issue, what things cost to make had emerged as a seemingly fair criterion on which to base the government's payment for war supplies. Costing apparently enabled the government to align the practices of manufacturers with the objectives of controlling war production *without* directly taking over control in individual plants (132).

Prior to the War, chartered and incorporated[6] accountants in the U.K. were mostly concerned with the financial aspects of bankruptcy and financial statement audits (Loft 1994, 125). They viewed cost accounting and the accountants working in commerce and industry as inferior. But the War saw a growth in government's demand for qualified accountants, and many of these positions dealt heavily with cost accounting. Both the U.S. and the U.K. formed professional cost organizations after the War in 1919 – the National Association of Cost Accountants (NACA) in the U.S. and the Institute of Cost and Works Accountants (ICWA) in the U.K. As mentioned earlier, Peloubet participated in installing and improving cost systems in multiple industries while working for the PW London office during the War years, and in his later career he was the national director of the NACA.

The area of taxation also experienced significant growth during the War years for the U.S. and the U.K. The U.S. began a series of progressive tax acts to help fund the war with the Revenue Act of 1916, which also introduced the federal estate tax. The Revenue Acts of 1917

[6] Chartered accountants were members of the Institute of Chartered Accountants in England and Wales. Incorporated accountants were members of the Society of Incorporated Accountants and Auditors.

and 1918 soon followed. These highly progressive wartime Revenue Acts revamped the previously timid federal income tax system into “the foremost instrument of federal taxation” (Brownlee 1996, 51). The Revenue Act of 1918 lowered personal exemptions to $1,000 for single individuals and $2,000 for married couples (McGill 1996, 319). And the top individual tax rate, which was 7 percent under the 1913 Revenue Act, was raised to 77 percent. The 1918 Act also increased corporate tax rates from 2 to 4 percent and levied an excess-profits tax with a maximum rate of 60 percent. The rising tax rates and the excess-profits tax increased the demand for accountants in preparation of individual and corporate income tax returns, as well as in representation of taxpayers in disputes with the Bureau of Internal Revenue (BIR) (Carey 1969, 213). The BIR was the main arm of the Treasury, and its personnel went from 4,000 to 15,800 between 1913 and 1920 (Brownlee 1996, 56). The Treasury needed a team of experts consisting of accountants, lawyers, and economists to administer the new tax regime.

In the U.K., both the Excess Profits Duty (EPD) and the munitions levy were enacted in 1915. These taxes were designed to raise funding for the war, but they were also closely linked with the advancements in costing as a means to curb profiteering. The munitions levy required munitions firms to remit all profits in excess of 120% of the standard, which was the average of the last two pre-war years, to the state (Billings and Oats 2014, 88). The EPD applied to all trading and manufacturing firms not covered by the munitions levy. It required covered firms to compare their current profit to a pre-war standard, based on profits or a percent of capital, and the excess profit was taxed at the current rate (Billings and Oats 2014, 89).[7] As cost was a key factor in determining both the EPD and the munitions levy, cost accountants were kept busy throughout the war years with the administration of these taxes. Other sources of war revenue

[7] For an in-depth discussion on the mechanics of EPD see Billings and Oats (2014).

were provided by increases to existing income and consumption taxes, as well as an increase in financing, particularly from the U.S. (Billings and Oats 2014, 86).

Peloubet's first published article, which appeared in the *Journal of Accountancy* in January 1919, was on the British EPD. As he spent the War working for PW in England, he presumably had firsthand experience with the application of EPD. Peloubet stated that the purpose of the article was not to criticize the British EPD but to examine its shortcomings, so that the American tax system did not create the same pitfalls in its laws (Peloubet 1919, 17). His main issues with the EPD were how the standard base was calculated and the company's retention of any excess profit. He believed the standard base should not be based on the individual company's past performance, as pre-war profits are concerned with *past* good luck or management. Instead, Peloubet believed there should be an industry "index of the normal profit earning capacity of the capital employed" (19). If a company can produce below the industry index it is a reflection of the company's *current* production and efficiency. He also did not believe any excess profit should be retained by the company, as this is a result of an inflated price and not of an increase in efficiency. Overall, Peloubet believed the EPD to be a courageous and farsighted piece of statesmanship that was not perfect but a "workable and productive source of revenue" (17).

1920s

Society at a Glance

The 1920s are frequently referred to as the "Golden Age of Business," the "New Era," the "Roaring Twenties," or the "Jazz Age." The year 1920 ushered in much change for the US. National prohibition was enacted, the 19th amendment gave women the right to vote, Republican candidate Warren G. Harding was elected the 29th President, F. Scott Fitzgerald penned his debut novel “This Side of Paradise,” and Babe Ruth was sold by the Boston Red Sox to the New York Yankees for $125,000 (Grun 1991, 477). For the first time, the federal census indicated a predominantly urban population (Reeves 2000, 85). The stocks and bonds of the Swedish match company, Kreuger & Toll, Inc., were selling like hotcakes (Flesher and Flesher 1986, 421). The decade saw over 8,000 business mergers, and the wartime industrial standardization continued to push manufacturing to new heights (Reeves 2000, 84). Mass production enabled Ford Motor Company, General Motors, and Chrysler to triumph over competitors in the automotive industry and Maytag, Inc. to dominate in household appliance production (Reeves 2000, 84). The new trend of installment sales provided a way for the masses to purchase these automobiles and household appliances (Reeves 2000, 85). The increase in radio stations and household radio sets linked the nation like never before. The decade also saw higher education become more accessible and more job oriented. This was definitely the case in the field of accounting. In 1900, not one university offered a B.A. in accounting, but by 1930, over three hundred institutions offered undergraduate and graduate degrees in accounting (Previts and Merino 1998, 256). Then this prosperous decade came to a thunderous close with the stock market crash of 1929.

Accounting

Audit and Advisory Services

The U.S. exited WWI a creditor nation, with businessmen applauded for winning the war (Previts and Merino 1998, 238). And as business boomed in the Golden Age of the 1920s, so did the need for accounting services. The number of publicly traded companies grew by more than fifty percent between 1921 and 1928 (Carey 1969, 144). Though many of these companies voluntarily issued audited financial statements, Previts and Merino (1998) point out that it was advisory services that came to the forefront for the profession and not auditing services. They state,

> In this environment, the independent audit function became less important; CPAs were asked to work with businesses and federal regulatory agencies to collect and disseminate data so that business could earn a “fair return” on their investments. (Previts and Merino 1998, 239)

Previts and Merino (1998, 249-250) go on to discuss how politicians and investment bankers, the early supporters of independent audits, no longer pushed for auditing services. Politicians were more concerned with boosting an investor’s return, and the role of the investment banker in corporate financing faded. Corporations began paying higher dividends to attract individual investors, and with the influx of cash, commercial lending plummeted. Instead, banks used their funds to enter the equity market. However, Previts and Merino (1998) go on to note that the overall number of audited companies increased during this time period, as the New York Stock Exchange (NYSE) reporting requirements for listed companies made it cost-effective for them to provide audited statements. Though the leading accounting firms maintained their high standards, many auditors with fewer scruples were attracted to the field. Carey (1969, 145) mentions a few of the more unsound auditing practices, including certification of statements with the balance sheet restated “in amounts which would be appropriate if proposed financing arrangements became effective.” George O. May corroborates the increase in audits in a speech given on September 22, 1926, in which he alleges that over 90 percent of the industrial companies listed on the NYSE have their accounts audited annually (May 1926, 322). He states, “The practice of having independent audits has become so general that it is no longer necessary to demonstrate its value” (322). May also proclaims that the AIA, the exchanges, investment bankers and commercial banks should make a concerted effort to make independent audits compulsory and to hold auditors and management jointly liable for the audited statements, as they were under English law (322). May's address was given at the annual AIA meeting in response to an article by Harvard economist William Z. Ripley published earlier that month in *The Atlantic Monthly*. Ripley accused large corporations of issuing deceptive financial statements to investors and called for the Federal Trade Commission to intervene (Zeff 1972, 119). May tried to get the NYSE to coordinate with the AIA on the requirements for listed corporations' financial statements, but the president of the NYSE rejected the offer (Carey 1969, 164). Instead, May used a backdoor to achieve this end through his friendship with J. M. B. Hoxsey, the executive assistant to the Committee on Stock List of the NYSE. Hoxsey hired May's firm, Price, Waterhouse & Co., as consulting accountants to the NYSE. To quote Carey,

> This gave May direct access to the committee, and he constantly urged improved financial reporting, clearly perceiving that the speculative boom, if not checked, would collapse. It did. (1969, 164)

Audited financial statements were not mandatory for publicly traded companies until 1933, and until the crash of 1929, "most small CPA firms and practitioners in nonindustrial areas survived by providing a wide range of advisory services to their clients" (Previts and Merino 1998, 251). During this time of expanding advisory services, the AIA by no means turned their back on the need for sound auditing practices. In the early 1920s, a special committee of the AIA and a committee of Robert Morris Associates, a national organization for bank loan officers, worked together towards a better understanding of sound auditing procedures (Zeff 1972, 117-118). Out of this liaison, the AIA realized the need for a revision to the 1917-1918 Federal Reserve Bulletin *Approved Methods for the Preparation of Balance Sheet Statements*. The AIA submitted their revision and the FRB issued the *Verification of Financial Statements* in 1929.

Other efforts of the AIA in the 1920s were spent on a coherent lexicon for the rapidly developing profession. As hammering out a common language is the basis for effective communication and system development, this step was of the utmost importance to the profession. In 1909, the AAPA appointed a committee on terminology, whose work culminated in a 1915 report with a list of member-approved terms and definitions (Zeff 1972, 112-113). In 1920, the AIA appointed a Special Committee on Terminology to continue the AAPA's work. The committee compiled a list of around 6,000 accounting terms and definitions it deemed important to the practice (Zeff 1972, 117). From 1922 to 1930 the committee published these terms in the "Terminology Department" of the *Journal of Accountancy*, which allowed for feedback from others in the profession. In 1931 the terms and definitions, as modified by the profession's input, were published in the book *Accounting Terminology*. The contents of the book were advisory only and did not carry the authority of the AIA.

The fractious state of the organized profession in the 1920s contributed to the confusion as to who was a certified auditor. A short-lived rival of the AIA was the National Association of Certified Public Accountants (NACPA), which was founded in 1920. They were shut down two years later when it was revealed they were selling CPA certificates. But before they were put out of business, a legitimate organization called the American Society of Certified Public Accountants (ASCPA) was founded in December 1921 whose aim was to prevent the sale of certificates and protect the designation of CPA (Previts and Merino 1998, 243). The ASCPA proved a formidable rival of the AIA. Peloubet joined the AIA in 1920 and was soon at the heart of its operations for several decades.

Taxation

Andrew Mellon was the Secretary of the Treasury from 1921 to 1932. Early in his tenure, he advocated the passage of the Budget and Accounting Act of 1921, which made the President responsible for establishing a federal budget rather than approving requests from individual departments. The act also created the Bureau of the Budget, to assist in budget preparation, and the General Accounting Office, to audit the federal government (Brownlee 1996, 63). Under Mellon's financial leadership, Congress passed tax cuts in 1921, 1924, 1926, and 1928. The Revenue Acts of the 1920s abolished the excess-profits tax, reduced the top marginal tax rate to 25 percent, and introduced a number of preferential tax treatments, such as preferential treatment of capital gains. Mellon did not agree with all of the tax cuts, and he was worried the increase in exemptions shrunk the tax base excessively (Thorndike 2003). This narrow tax base proved to be an issue when the Great Depression hit.

The AIA continued to work with the Treasury Department on tax legislation and administration in the 1920s (Carey 1969, 219-221). The accountant's role of client advocate was further solidified in 1924 when the Board of Tax Appeals was formed, as the board exclusively permitted lawyers and CPAs to represent clients. This deserving nod to the profession was in large part due to the efforts of Charles D. Hamel, a lawyer and the Board's first president (Carey 1969, 223). The Board became the U.S. Tax Court, and nonlawyers are still allowed to represent clients.

1930s

Society at a Glance

In 1930, the comic strip “Blondie” was launched, Grant Wood painted his iconic “American Gothic,” William Faulkner wrote “As I Lay Dying,” Marlene Dietrich and Greta Garbo were top movie stars, and Bobby Jones won all four major golf tournaments for the first “Grand Slam” (Grun 1991, 498-501). But the overarching theme of the 1930s was the Great Depression. Unemployment went from 5 million in 1930 to 13 million in 1932, nearly a quarter of the workforce, which precipitated the introduction of unemployment compensation in 1933 (Reeves 2000, 101-103). Kreuger & Toll, Inc. was exposed as a giant Ponzi scheme, and in 1932, went down as the largest bankruptcy on record (Flesher and Flesher, 1986, 421). Bank failures were common events in the early 1930s. Per the FDIC website (fdic.gov), between 1929 and 1933, depositors lost around $1.3 billion from bank closures. In an effort to help, the federal government created the Reconstruction Finance Corporation in 1932, which loaned businesses, including banks and railroads, much needed capital to stay afloat. The headlines of a 1932 article in *Fortune* magazine acknowledged the crucial role of the accountant:

> Members of the newest, least known of the great professions, accountants seek truth in an ever more complicated corporate world. A race of men nobody knows, they split finer hairs than any lawyer. And on their diagnoses millions upon millions of dollars may change hands. (63)

That same year Franklin Delano Roosevelt won the presidential election over the incumbent Herbert Hoover, and the “New Deal” was introduced to a struggling nation. Over the next few years, the federal government repealed prohibition, established the FDIC, instituted oversight over banks, provided farmers with much needed aid, passed the Securities Acts of 1933 and 1934, enacted the Social Security Act, and generated jobs through the creation of the Public Works Administration and the Works Progress Administration. Though the New Deal helped stave off further decline, the Great Depression lingered at the close of the decade. In 1939, John Steinbeck penned his Pulitzer Prize winning novel “Grapes of Wrath;” “Gone with the Wind” and “The Wizard of Oz” came out in the theater; the first baseball game was televised; and Hitler invaded Poland (Grun 1991, 514-517). It would take World War II to bring the U.S. out of the Great Depression.

Accounting

Response to the 1929 Crash

In the aftermath of the 1929 crash, the NYSE acknowledged the need to work with the AIA on financial statement requirements for listed companies, as well as narrowing the variety of accounting practices for similar transactions (Zeff 1972, 121). At the AIA annual meeting in September 1930, Hoxsey extended an offer from the NYSE to work together. In his speech, “Accounting for Investors,” he named several areas of accounting that he believed lacked consistency and needed attention – “depreciation, consolidated statements, disclosure of sales, distinction between operating income and other income, surplus, stock dividends, over-conservatism in accounting” (Carey 1969, 165). The AIA responded and formed the Special Committee on Cooperation with Stock Exchanges, chaired by George O. May, to work with the NYSE’s Committee on Stock List (Zeff 1972, 122). These committees worked together over the next several years, and in a letter to the NYSE committee dated September 22, 1932, the AIA committee stressed the role of judgment in accounting and proposed “five broad principles” of accounting that they believed “as so generally accepted that they should be followed by all listed companies” (Carey 1969, 176-177). The letter also emphasized the importance of the income statement, as previous focus was on the balance sheet. In 1934, these five “principles” plus a sixth were officially approved by the AIA's membership (Zeff 1972, 125). In 1934, the AIA published the correspondence between the two special committees that ran from late 1932 to early 1934 under the title *Audits of Corporate Accounts.* This was a noteworthy publication on several accounts: (1) it introduced the terms "accepted principles of accounting" and "accounting principles" into the public accountants' vocabulary, (2) it established that the Federal Reserve's Bulletin *Verification of Financial Statements* applied to the independent audits of listed companies, and (3) it introduced the standard independent auditor's report (Zeff 1972, 124-125). On January 6, 1933, the NYSE mandated that as of July 1 all applications for listing and all subsequent annual reports include a set of independently audited financial statements (Zeff 1972, 123). Other stock exchanges quickly followed suit.

Government Intervention

In May of 1933 Congress passed the first federal legislation covering public security transactions, as this previously fell under the jurisdiction of individual states' "blue sky laws." The Securities Act of 1933, which was administered by the FTC, required financial statements to be audited by "an independent public or certified accountant" (Zeff 1972, 130). That these audits ended up in the hands of independent accountants, and not a government agency, is in large part due to the congressional testimony of Colonel Arthur H. Carter, a senior partner of Haskins & Sells and president of the New York State Society of Certified Public Accountants (Carey 1969, 184-190). The Securities Act of 1933 also gave the Commission the authority to prescribe accounting rules, but they worked closely with the AIA on these issues (Carey 1969, 191, 193). The following year, the Securities Exchange Act of 1934 required annual reports be certified by "independent public accountants" and created the Securities Exchange Commission

(SEC) (Zeff 1972, 130). Carman Blough, a CPA, joined the staff of the SEC in December 1934 and was appointed the first Chief Accountant in 1935. During his tenure, Blough kept the profession at the forefront of decision making by consulting with the AIA, the AAA, and other prominent accountants on the best accounting and auditing practices (Zeff 2003a, 192).

The AIA believed the 1933 and 1934 securities acts, as well as the publication of *Audit of Corporate Accounts* necessitated a revision to *Verification of Financial Statements*, so they prepared and issued *Examination of Financial Statements* in January 1936 (Zeff 1972, 129). This was important on two accounts. First, the AIA, and not the FRB, issued the pamphlet, though the FRB acknowledged it as a revision of *Verification of Financial Statements*. And secondly, it was the first time an AIA publication used the phrase "generally accepted accounting principles."

Auditor Liability

At the beginning of this pivotal decade, the threshold for auditor liability was re-defined. Prior to 1931, an auditor could not be held liable for negligence, however gross, by a third party, as the two parties were not in a contractual relationship. Fraud was the threshold for liability. But the landmark case *Ultramares Corp. v. Touche, Niven & Co.*, 255 N.Y. 170, 174 N.E. 441. (Court of Appeals of New York January 6, 1931), established that "intent to deceive" was no longer necessary to establish fraud – "gross negligence" was sufficient. Though the accounting firm of Touche, Niven & Co. was not found guilty of fraud in the case, it prompted the profession to change the wording of the audit report. At the time, an audit report was known as an accountants' certificate and included the phrase "we certify." The ruling led the profession to omit the phrase "we certify" in order to highlight that the audit report was an opinion and not a statement of fact. The financially tumultuous decade prompted additional clarifying changes to the standard audit report. Over the course of the decade, additional changes were made to clarify that an audit largely consisted of testing and sampling, the financial statements were "in accordance with accepted principles of accounting," and internal controls were reviewed (Carey 1970, 152-154).

AIA

The 1933 and 1934 Securities Acts acknowledged accountants' social duty in the public market, thereby reinforcing accounting as a profession (Previts and Merino 1998, 274). The government intervention also provided the catalyst for the profession to unite. The ASCPA and the AIA recognized the need for a unified front, and the rumblings of a merger began in 1933 (Carey 1969, 353-357). The process took several years due to push-back from both parties, but both organizations voted for the merger at their respective annual meetings in 1936. At the time of the merger their memberships were approximately equal, and in 1937, the unified organization went forward as the AIA with total membership of 4,890 (Carey 1969, 370). Peloubet's service to the AIA was extensive in the 1930s and is detailed in Chapter V.

Throughout the 1930s, the AIA formed several critical committees whose aim was uniformity for the profession. This included the appointment of the Special Committee on the Development of Accounting Procedures in 1933, which sought

> to consider how far it may be possible to formulate broad principles of accounting which are regarded as so generally acceptable [sic] that any deviation from them should require explanation. (Zeff 1972, 126)

The committee was renamed the Committee on Accounting Procedure (CAP) in 1936, and until the committee was reorganized in 1938, it was a rather small committee comprised of the chairmen of eight other AIA committees (Carey 1970, 12). The 1938 reorganization enlarged the committee to 21, including members from small and large accounting firms alike, and established a research department within the AIA (Zeff 1972, 135). The CAP used Accounting Research Bulletins (ARBs) to inform the profession of accepted accounting procedures. In 1939, they issued ARB No. 1 as a general introduction, which outlined their approach and stated the six accounting principles the membership approved in 1934 (see above). Issuance of ARBs required a two-thirds majority and dissents were published. ARBs were not binding on members of the AIA. The committee noted that exceptions to the pronouncements may be warranted, but that justification from departure rested on those using other methods (Carey 1970, 14-15). The CAP issued 51 ARBs between 1939 and 1959, at which time the committee was replaced by the Accounting Principles Board (APB).

The Committee on Auditing Procedure was formed in 1939, in the aftermath of the McKesson & Robbins audit scandal where both inventory and accounts receivable were grossly overstated and not verified by the auditor. This committee issued bulletins on auditing procedures, and in Statements on Auditing Procedure No. 1, "Extensions of Auditing Procedure," the committee required the physical observation of inventory, confirmation of receivables by direct communication with debtors, and that the independent auditor be engaged by the board of directors or stockholders early each year (Carey 1970, 34-35). The bulletin also included the new standard form for the auditor's report. Peloubet was appointed as one of the original members of the Committee on Auditing Procedure (AIA 1939a, 5) and served until 1941. Zeff (2003a, 192) notes that,

> The decade of the 1930s ended with the organized profession, represented by the Institute, poised to be the principal source of authoritative pronouncements on both accounting and auditing that the SEC would require for use by SEC registrants and their auditors. The professional and academic literature thus became the place where improvements in accounting and auditing norms could be discussed and debated.

Peloubet was at the forefront of the discussion taking place in the academic literature, as can be witnessed by the number of his publications in the 1930s, 1940s, and 1950s (see Appendix A for a list of Peloubet's works).

Taxation

The Great Depression hit the federal budget hard. The administration enjoyed a surplus throughout the 1920s, but in 1930 the fiscal gap was over $900 million (Thorndike 2003). After proposing a tax hike in 1932, Secretary of the Treasury Mellon was ushered out and Ogden Mills took the reins. The Revenue Act of 1932 raised the top marginal income tax rate from 25 to 63 percent, lowered exemptions, ushered in a host of excise taxes, and increased estate and corporate taxes. The 1932 act limited loss carryforward to the succeeding year, but then the 1933 act eliminated it entirely (Lasser 1947, 51). The 1932 tax act was predicted to raise $1.1 billion in new revenue (Thorndike 2003). President Franklin D. Roosevelt inherited this tax system when he took office the following year. Tax acts under Roosevelt's regime sought to keep the income tax progressive. The Wealth Tax Act of 1935, which increased taxes on the wealthy and corporations, was also called the "Soak the Rich" tax. It raised the top marginal income tax rate to 79%. The regressive, yet popular, Social Security Act was also passed in 1935. Reeves (2000, 111) claims the Social Security Act established social rights for Americans that the government had to respect, "marked the beginning of a permanent system of public welfare in the United States," and "helped cement the growing belief that the Democrats were the party of compassion."

Tax events from the decade relevant to Peloubet's career include the Revenue Acts of 1938 and 1939. The Revenue Act of 1938 recognized the last-in, first-out inventory method as a valid method for tax purposes, but it limited the allowance to tanners and brass smelters and refiners (Davis 1982, 10). And the Revenue Act of 1939 expanded the allowance to all other industries (Davis 1982, 13). Carman Blough said Peloubet was due much of the credit for the government's allowance of the LIFO inventory method (Pincus 1989, 35). Peloubet testified before the Senate Finance Committee in 1936 and 1938 on the LIFO inventory method for tax purposes. The growing number of revenue acts resulted in the first codification – the Internal Revenue Code of 1939.

As taxes increased in the early 1930s, so did the need for tax services. Previously, the legal profession had largely left tax practice to the accountants, but the increasingly lucrative area of practice drew lawyers' attention. The tension between the two professions quickly became a hot topic. Throughout the decade, the American Bar Association (ABA) and the AIA held numerous inconclusive meetings to discuss the ABA's claims that CPAs were performing client tax services that constituted the practice of law (Carey 1970, 204-212). This heated debate continued for several decades.

1940s

Society at a Glance

In 1940, F.D.R. was reelected president for his third term, Ernest Hemingway published "For Whom the Bell Tolls," and Bing Crosby topped the music charts. World War II quickly dominated daily life in the early 1940s. Goods such as sugar, gasoline, and meat were rationed and automobile production ceased (Reeves 2000, 126). The government raised taxes and created numerous federal agencies. These agencies, often led by business executives known as "dollar-a-year men," included the Office of Price Administration, the National War Labor Board, the War

Production Board, the War Food Administration, and the Office of Defense Transportation. Factory production of ammunition, aircrafts, ships, and tanks soared, thereby helping the unemployment plight. And the iconic character “Rosie the Riveter” was born, as women worked alongside men in these factories. In addition to filling the labor gap left by the draft, women served in the military. Around 358,000 women served during the war, and at the end of the war in 1945, just over 12.2 million men were in the military (The National WWII Museum). After the war, the U.S. economy boomed, as did the population. The late 1940s brought the Cold War and the anti-Communist crusade known as the Red Scare. In 1947, President Harry Truman’s administration created the National Security Council and the Central Intelligence Agency. The same year Truman issued the executive order known as the Loyalty Order, to suss out Communists serving in the government. Soon after, the House Committee on Un-American Activities focused their efforts on communist activities in the Hollywood film industry. In 1948, the AIA adopted a resolution stating,

> Be it resolved that it is the opinion of this Council that any accountant who publicly or secretly aids, supports or assists the world communist movement to accomplish its objectives in the United States, by participating in its program, whether he be an avowed party member or not, is guilty of an act discreditable to the profession and should not be permitted to become or remain a member of the American Institute of Accountants. (AIA 1949b, 11)

By the close of the decade, the country was on high alert against communism and on the brink of the Korean War.

Accounting

Impact of World War II

Although World War II (WWII) began on September 1, 1939, when Hitler invaded Poland, the United States did not officially join the war until December 8, 1941, the day after the bombing of Pearl Harbor. But like much of the rest of America, the accounting profession was readying itself for war prior to official entry. The AIA Special Committee of National Defense was formed in September 1940 in anticipation of the federal government's need of accounting advice. The AIA expected calls from government agencies "in connection with rapid expansion of government buying and plant construction and equipment under the national defense program" (AIA 1940a, 8). Peloubet, the AIA vice president 1940-1941, was one of 19 men appointed to the special committee. The following year, he was named as Assistant Chief, Accounting Advisory Branch of the War Production Board, a position he held until 1943 (Peloubet 2000, 127). Further detail of his war service to the AIA is presented in Chapter V. Carey (1970, 46-48) states that by 1942, the AIA "had turned almost all of its energy toward war activities," and as war raged manpower became an issue:

> Institute committees and staff spent hours, days, and weeks in Washington and elsewhere on various aspects of the manpower problem – recruiting competent accountants for the military and civilian war agencies, attempting to secure deferments for CPAs who were doing essential work, and trying to have skilled accountants in the armed services assigned to tasks where they could do the most good.

During the war and the years immediately following, many prominent accountants aided in the war effort by offering their services either directly to the government or to the AIA (Jobe and Flesher 2015). Jobe and Flesher (2015) focus on the service of four prominent accountants: George Percival Auld, C. Oliver Wellington, Herbert F. Taggart, and Maurice E. Peloubet.

In 1940, W. A. Paton and A. C. Littleton bestowed upon the profession "a cohesive body of underlying accounting theory" with their monograph *An Introduction to Corporate Accounting Standards* (Zeff 1972, 140). Though it was published by the AAA, the AIA endorsed its contents and issued it as a dividend to their members. With its explanation and defense of historical cost accounting and the need to match cost and revenue, the monograph significantly influenced accounting practice and education for decades (Zeff 2018, 45, 50).

Though the AIA spent much of its manpower on war related efforts in the 1940s, it had many other irons in the fire. A well-defined, common language for accounting was still taking shape. In 1939-1940, the Committee on Terminology was reconstructed with the intent to revise the 1931 publication *Accounting Terminology* (Zeff 1972, 140-141). The committee was made up of three members from the CAP, including George O. May who served as chairman for both for several years. Between 1940 and 1949 the Committee on Terminology published eight committee reports in the ARB series. These reports were not formal pronouncements, but they were authorized by the CAP for publication. Throughout the decade the CAP spent much effort trying to standardize accounting practice and issued twenty-seven ARBs in addition to the eight on terminology (Vangermeersch 1996a, 16). Peloubet served on the CAP from 1941 to 1953 (Peloubet 2000, 123-124).

The SEC continued to rely on AIA committees for guidance on "generally accepted accounting principles" as well as auditing procedures (Zeff 2003a, 193). Of particular note was the Committee on Auditing Procedure's "generally accepted auditing standards," which the AIA approved and published in 1948. Carey (1970, 147) notes that the project started just before WWII and at the behest of the SEC. Nowhere in official literature had the AIA differentiated between auditing procedures and auditing standards, and as the auditor's report revised in 1941 referred to standards, there was a need for clarity (Carey 1970, 148). The committee's efforts were interrupted by wartime needs, but in 1947, they issued a statement that the members approved the following year. The introduction began as follows:

> Auditing standards may be said to be differentiated from auditing procedures in that the latter relate to acts to be performed, whereas the former deal with

> measures of the quality of the performance of those acts, and the objectives to be attained in the employment of the procedures undertaken. (Carey 1970, 148)

The statement went on to divide and explicate auditing standards into the three broad categories: General Standards, Standards of Field Work, and Standards of Reporting (Carey 1970, 148-149). Zeff (2003a, 193) points out, "Once again, the organized profession set the terms governing the performance of its flagship service, the external audit."

Taxation

Under the leadership of Franklin D. Roosevelt, Congress enacted wartime legislation to help finance the war and to help control inflation by reducing excess purchasing power (Brownlee 1996, 90). Between 1941 and 1945 corporate income tax rates went from nineteen percent to forty percent, and an excess profits tax was enacted that topped out at ninety-five percent (Bank 2010, 208). And with the Revenue Act of 1942, personal income tax went from a 'class tax' to a 'mass tax,' as it was both progressive and broadly based (Brownlee 1996, 93). The reduction of personal exemptions and the increase in the tax rates "that included a surtax graduated from 13 percent on the first $2,000 to 82 percent on taxable income over $200,000 – made the personal income tax more progressive than at any other time in its history" (Brownlee 1996, 94). Income tax rolls went from around 7 million in 1940 to over 42 million in 1945 (Jones 1988, 686). To aid in collection of taxes, income tax withholding began in 1943. With the close of the War in 1945, came tax cuts. The Revenue Act of 1945 repealed the excess profits tax and lowered both individual and business income tax rates, and the Revenue Act of 1948 further lowered individual income tax rates (Thorndike 2006). But even with these tax cuts, postwar income taxation greatly exceeded the prewar tax levels (McGill 1996, 320). World War II established a new tax regime that both Democrats and Republicans wanted to keep intact. The three elements of the regime were:

> (1) A progressive but mass-based personal income tax for general revenues; (2) a flat-rate tax on corporate income, also for general revenues; and (3) a regressive payroll tax for social insurance. (Brownlee 1996, 102)

1950 – 1964

Society at a Glance

Television came of age in the 1950s. The number of home television sets went from 1.5 million in 1950 to approximately 15 million in 1951(Grun 1991, 531-532). Popular icons of the era include Elvis Presley, Marilyn Monroe, Audrey Hepburn, Marlon Brando, and Elizabeth Taylor. With the baby boom of the forties came the emphasis on families in the 1950s. This was evident in the artwork of Norman Rockwell, which frequently served as the cover of the *Saturday Evening Post*, and in popular television shows, such as “Father Knows Best” (Reeves 2000, 156-157). The era finally ushered in hard-won progress in the civil rights arena for black Americans. *Brown v. Board of Education* declared segregated schools were unconstitutional in 1954, Rosa Parks refused to give up her seat in 1955, and Martin Luther King, Jr. became a leading figure for civil rights in the 1950s and won the Nobel Peace Prize in 1964.

Dwight D. Eisenhower became the nation’s thirty-fourth president in 1952. After Eisenhower’s second term, John F. Kennedy took office in 1961 and served until his assassination in 1963. Lyndon Johnson succeeded Kennedy. The fight against communism was a recurring theme for all three presidents. The U.S. entered the Korean War on June 27, 1950 when communist North Korea invaded South Korea. The three-year war was a proxy for the Cold War. On the home front, the fear and persecution of communism continued until the late 1950s. The end of the Red Scare coincided with the death of its most prominent proponent Senator Joseph McCarthy in 1957. Though they did not officially enter the Vietnam War until 1965, the U.S. had long been involved in battling communist rule in Vietnam. Between 1955 and 1961, the U.S. aided the South Vietnamese to the tune of over a billion dollars, mostly in military assistance (Reeves 2000, 167). The arms race between the U.S. and the Soviet Union was also in high gear during these years, as well as space exploration.

Accounting

State of the Profession

By 1950, the accounting profession in the U. S. was in its stride. The 1950 census recorded 376,459 "accountants and auditors," but only around 71,000 were CPAs and 37,000 state licensed public accountants (Wise 1960a, 152). In John Carey's 1951 article "Accounting at the Half-Century Mark," he expounds on fifty years of professional advances. All states and territories had passed CPA legislation, and all but one used a uniform examination. American accountants could consult American literature on accounting and auditing, whereas in 1901 they were solely relying on British accounting books. And accounting education was at the accountant's fingertips, as accounting courses were offered at almost all major universities. Carey says, "for 50 years accounting has been in a race to keep up with its opportunities" (66). He closes the article noting,

> So the accountant, meagre in numbers and modest in stature, once regarded as a mere bookkeeper or clerk, is emerging as a professional man whose judgement is needed in decisions of great social significance. (66)

Accountants readily answered this call. Leading CPAs, such as Eric L. Kohler, Paul Grady, T. Coleman Andrews, and Percival Brundage, held prominent positions in government throughout the fifties (Zeff 2003a, 193-194). Included in this rank is Maurice Peloubet, as he served on the Second Hoover Commission from 1953-1954 (Peloubet 2000, 128). A 1960 article in *Fortune* noted that, “auditors and accountants are the fastest growing of all occupations in the federal government,” with 16,845 currently employed (Wise 1960a, 196). This same article declares accountants to be integral to policymaking because they are often the only ones able “to make sense of a modern government budget” (198). In 1960, the largest accounting firms in the U.S. were known as the Big Eight and were comprised of: Peat, Marwick, Mitchell & Co.; Arthur Andersen & Co.; Ernst & Ernst; Price, Waterhouse & Co.; Haskins & Sells; Lybrand, Ross Bros. & Montgomery; Arthur Young & Co.; and Touche, Ross, Bailey & Smart. Though these were the most well-known names in the field in 1960, the bulk of public accounting work was performed by 25,000 small, local firms (Wild 1960a, 192). The makeup of accounting firms was rapidly changing during the 1950s and 1960s, as the number of mergers increased. Peat, Marwick, Mitchell & Co. merged with fifty-three firms in the 1950s, but Price, Waterhouse & Co. was more selective with only ten mergers between 1955 and 1967 (Allen & McDermott 1993, 117). Peloubet’s firm, Pogson, Peloubet & Co., was one of these ten firms.

Management services in the accounting profession also gained ground in the 1950s. Auditors often specialized in a certain industry, which provided them with insight even management may not have possessed. So, it was a natural evolution for the big audit firms to provide management services. This wide variety of services included labor negotiations, personnel selection (Ernst & Ernst had a staff psychologist available for consultation), factory design and layout, merchandise pricing, and issues with production capacity (Wise 1960a, 157).

AIA/AICPA

There were several fundamental changes in the AIA during the 1950s. In 1957, they changed their name to the American Institute of Certified Public Accountants (AICPA). One of the main reasons for the name change was to differentiate the organization representing the accredited profession from the National Society of Public Accountants, which was founded in 1945 and gaining notoriety (Carey 1970, 343-344).

The auditing profession experienced significant changes since the 1936 publication of "Examination of Financial Statements by Independent Public Accountants," so in 1950, the AIA published "Audits by Certified Public Accountants," which clearly explained the "financial statements, the significance of a CPA's report, underlying concepts of auditing, and typical auditing procedures" (Carey 1970, 163). The "Red Book," as the pamphlet came to be known due to its red cover, was readily received by the profession, as well as the banking industry. The Committee on Auditing Procedure issued eight additional statements between 1950 and 1962, at which time they decided to codify all effective pronouncements in Statement on Auditing Procedure No. 33. This was published in 1963 with the title "Auditing Standards and Procedures," and it "became the bible for members of the profession as far as auditing was concerned" (Carey 1970, 163).

Committee on Accounting Procedure

Throughout the CAP's existence, there were repeated complaints as to its piecemeal approach of providing alternative solutions to current problems without relying on an underlying theoretical framework (Carey 1970, 70). There was pressure for greater comparability of corporate financial statements from the SEC, academia, financial analysts, the press, and from within the Institute (Carey 1970, 60-80). The CAP was given a herculean task at a time when manpower was siphoned off for the war efforts in the 1940s. And WWII itself was constantly creating new issues for accounting, such as renegotiation and termination of war contracts and accounting for excess-profits taxes (Carey 1970, 84). With limited manpower and new issues constantly needing immediate attention, the committee had no choice but to put out the most pressing fire one at a time. But as Carey (1970, 89) notes, "In spite of everything, the committee's record was creditable, and its influence significant." One of the louder voices pushing for accounting reforms was Leonard Spacek, the managing partner of Arthur Andersen. In several speeches throughout 1956 and 1957, Spacek railed on the accounting profession and their "generally accepted accounting principles" as outdated (Carey 1970, 74-76). He also accused the CAP of yielding to pressure from industry, as well as the ICC, and of tabling discussions in the face of internal dissent (Carey 1970, 77). In response, the Institute formed a special committee to investigate the claims. Though the special committee, which consisted of Maurice Peloubet, J.S. Seidman, and L.H. Penney, found no wrongdoing on the part of the CAP in their report dated April 17, 1957, it did little to quell the dissatisfied rumblings within the profession.

At the annual Institute meeting in December 1957, Alvin R. Jennings, the incoming Institute president and managing partner of the Big Eight firm Lybrand, Ross Bros. & Montgomery challenged the Institute to develop a more systematic, dedicated effort of establishing accounting principles (Zeff 2001, 143-145). Later that month, the Special Committee on Research Program was formed to spearhead the effort. The 10-man committee included Andrew Barr, the current SEC chief accountant, and Carman Blough, the Institute's director of research. The other members were accountants from academia, industry, and public practice, including Leonard Spacek[8]. It took almost two years of deliberation among the strong-willed committee members, but on September 1, 1959 the Accounting Principles Board was formed (Zeff 2001, 178). The APB took over the duties of both the CAP and the Committee on Terminology. In 1960, Maurice Moonitz was named the first director of accounting research, and his division worked solely to support the APB.

Taxation

Brownlee (1996, 106) notes that "persistent inflation, as well as economic growth, helped to extend the life of the World War II tax regime." The highly elastic tax regime provided revenue for defense programs during the Cold War and mobilization for the Korean and Vietnam Wars without general and permanent income tax hikes (Brownlee 1996, 107). There were modest tax increases in the revenue acts between 1950 and 1952, but these acts also introduced several special tax provisions such as deduction for medical expenses, exclusion on gain of personal residence, and exclusion of foreign income (McGill 1996, 320). Congress also decided to reimpose the excess profits tax during the Korean War, which kept accountants busy. The Eisenhower administration expanded and reorganized the tax code, producing the Internal Revenue Code of 1954. The Revenue Act of 1962 introduced the controversial investment tax credit. Peloubet testified before Congress in 1963 and 1966 regarding this complicated and contentious tax credit. The Revenue Act of 1964 significantly lowered individual and corporate tax rates, as well as introduced the standard deduction.

Wise (1960a, 154) notes that tax practice was still growing for accounting firms in 1960. He goes on to mention the Big Eight firms had anywhere from 100 to 250 tax specialists on staff.

[8] For a complete list of members and a detailed account of the committee's work see Zeff 2001.

Wise also addresses the ongoing tension between lawyers and accountants as to who is professionally qualified for tax practice. There were several court cases in the 1940s and 1950s where the courts found tax accountants guilty of practicing law without a license (Carey 1970, 219-241.) There were more efforts of peacemaking between the two professions throughout the 1950s, and finally, at the April 1957 National Conference of Lawyers and Certified Public Accountants, progress was made. A joint statement, “The Professional Relations of Lawyers and Certified Public Accountants,” which outlined their respective roles per the Treasury Department as enrolled agents and enrolled attorneys (Carey 1970, 252). The two professions agreed there would be no more court cases against each other regarding these matters, and further disputes would be put before a special committee comprised of members from both professions (Wise 1960a, 155). The debate subsided after 1965 with Public Law 89-322, which confirmed the rights of CPAs to practice before the Treasury Department (Carey 1970, 257).

CHAPTER IV

POGSON, PELOUBET & CO.

Introduction

The public accounting firm Pogson, Peloubet & Co. was founded in 1902 in Butte, Montana, once known as “the richest hill on earth” due to its vast mineral deposits. The founding members were Louis G. Peloubet, Arthur H. Pogson, and Percy W. Pogson. Though the firm had a variety of clients over its sixty-year life, the mining industry proved to be its niche. Pogson, Peloubet & Co. became a national leader over the decades and in 1963 merged with Price, Waterhouse & Co.

Due to the confidentiality of the field of accounting and the smaller size of the firm, information on its history is sparse. One valuable source was provided by Louis Peloubet’s son Maurice.[9] At the close of his career, Maurice published a brief history of the firm in the *Price Waterhouse Review* and titled it “Accountants for the Richest Hill on Earth” (Peloubet 1964a). Maurice also recalled a few firm-related anecdotes in his memoir *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting* (Peloubet 2000). Several volumes on the history of Price Waterhouse were also key, as not only did Pogson, Peloubet & Co. merge with Price Waterhouse in 1963, the founders of Pogson, Peloubet & Co. had left Price Waterhouse to start the firm. Other valuable sources include newspaper

[9] Referred to as Maurice throughout this chapter to avoid confusion with his father Louis Peloubet

articles, as well as publications in the *Price Waterhouse Review*. Newspaper databases also provided information on firm clients, as well as its employees.

The Founding of the Firm

Louis Gervais Peloubet entered the profession of accountancy via the music industry. Until around 1895, Louis worked in the family's reed organ manufacturing company, Peloubet, Pelton & Co. in Bloomfield, New Jersey, and kept their accounts (Peloubet 1964a, 52). After the company was forced to close, Louis moved to Chicago, and in April 1897 a month shy of his 37th birthday, he joined the Chicago office of Jones, Caesar & Co, the American agents for Price Waterhouse. In DeMond's (1951) history of Price Waterhouse, Louis is noted as one "who made a great contribution both to the firm and to the accounting profession." (39). While Price Waterhouse was already a formidable presence in America at this time, it is worth noting it was still a small operation. As of December 31, 1897, the total number of fulltime staff and partners was twenty, with nine in New York and eleven in Chicago (Berger and May [1946?], chap. X, 9). In his memoir, Maurice recalled how his father would frequently host Price Waterhouse colleagues in his home for relaxed evenings of conversation and music, as Louis was an accomplished musician on a variety of instruments. Maurice remembered George O. May in attendance singing in his baritone voice (Peloubet 2000, 3).

But much change came to Jones, Caesar & Co. at the turn of the 20th century. The well-regarded, original U.S. agent for Price Waterhouse, Lewis Davies Jones, died suddenly on February 2, 1899, seemingly from diabetic complications. This left his partner W. J. Caesar at the helm in the U.S. offices. Not long after Jones' death, Caesar made several key appointments in the firm. He named Charles Marr the Resident Manager of the Chicago office, Arthur H.

Pogson the Traveling Manager of the Chicago office, and George O. May the manager of the New York office (Allen and McDermott 1993, 22). Caesar became more demanding of his staff, established rigid office rules, and did not pay his staff accordingly, all of which bred discontent among the employees (Berger and May [1946?], chap. X, 12). This led to the departure of "four of the top Chicago men" in 1900: Louis G. Peloubet, Arthur H. Pogson, Edward M. Mills, and F. G. Phillipps (Berger and May [1946?], chap. X, 12). DeMond (1951) also noted that Louis Peloubet was a strong force in the Chicago office from 1897 until he left in 1900 (39). Louis left Jones, Caesar & Co. on July 31, 1900, to work for another accounting firm (Berger and May [1946?], chap X, 8). Two years later, Louis, Arthur H. Pogson, and Percy W. Pogson, Arthur's brother who had also worked for Price Waterhouse, formed Pogson, Peloubet & Co. in Butte, Montana on August 1, 1902 (*The Montana Standard* 1952). Arthur and Percy Pogson were originally from England and came to the U.S. in 1888 and 1892 respectively (Finlay 1969, 14). At the time of formation, Louis Peloubet and Percy Pogson lived in Chicago and Arthur Pogson lived in New York (*The Montana Standard* 1952). The company was formed in Butte, Montana because their audit client the Anaconda Copper Mining Company was located there. Prior to 1902, Jones, Caesar & Co. was the auditor for the Anaconda Copper Mining Company (Finlay 1969, 6-7). In 1902, Anaconda Copper Mining Company was largely owned by the Amalgamated Copper Company[10] for which Pogson, Peloubet & Co. were the auditors (*The Wall Street Journal* 1905a).

[10] The Amalgamated Copper Co. liquidated in June 1915 leaving Anaconda Copper Co. in full control. Between 1910 and 1915, Anaconda took over most of the other enterprises within Amalgamated Copper Co. (Schmitz 1986 , 396).

Formative Years

The first advertisement for Pogson, Peloubet & Co. on September 4, 1902 in *The Butte Daily Post* listed their offices as the Hennessy Building in Butte and at 20 Broad Street in New York. By December 1902, the firm also had offices in Chicago in the Marquette Building and St. Louis in the Chemical Building (*The Butte Daily Post* 1902; *The Butte Miner* 1903). By December 1905, the firm relocated the New York office to 42 Broadway, remaining in the heart of the financial district (*The Sun* 1905). Their advertisements stated "Audits of Books and Accounts, Systems of Bookkeeping or Costs, Financial Examinations, Etc." (*The Anaconda Standard* 1903). Help wanted advertisements of the day attest to the growth of the firm. A 1906 advertisement in the *New York Tribune* stated:

> We have permanent openings for two seniors at one of our western branches; must be Scotch or English Chartered Accountants with over one year's experience in this country or Americans having at least five years' training with one of the larger firms; salary to commence $2,100 per year . . . (*New York Tribune* 1906)

And though it seems the Anaconda Copper Mining Company was one of their largest clients, a few newspaper clippings from the early 1900s reveal a variety of other clients. In 1904, they audited the county of Lewiston, Idaho (*The Missoulian* 1904). In 1904 and 1905, the firm audited the Corn Products Company, whose executive headquarters were in New York and manufacturing locations were in Chicago (*Chicago Tribune* 1904; *The Wall Street Journal* 1905b). The firm also did work for the Estate of Christian Nissler, the founder of the Silver Bow Brewery in Butte, Montana (*The Butte Miner* 1904). In 1906, Pogson Peloubet & Co. audited the city-owned and operated water plant in Dubuque, Iowa (*The Courier* 1906). And in 1907, the firm's client the Shipman-McKinney Company, theatrical managers and booking agents in New York City, went bankrupt owing the accounting firm $315 (*New York Times* 1907). In his history of the firm, Maurice Peloubet mentioned several other clients from the early 1900s. Inspiration

Consolidated Copper Co. and Phelps Dodge Corporation were clients by around 1915 (Peloubet 1964a, 53). Standard Screw Company became an audit client in 1910 and remained so until the merger with Price Waterhouse in 1963 (53). Maurice also named the Jersey City Printing Company and its affiliate Plimpton Press, as audit clients dating back before WWI (53). Montana newspaper articles from 1902 to 1907 reveal at least two dozen accountants associated with the firm's Montana activities. Two of the more prominent men who served as office mangers of the Butte office were Donald Arthur and William F. Battin. Donald Arthur managed the Butte office from 1904 to 1908, when he left to start his own practice in Butte (DeMond 1951, 169). In 1918, he left Butte for Washington D. C. where he was assistant to Commissioner of the Bureau of Internal Revenue, Daniel Roper (DeMond 1951, 169). He then joined Price Waterhouse's New York office in 1919 where he established their extensive tax department with Raymond B. Goodell (DeMond 1951, 169). He became a partner in 1924 and retired in 1941 (DeMond 1951, 176, 284). William F. Battin, originally from Canada, took over as manager of the Butte office after Donald Arthur left. Battin is listed in the city directory as early as 1905 and as late as 1914, and in both he is listed as an accountant with Pogson, Peloubet & Co. (*U.S. City Directories, 1822-1995* 1905; *U.S. City Directories, 1822-1995* 1914). Battin then moved to New York, and in 1920, went to work for IBM as controller and retired from the company as the director in 1938 (*New York Times* 1964).

Louis Peloubet's impact in Montana extended beyond his firm, as he and Donald Arthur, a former manager in the firm, were instrumental in the passing of the Certified Public Accountant law in 1909 (Finlay 1969, 10-13). Louis had moved his family from New Jersey to Butte, Montana in 1908, and Maurice recalled his father's involvement in the Montana CPA legislation in January 1909:

> I remember very well my father's frequent trips to Helena when the C.P.A. legislation was being considered. I also remember how tired and frustrated he was when he returned from these trips. . . . I remember quite well when he returned from the final session of the legislature, tired but triumphant, he told my mother and my brother and me about how he and some others had overcome the last obstacle to the bill. (Finlay 1969, 11)

Donald Arthur, Louis Peloubet, James C. Phillips, Arthur H. Pogson, and Percy W. Pogson received Montana CPA certificates numbers 1 through 5 respectively (University of Montana 1910, 76). Louis, Donald Arthur and James Childs Phillips, served on the first Board of Examiners, with Louis as chairman and Donald Arthur as Secretary (University of Montana 1910, 76). In his history on public accounting in Montana, William B. Finlay gave much credit to the men of Pogson, Peloubet & Co. for the advancement of the profession in Montana (Finlay 1969, 6, 10-15). Louis Peloubet was proud of the establishment of accountancy as a profession and kept a collection of material on the early activities of state societies, particularly Montana and Illinois, as well as the original national bodies (AIA 1946b, 138). It was noted in the 1945 midyear report from the AIA history committee, that Maurice donated his father's collection of booklets, articles, and correspondence to the committee (AIA 1946b, 138). During his career Louis was a licensed CPA in Illinois, Missouri, and Montana. Louis was a member of the Illinois Association of Public Accountants by 1899 (Reckitt 1940, 379-380). In 1903, the year Illinois passed a CPA law, Louis and Arthur Pogson received Illinois CPA certificates numbers 24 and 25 respectively (Merritt 1925, 740). In the 1908 AAPA Yearbook, both of these men are noted as members of the Missouri Society of Public Accountants (AAPA 1908, 23). And in 1910, one year after Missouri passed a CPA law, Percy Pogson, Arthur Pogson, and Louis were issued Illinois CPA certificates numbers 36, 37, and 38 respectively (Merritt 1925, 758). The founding members of Pogson, Peloubet & Co. were dedicated to the establishment of accountancy as a profession.

The firm closed the Butte office in 1914 or 1915. Several newspaper articles noted it as 1914, but in his history of the firm, Maurice had it as 1915 (*The Montana Standard* 1950; *The Montana Standard* 1933; Peloubet 1964a, 53). Maurice gave two reasons for the closure. One was that the Anaconda Copper Mining Co. started their own internal audit department in 1915 (Peloubet 1964a, 53). And the other was due to an audit of the city of Butte the firm was asked to do in 1915. The audit revealed much graft and corruption among city leaders, and Maurice stated:

> For some time after the audit, Pogson, Peloubet & Co. men kept off the streets of Butte until after dark and some thought it wise to go armed. Some reforms were made but the firm was never asked to make another audit of the City of Butte.

A search through Butte newspapers revealed Peloubet's story to be accurate, except for the date. In 1910, the Butte Business Men's Association pushed the city for an audit, and in September of that year Pogson, Peloubet & Co. was given the contract (*The Butte Daily Post* 1910). The audit period was almost ten years, from May 1, 1901 to November 30, 1910, and Pogson, Peloubet's fee was $5,900 (*The Butte Miner* 1910a; *The Butte Miner* 1910b). Not everyone in Butte was happy with Pogson, Peloubet & Co. as the auditor. The following excerpt is from a report from a city council meeting on August 22, 1910:

> Alderman Tracey threw the bomb into the meeting when he declared that it was a farce for the city to employ Pogson and Peloubet to audit the books. "Every one knows," said he, "that they are too closely connected with the top floor of the big ship and we can't expect anything from them. You all know what that means." (*The Anaconda Standard* 1910).

Alderman Tracey's fears were for naught. Sealed copies of the report were given to both the Mayor and the Butte Business Men's Association on Wednesday, March 29, 1911 (*The Anaconda Standard* 1911a). The next evening the Butte Business Men's Association decided to make their copy public and gave it to the newspapers. A headline from Friday, March 31, 1911 tells the tale:

> Auditors' Report Shows Shortages: Thousands of Dollars Taken Illegally In Butte and Incompetent Bookkeeping May Conceal Much More – City in Debt Million and a Half (*The Anaconda Standard* 1911a)

A line that ran in *The Anaconda Standard* on Wednesday, April 5, 1911, read: "For whitewash, gloss and varnish do not go to Pogson, Peloubet & Co.'s." The total 200-page report included 48 pages of the "report proper," supporting detailed tables, and even a few maps (*The Anaconda Standard* 1911a). Maurice was correct that Pogson, Peloubet & Co. never audited the city of Butte again. The city awarded the next audit contract in 1913 to the Seattle-based firm Rowland, Thomas & McGowan (*The Anaconda Standard* 1913).

In 1916, Arthur and Percy Pogson left Pogson, Peloubet & Co. to start Pogson Brothers & Company, with Arthur in the firm's New York office and Percy in the El Paso, Texas office (Richardson 1916, 325). Pogson Brothers & Co. merged with Townsend & Dix in 1918 and became Townsend, Dix & Pogson (Perine 1920, 571). This was Ferdinand C. Townsend, Samuel M. Dix, and Arthur H. Pogson. Percy decided to go back to his old firm, as the 1919 El Paso directory listed him as the manager of Pogson, Peloubet & Co. (*U.S. City Directories, 1822-1995* 1919). Louis Peloubet and Theodore H. Sterling were the New York partners at the close of WWI (Peloubet 1964a, 53-54).

Growth of the Firm

The firm grew rapidly after WWI (Peloubet 1964a, 53). Maurice Peloubet joined Pogson, Peloubet & Co. on his return from England in 1919, received his CPA license in 1920, and became a partner in 1921 (Peloubet 2000, 127). Maurice's brother Sidney Peloubet worked for the firm on a part-time basis from 1915 to 1918 when he became a fulltime employee (Peloubet 1964a, 54). Sidney received his CPA certificate in 1923 and became a firm partner in 1926. That same year Lewis M. Norton, who had been with the firm since 1917, joined the ranks of partner (Peloubet 1964a, 54). In the early 1920s, the firm relocated the New York office to the Cunard Building at 25 Broadway, where they remained until their merger with Price Waterhouse in 1963 (Richardson 1921, 473).

The growth of the non-ferrous metals industry after WWI, brought much work to Pogson, Peloubet & Co. In 1918, the Copper Export Association was formed to represent American copper producers in foreign markets by the executives in the copper industry, including those at Anaconda and Phelps Dodge (*New York Times* 1918a). Pogson, Peloubet & Co. helped with the Association's organization and later performed audit work for them (Peloubet 1964a, 54). The leaders of the Copper Export Association formed the Copper and Brass Research Association (CABRA) in 1921 to stimulate the use of copper, brass and copper alloy metals (*New York Times* 1921). It was on behalf of the CABRA and the Copper and Brass Products Association[11] that Pogson, Peloubet & Co. lobbied for almost a decade for the acceptance of the LIFO inventory method for tax purposes (Peloubet 1964a, 54). This is discussed more in depth below. Within a decade after the war, Anaconda had acquired American Brass Co., Chile Copper Company and Green Cananea Copper Company (Peloubet 1964a, 53). Anaconda also organized the Andes Copper Mining Company, of which they owned "practically 100 percent" and the Anaconda Wire and Cable Company, of which it owned around 70 percent (53). In a paper on the history of the copper industry, Schmitz (1986) stated,

> From its origins in Butte, Montana . . . the Anaconda company came to represent the prime example of large-scale, integrated enterprise in the world copper industry by 1929. (396)

[11] The two associations joined forces in 1940 and went forward as CABRA.

Phelps Dodge also continued to grow over the next few decades acquiring several refining and fabricating subsidiaries (Peloubet 1964a, 53). By 1929, total assets of Anaconda were $680.6 million and Phelps Dodge $124.7 million (Schmitz 1986, 394).

The 1930s and 1940s brought much change to the leadership in the firm. In 1933, Louis G. Peloubet died at the age of 57 from heart disease (*New York Times* 1933). Theodore H. Sterling also passed away in May of 1933 (Peloubet 1964a, 54). Howard Guyett, who had been with the firm since the late 1920s became a partner in 1937 (De Mare 1963b, 8). In 1941, Crawford Halsey became a partner. And in 1945, both Frank E. Small and Percy W. Pogson, Jr. made partner. Small was in the New York office, and Pogson, Jr. was with his father in the El Paso office. Other notable employees from the era include Harry Myles Jacob, Leonard A. Doyle, and Raymond H. Knowles. Jacob worked for Pogson, Peloubet & Co. from 1930 to 1936 (*World Who's Who in Commerce and Industry* 1965, 656). He then went to work for the firm's client, Inspiration Consolidated Copper Company, where he was named president in 1960 and then chairman and chief executive in 1973 (*New York Times* 1997). Doyle worked in the New York office in the early 1940s before he got his Ph.D. in economics and taught at the University of California, Berkeley (Doyle 1944, 479). Knowles worked for Pogson, Peloubet & Co. from 1934 to 1945. In 1946, he joined Anaconda as senior auditor, and when he passed away in 1961, he was the manager of their internal audit department (*New York Times* 1961). Numerous other Pogson, Peloubet & Co. employees joined Anaconda over the years. The companies had a tight-knit relationship. Both Phelps Dodge and Anaconda continued to be significant clients for the firm during these years. Anaconda's growth, as well as their importance to Pogson, Peloubet & Co. was exemplified in their increased audit fees. Pogson, Peloubet & Co.'s fee in 1935 from Anaconda for auditing services was $74,061 (*New York Times* 1936), and by 1942 it was

$159,202 (*York Daily Record* 1943). In today's dollars these two years of fees are $1,382,059 and $2,497,000[12], respectively, which represents an 80.67% increase.

In his memoir, Maurice discussed the $55 million Anaconda Copper Mining Co. debenture issue of 1935 (Peloubet 2000, 55-58). In the statement filed with the SEC, Anaconda used the LIFO inventory method, which had yet to be accepted for tax purposes. This led to in-depth discussions between Carman Blough, the chief accountant of the SEC, Anaconda executives, and Maurice as a representative of Pogson, Peloubet & Co. It proved to be one of the first times, and certainly one of the largest issuances, when the SEC recognized the LIFO inventory method as generally accepted accounting procedure (55). Price Waterhouse represented the underwriters of the debenture and fully supported Pogson, Peloubet & Co. in their interactions with the SEC on the use of LIFO (58).

Pogson, Peloubet & Co., chiefly represented by Maurice, led many of the early, public efforts for the acceptance of the LIFO inventory method or its predecessor the base stock method for tax purposes. Maurice testified three times before Congress to this end. The first was in 1936 on behalf of the American Mining Congress (Committee on Finance 1936, 717-719), and the second and third times were in 1938 on behalf of the Copper and Brass Mill Products Association (Committee on Ways and Means 1938, 1181-1184; Committee on Finance 1938, 143-167). The Revenue Act of 1938 allowed the use of LIFO for tax purposes to a very limited number of industries, but the Revenue Act of 1939 permitted its use by any industry. Maurice's testimonies, which exemplified the firm's dedication to their mining clients and the mining industry at large, are discussed in Chapter VII.

[12] The fees were converted using the Consumer Price Index for All Urban Consumers (CPI-U) from the U.S. Bureau of Labor Statistics: 1935 average CPI-U of 13.7, 1942 average CPI-U of 16.3 and the 2019 average CPI-U of 255.657.

During WWII, many of the firm partners volunteered their services to various government agencies (Peloubet 1964a, 54). The firm also carried out several audits for companies owned by or doing business with the government-owned Reconstruction Finance Corporation (RFC) (Peloubet 1964a, 54). Most, if not all, of these were related to mining operations. On one occasion, the firm audited the Anaconda Copper Mining Company on behalf of the RFC. While Peloubet recalled it as a little strange, he said,

> the idea that such an audit might not be carried out with independence never seemed to enter the minds of either the Reconstruction Finance Corporation or of Anaconda (Peloubet 2000, 61).

Peloubet recalled other wartime assignments as well:

> Among these were the audit and in most cases review and revision of systems, of operations of the Metals Reserve Division, later Metals Reserve Corporation, in tin, copper, mica, chromium and manganese. (Peloubet 1964a, 54)

By the mid 1940s, the firm's offices were in New York and El Paso and they were represented in Europe by the London firm Kemp, Chatteris, & Co. [13] (PricewaterhouseCoopers Records).

The firm's mining clients continued to grow, as Newmont Mining Corporation became an audit client in the mid 1950s (Peloubet 1964a, 53). In his history of the firm, Maurice noted that on two occasions, Pogson, Peloubet & Co. "made special investigations into certain features of the operations" of the Internal Revenue Service at the behest of Commissioner T. Coleman Andrews (1953-1955) and Commissioner Mortimer M. Caplin (1961-1964) (Peloubet 1964a, 54). Beginning in the late 1950s, the firm worked with several industry groups, including the Iron & Steel Institute, to lobby for depreciation reform (Peloubet 2000, 53). During these efforts, Maurice testified and submitted statements before Congress in 1958, 1959, and 1963 (Committee on Ways and Means 1958, 975-1013; Committee on Ways and Means 1959a, 419-428;

[13] Kemp, Chatteris, & Co. was acquired by Touche Ross & Co. in 1963.

Committee on Ways and Means 1963, 1907-1919). Chapter VII examines Maurice's congressional testimonies.

Several significant personnel changes occurred in the mid-to-late 1950s. Percy W. Pogson, Sr., one of the founding members, passed away in August 1956 at age 79 (*New York Times* 1956). In 1958, Percy Pogson, Jr. opened a firm office in Phoenix, Arizona (*Arizona Republic* 2004). In January 1959, Van Benschoten & Co., a New York accounting firm, merged into Pogson, Peloubet & Co. (Peloubet 1964a, 54; *Daily News* 1958). The senior partner of Van Benschoten & Co., Harry E. Van Benschoten, died the previous October, and on the merger with Pogson, Peloubet & Co, his son Harry was taken in as a junior partner (Peloubet 1964a, 54; *Daily News* 1958). Sidney Peloubet retired from the firm in 1959 and taught accounting and auditing at Rutgers University and Pace University (*New York Times* 1976b). Around this time Sidney's colleague and co-author on the text *Integrated Auditing* (1958), Herbert Heaton, also left the firm. Heaton later served as the comptroller for the Rockefeller Foundation (*Arizona Daily Star* 2008). In August 1959, longtime employee and partner Lewis M. Norton passed away (*New York Times* 1959). Around 1960, George C. Hanley who started his career with Pogson, Peloubet & Co., left the firm and went to work for Anaconda Company (Searle 1968, 42; *New York Times* 1970). He was elected Vice President for Finance of the Anaconda Wire and Cable Company in 1970 (*New York Times* 1970). A letter from Maurice to George O. May on August 5, 1960 written on company letterhead listed the New York partners of the firm as: Maurice E. Peloubet, Howard L. Guyett, Crawford Halsey, Frank E. Small, Bruce F. Smith, John C. Wilson, Harry Van Benschoten, John H. Lawrence, Robert J. Kern, and Donald K. Wilke (PricewaterhouseCoopers Records). The firm offices are listed as New York, El Paso, and

Phoenix, and they were still represented by “agents in foreign countries.” Percy W. Pogson, Jr. was the managing partner of the Phoenix office in 1960.

Though there was much personnel change during the late 1950s, Pogson, Peloubet & Co. maintained their high standards. In a 1980 interview, Philip B. Chenok, a former employee of the firm, spoke to this fact (Bisky 1980). Chenok, who served as AICPA president from 1980 to 1995, joined the firm’s New York office in 1957 on graduating from NYU and remained with the firm until the early 1960s (49-50). In the interview, Chenok told of his days with Pogson, Peloubet & Co. and reminisced that the firm had “fine old traditions” (49). He remembered spending six to eight weeks at a time for audits on smelting, refining and mining operations in Montana and Utah (49). And at these hot job sites, the auditors still wore jackets and ties (49). He recalled that,

> Work papers were prepared in ink, and since auditors were supposed to have a facility with numbers, adding machines were something you grew into after your first few years. (49).

Chenok also pointed out the progressive audit methods of the firm and their emphasis on analytical review procedures (49-50). He noted that Pogson, Peloubet & Co. was,

> A good, good auditing firm. . . We were doing a lot of things that have since crept into the auditing literature. (49)

Merger

In June of 1963, Pogson, Peloubet & Co. pooled their practice with Price Waterhouse. Among the many clients Price Waterhouse gained with this merger were the top mining companies on the NYSE: Anaconda, Phelps-Dodge, and Newmont (Allen and McDermott 1993, 117). This “major event of the year” was celebrated at the Price Waterhouse annual summer partners’ meeting at Seaview Country Club in Absecon, New Jersey (De Mare 1963a). Six partners from Pogson, Peloubet & Co. were admitted as partners in Price Waterhouse. These men were: Howard Guyett, Crawford C. Halsey, Maurice E. Peloubet, Percy W. Pogson, Jr., Frank E. Small, and Bruce F. Smith. Howard Guyett joined the Pogson, Peloubet & Co. staff in 1927 and made partner in 1937 (De Mare 1963b, 8). He was a licensed CPA in New York and Texas and retired from Price Waterhouse in the summer of 1969 (De Mare 1969, 18). After he retired, he moved to Tampa, Florida where he passed away in 1992 (*The Tampa Tribune* 1992). Crawford Halsey joined the New York office of Pogson, Peloubet & Co. in 1925 and became a partner in 1941 (De Mare 1963b, 8). He was a licensed CPA in New York, New Jersey, and Texas. Halsey retired from Price Waterhouse in 1964, the same year he and Maurice Peloubet co-authored *Federal Taxation and Unreasonable Compensation* (De Mare 1964, 14). Halsey died in 1986 (Social Security Administration). Maurice Peloubet joined his father's firm in 1919 and became a partner in 1921 (De Mare 1964, 15). He was licensed in New York, New Jersey, and Texas. Maurice also retired from Price Waterhouse in 1964. Maurice passed away just a few months after his brother Sidney in 1976 (*New York Times* 1976a; *New York Times* 1976b). Percy W. Pogson, Jr. was the son of Percy W. Pogson, one of the founders of the firm. Pogson, Jr. began working in the firm's New York office after graduation from the University of Arizona in 1930 (De Mare 1963b, 9). He moved to the firm's El Paso office in 1937 and became a partner in 1945 (Peloubet 1964a). In 1958, he moved to Phoenix, Arizona to open an office of the firm. Pogson, Jr. was a licensed CPA in New York, Texas, Arizona, and New Mexico (De Mare 1963b, 9). He retired from Price Waterhouse in 1969 and passed away in 2004 (*Arizona Republic* 2004). Frank E. Small joined Pogson, Peloubet & Co. in 1929 and became a partner in 1945 (De Mare 1963b, 11). Small was a licensed CPA in New York and Texas, and he retired from Price Waterhouse in the summer of 1967 (De Mare 1967, 14). He was living in Roswell, Georgia when he passed away in 1987 (*The Atlanta Constitution* 1987). Bruce F. Smith began working for Pogson, Peloubet & Co. in the early 1920s while a cooperative student at Antioch College and then at New York University. He became a partner in 1957 and was licensed in New York and Texas. After he joined Price Waterhouse, Smith served on the advisory committee on nuclear materials safeguards to the U.S. Atomic Energy Commission (Eidell 1974, 68). Smith retired from Price Waterhouse in 1974 and passed away in 1986 (Eidell 1974, 68; *Tampa Bay Times* 1986). Also at the time of the merger, all but two of the junior partners of Pogson, Peloubet & Co. were admitted as managers to Price Waterhouse (Peloubet 1964a, 55).

Conclusion

Pogson, Peloubet & Co. and its partners greatly contributed to the profession of accountancy. The firm was a national leader in accounting for the mining industry over the years, and as noted above, its auditing practices were ahead of their time. Throughout the decades, the accountants of the firm contributed to the professional literature. Crawford Halsey, Herbert Heaton, Louis G. Peloubet, Sidney Peloubet, Maurice Peloubet, and Percy Pogson, Sr. all contributed articles to the *Journal of Accountancy*. Maurice, his brother Sidney, Crawford Halsey, and Herbert Heaton also authored several books. Maurice and Crawford Halsey both served as editors of departments in the *Journal of Accountancy*. Maurice was editor of *Notes on War Contracts* and *Accounting for Military Contracts* both in the 1940s, and Halsey was a contributing editor to the *Tax Clinic* in the early 1960s. The firm was also dedicated to the advancement of the profession on the state and national level. The original partners Louis G. Peloubet, Arthur H. Pogson, and Percy W. Pogson, helped with the passage of the CPA law in Montana and were among the first licensed in the state. Maurice Peloubet served as president of the New York and New Jersey CPA societies. The accountants of the firm were also dedicated to the national organizations of the profession, the AAPA, AIA, and AICPA. Louis Peloubet served on the professional ethics committee for the AAPA, and both of his sons went on to serve the AIA and AICPA. Maurice served on numerous committees and as vice president, treasurer, and auditor. The following chapter fully examines Maurice's service to the profession.

CHAPTER V

SERVICE TO THE PROFESSION

AIA/AICPA

Over the course of his career, Peloubet witnessed the growth of the profession, as well as the Institute.[14] In 1920, the year he joined the AIA, there were around 1,300 members and associates (AIA 1920b, 2). And in 1962, the year Peloubet served on his last committee, the Institute had over 44,000 members (AIA 1962c, 10). Due to his dedicated involvement in the Institute, it is beyond the scope of this paper to detail all of Peloubet's service. Below is a description of the offices he held and a look at some of the more influential and/or interesting committees on which he served. Tables 5 and 6 provide exhaustive lists of Peloubet's service. It should be noted, that Peloubet did not receive any compensation for serving on any of the Institute's committees.

Maurice E. Peloubet sat for the uniform examination in November 1919 and was admitted to the AIA as an associate in 1920 (AIA 1920a, 1-2). He joined the New Jersey State Society of CPAs in October 1920 (SCPASNJ 1930, 10) and the New York State Society of CPAs in January 1923 (NYSSCPA 1923, 26). To become an associate of the AIA, a candidate had to have four years of experience in public accounting, be recommended by the board of examiners, and then elected by the council. For two of the four years of experience a candidate could substitute either a CPA license or a "certificate of graduation from an accounting school

[14] For the ease of reading, the word 'Institute' is used interchangeable for the AIA and AICPA.

acceptable to the board of examiners" (AIABE 1922, 2). Peloubet advanced to membership in the Institute in 1923 (AIA 1923, 1). A member had to have five years continuous experience in public accounting immediately preceding date of application, or ten years not consecutive with one year immediately preceding date of application, be recommended by the board of examiners, and elected by council (AIABE 1922, 2). Associates paid a fee of $25 for admittance to the Institute and another $25 when they advanced to member status. Requirements for associates and members changed over the years, and eventually the rank of associate was eliminated.

Committee on Definition of Earned Surplus 1924-1926

The special[15] committee on definition of earned surplus was Peloubet's first committee to serve on, and he served two terms, 1924-1925 and 1925-1926. The committee was created in 1924 to assist state legislators in drafting a uniform definition of earned surplus from which dividends could be paid. The committee's original name was "committee on uniform legislation to define earned surplus available for the payment of dividends" (AIA 1924c, 106). The original three-man committee was Arthur E. Andersen (chairman), J. Pryse Goodwin, and Maurice E. Peloubet.

When the committee was composed, there was much confusion as to what "earned surplus" on a balance sheet indicated (AIA 1924a, 14; Hurdman 1925). Some businesses did not separate earned surplus from capital stock. And in 1922, the special committee on terminology listed several ways a company could accumulate a surplus (Vangermeersch 1996b, 499). The use of the term earned surplus was finally discontinued in 1949 with the issuance of ARB No. 39 by

[15] The Institute by-laws listed the regular standing committees. Special committees were appointed ad hoc. Over the course of Peloubet's career the number of standing committees increased from twelve to sixteen, and then in 1958 they were decreased to eight.

the CAP, a committee on which Peloubet served. Earned surplus was replaced with retained earnings, though some companies continued to use earned surplus on their financial statements until the mid-1960s.

Auditor 1926-1928

Peloubet was elected as an AIA auditor for the two terms 1926-1927 and 1927-1928. The Institute elected two auditors each year to audit the books for the current fiscal year and report at the annual meeting. The treasurer had to submit the books and accounts to the auditors at least one week before the annual meeting (AIA 1926, 212). The fiscal year for the Institute was September 1 to August 31, and the annual meetings were held every September until 1932 when it switched to every October. Peloubet served his first term as auditor alongside Lena Mendelsohn, the first woman elected to an AIA office (Slocum and Vangermeersch 1996, 24). His second term was served with Leon E. Vannais. During Peloubet's tenure as auditor, he "examined the accounts and records of the American Institute of Accountants, The *Journal of Accountancy*, Incorporated, 135 Cedar Street Corporation, and various special fund accounts" and presented financial statements at the annual meetings (AIA 1927, 126). The holding company for the three-story building at 135 and 137 Cedar Street in New York City, which housed the AIA, was 135 Cedar Street Corporation. The building was purchased September 23, 1920, for $88,750, and the purchase was financed by issuing $90,000 of bonds underwritten by the members (AIA 1920c; AIA 1927, 127). The AIA moved in November 1, 1920, with the publishing office for the *Journal of Accountancy* on the ground floor, executive offices on the second floor, and the library on the third floor, which consisted of one large room (AIA 1920c;

AIA 1920d). Records show that in 1920, bond subscriptions were made by Maurice E. Peloubet, as well as Pogson, Peloubet & Co. (AIA 1921, 69).

An interesting anecdote involving Ivar Kreuger, the infamous Match King and mastermind of Kreuger & Toll, Inc., comes to light in the details of the financial statements from Peloubet's years as auditor. Total assets on the consolidated balance sheet were $411,218.73 and $418,480.26 at August 31, 1927 and August 31, 1928, respectively, and over half of the asset totals came from "investment securities." (AIA 1927, 128; AIA 1928, 135). The schedule of the 1928 investment securities reveals the General Fund and the AIA Foundation held investments in International Match Corporation 5%, 20-year sinking fund debentures. The General Fund's investment had a par of $6,000, cost of $5,910, and market value of $5,850. The AIA Foundation's investment had a par of $4,000, cost of $3,960, and market value of $3,900 (AIA 1928, 137). The maturity date of 1947 and the absence of these investments from the previous year's schedule, indicates the bonds were purchased in the last four months of 1927. Thankfully, the General Fund divested itself of half of the bonds between the dates of the 1929 and 1930 financial statements, because after the exposure of Ivar Kreuger's scheme in 1932, this investment tanked. The market value for these holdings went from $7,052.50 in 1930 to $568.75 in 1932 (AIA 1930, 133; AIA 1932, 200). Even the AIA fell victim to the Match King.

Council
1928-1933, 1935-1941, 1944-1957

In 1928, after his second term as auditor ended, Peloubet was elected a member of council for a five-year term ending September 1933 (AIA 1928, 101). At the time, council consisted of thirty-five members in practice (seven elected each year to a five-year term), the president, vice-present, treasurer, and all past presidents who were Institute members. No more than six of the thirty-five elected council members could be from the same state. The council met twice a year, at the Institute's annual fall meeting and in April, with special meetings called as needed. They managed all property of the Institute, hired employees, kept records of their meetings, reported to the Institute at annual meetings, and adopted an annual budget (AIA 1928, 199). From its own ranks, the council elected the executive committee, the committee on professional ethics, and two of the seven members on the committee on nominations (the other five were elected by Institute members). All other standing committees were appointed by the Institute president.

After a two-year hiatus, Peloubet was re-elected to council in 1935 for a five-year term. It is interesting to note that he received more votes than his prominent, fellow-councilman William A. Paton. Peloubet received 1,449 votes and Paton received 1,301 (AIA 1936b, 191). At the end of his five-year term, Peloubet was elected vice president for the 1940-1941 fiscal year, which meant he was a member of council for that year (AIA 1941c, 3). He served on council again from 1944 to 1947 in his capacity as treasurer of the AIA.

The composition of council changed over the years. In 1939, the by-laws were amended to change the number of elected members of practice to forty-eight, with sixteen elected annually for a three-year term (AIA 1941c, 525). This evolution took two years and was in full effect by 1941. The rule of no more than six elected members from the same state remained on the books. The size of council grew again in October 1946 when the Institute voted to add two new member categories. The by-laws were amended to include presidents of societies of certified public accountants who were institute members, thereby ensuring all states and territories were represented on council, and nine members at large (AIA 1947b, 28). Members at large served a three-year term and were elected three at a time over the next three years, to provide a total of nine members at large by 1949. They were elected without regard as to their state of residence and had to be members in practice.

Peloubet was elected as one of the first three members at large in 1947. After his three-year term, he remained on council for the fiscal year 1950-1951, due to his status of president of the New York State Society of Certified Public Accountants. In 1951, he was re-elected for a three-year term on council. And in 1954, he was re-elected as a member at large for a three-year term. The fiscal year 1956-1957 marked Peloubet's twenty-fourth and final year of service to the council.

Board of Examiners
1930-1939

At the September 18, 1930, meeting of the council, Peloubet was elected to a three-year term to the board of examiners (AIA 1930, 114). He went on to serve two additional three-year terms, from September 1933 to September 1939, and he was elected chairman of the board every year during these last two terms.

The board consisted of nine members in practice who supervised the examination for admittance to the Institute. For the majority of applicants, the exam was written, but for a select few the exam was oral. An applicant had to meet two requirements to request the oral exam. If an applicant had practiced on their own for five years or in a public accounting firm for seven years and was over 40 or had passed a written exam administered by a 'recognized accounting body' then it was at the board's discretion to administer an oral exam if the applicant requested (AIA 1931, 258). The written exam was given every year in May and November, and by 1917, it became the uniform CPA exam that participating state boards also administered. The board solicited material for exam problems from Institute members, as well as university instructors

(AIA 1940c, 125). In addition to supplying the questions, the board also graded the exams administered by the state boards if they so desired (AIA 1933b, 24-25). So, the board of examiners had two primary functions – supervise admittance to the Institute, which often included administering the exam, and supervise the uniform exam given by cooperating states and territories. The uniform exam covered accounting (theory and practice), auditing, and commercial law. To illustrate the difficulty of the exam, the combined pass rates for the November 1936 and May 1937 are presented in Table 1 (AIA 1938, 472).

Table 1 Pass Rates for CPA Exam 1936-1937

	% Passed	% Failed
Accounting	17.5%	82.5%
Auditing	63.7%	36.3%
Law	62.5%	37.5%

The meeting of accountancy examiners was held every year in conjunction with the annual Institute meeting. This presented a time for state boards of accountancy to meet with the Institute's board of examiners to discuss current issues. During his years as chairman of the board of examiners (1933 – 1939), Peloubet presided over these meetings. In addition to the annual meeting, the board met around six times a year, and as chairman Peloubet gave numerous talks at various state accounting organizational meetings. The board of examiners' workload increased significantly during Peloubet's tenure. For fiscal year 1930-1931, the board admitted 69 applicants, and 34 states and territories used the Institute's uniform CPA exam (AIA 1931, 219). For fiscal year 1938-1939, the board admitted 296 applicants, and 44 states and territories used the uniform exam (AIA 1940c, 127-128).

Executive Committee 1939-1941, 1944-1947

The executive committee consisted of the president, the treasurer, the two vice presidents, and seven members elected from and by the council. The committee's duties are described in an inhouse document:

> This committee is charged with the conduct and control of practically all the affairs of the Institute between meetings of the council. . . . The committee makes suggestions to other committees and calls for special investigations by them. It watches closely any legislative or political conditions which may have a bearing upon the welfare of the profession. It must be constantly alert. (AIA 1933b, 31)

The executive committee also approved all payments made by the treasurer other than authorized salaries (AIA 1940c, 462). At the 1939 annual meeting Peloubet was elected to the executive committee for a one-year term (AIA 1940c, 46). He also served on the executive committee in his capacity as vice president (1940-1941) and treasurer (1944-1947).

Vice President 1940-1941

Peloubet served as vice president for the 1940-1941 fiscal year (AIA 1941c, 3). At the time, vice presidents were elected two a year, had to be members in practice, and could not be from the same state. Peloubet, hailing from New Jersey, served alongside T. Dwight Williams from Oklahoma (AIA 1941c, 350). Vice presidents were automatically members of council and the executive committee. If the president could not be present at an Institute or council meeting, he usually delegated the duty to one of the vice presidents (AIA 1942, 346-347). One duty of

Institute officers was to travel the country and meet with state accounting societies. In his capacity as AIA vice president, Peloubet spoke at nine such meetings:

> Syracuse Chapter of New York State Society of CPAs. Syracuse, N. Y., January 15, 1941.
> Philadelphia Chapter of National Association of Cost Accountants. Philadelphia, Pa., January 16, 1941.
> American Management Association, Finance Conference, New York, N. Y., January 22, 1941.
> Society of Chartered Accountants of Quebec. Montreal, March 10, 1941.
> Illinois Society of CPAs. Chicago, Ill., March 20, 1941.
> New Jersey Society of CPAs. Newark, N. J., March 24, 1941.
> American Institute members in Springfield, Mass., April 17, 1941.
> Connecticut Society of CPAs. Hartford, Conn., April 18, 1941.
> Ohio Society of CPAs. Annual meeting, Cleveland, Ohio, September 4, 1941.
> (AIA 1942, 46)

Peloubet's year as vice president was extremely full. For the 1940-1941 fiscal year, he was on the Council, Executive Committee, Committee on National Defense, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on Auditing Procedure, Committee on Membership (chairman), and Committee on Students' Societies (chairman). And by June 1941, Peloubet was also assisting the federal government agency, the Office of Production Management in Washington, D.C. (AIA 1941a, 3).

Committee on Auditing Procedure 1939-1941

The McKesson & Robbins financial statement scandal, which came to light in December 1938, provided the final push for reform of standard audit procedures. The scandal was perpetrated by the four Musica brothers. The ringleader and brains behind the scandal was Philip Musica, who had assumed the name F. Donald Coster because of previous convictions of fraud. It was an elaborate scheme, but ultimately the company falsified records and created fictitious inventory and accounts receivables. Their financial statements for the year ended December 31, 1937 were “certified” by Price, Waterhouse & Co. and reported $87 million in total assets, of which $10 million in inventory and $9 million of accounts receivable were fictitious (Carey 1970, 23). When this audit failure was publicized, it rocked the public’s trust in the audit process. The SEC ordered an investigation of the case, particularly as to whether Price, Waterhouse & Co. followed standard audit procedures and were standard audit procedures sufficient. The SEC hearings included the testimonies of many accounting leaders and lasted for four months. And while the SEC found Price Waterhouse followed generally accepted audit procedures, they held the generally accepted procedures were insufficient. Before the SEC could draft their report and recommendations, the AIA had addressed the issue.

The special committee on auditing procedure was appointed in February 1939 (AIA 1940c, 98). The ten-man committee was composed of P. W. R. Glover (chairman), George Cochrane, George P. Ellis, Stanley G. H. Fitch, J. K. Mathieson, Norman L. McLaren, Maurice E. Peloubet, Walter A. Staub, Victor H. Stempf, and C. Oliver Wellington. These men worked closely with a committee from the New York State Society of CPAs led by their president Victor H. Stempf to draft a report titled “Extensions of Auditing Procedures.” There was much collaboration and consultation that went into the report, as the Institute also conferred with representatives from the SEC, NYSE, Robert Morris Associates (a national organization for bank loan officers), Advisory Council of State Society Presidents, National Association of Cost Accountants, National Association Credit Men, National Association of Manufacturers, and Controllers Institute of America (Glover et al. 1939, 349). And though they were not on the AIA special committee on auditing procedure, AIA members Samuel J. Broad and Edward A. Kracke participated in all of the committee meetings (Glover et al. 1939, 349). The Institute and the profession at large put forth a herculean effort to respond quickly and maintain public trust.

The report was adopted by the AIA on May 9, 1939, and it was published the following month in the *Journal of Accountancy*. The Institute also printed the report in pamphlet form. Free copies were sent to members and associates, and an additional 19,928 copies were sold by September 1939 (AIA 1940c, 105). This brought the total number of copies of the report in circulation to over 30,000 (AIA 1940c, 118). The report established as normal audit procedures the physical tests of inventory quantity and the confirmation of receivables by direct contact with the debtor. The report also suggested that the independent auditor be appointed by the board of directors or the stockholders and that the standard short form for the audit report be:

> We have examined the balance-sheet of the XYZ Company as of April 30, 1939, and the statements of income and surplus for the fiscal year then ended, have reviewed the system of internal control and the accounting procedures of the company, and have examined or tested accounting records of the company and other supporting evidence, by methods and to the extent we deemed appropriate.
>
> In our opinion, the accompanying balance-sheet and related statements of income and surplus present fairly the position of the XYZ Company at April 30, 1939, and the results of its operations for the fiscal year, and conform to generally accepted accounting principles applied on a basis consistent with the preceding year. (Glover et al. 1939, 349)

As Previts and Merino (1998, 294) acknowledge, "it recognized the relationship among internal control, risk, and evidence." In the general preamble of the report it states, "It is the duty of the independent auditor to satisfy himself that the system of internal check and control is adequate and sufficiently effective to justify reliance thereon" (Glover et al. 1939, 343). The SEC's final report issued in December 1940 noted that the accounting profession's response and extended procedures were appropriate.

In his memoir, Peloubet reminisces about a late-night session of the committee and one man's lengthy discussion about the appropriate placement of a comma. The following day while traveling by train Peloubet wrote a poem to commemorate the occasion titled "The Comma

Comes After Hereafter, or McKesson's Ghost." The poem was published in a book celebrating the 50th anniversary of the NYSSCPA in 1947 with the additional subtitle "A Supplementary Report on the Committee on Accounting Procedure" (NYSSCPA 1947, 89). The special committee was changed to a standing committee beginning with the 1939-1940 fiscal year, and Peloubet served on the committee until September 1941. A list of the Statements on Auditing Procedure published during Peloubet's tenure on the committee are presented in Table 2.

Table 2 Statements on Auditing Procedure published during the fiscal years 1939-1941

No.	*Year*	*Title*
1	Oct. 1939	Extensions of Auditing Procedure
2	Dec. 1939	The Auditor's Opinion on the Basis of a Restricted Examination
3	Feb. 1940	Inventories and Receivables of Department Stores, Installment Houses, Chain Stores, and Other Retailers
4	Mar. 1941	Clients' Written Representations Regarding Inventories, Liabilities, and Other Matters
5	Feb. 1941	The Revised S.E.C. Rule on "Accountants' Certificates"
6	Mar. 1941	The Revised S.E.C. Rule on "Accountants' Certificates" (Continued)
7	Mar. 1941	Contingent Liability under Policies with Mutual Insurance Companies
8	Sep. 1941	Interim Financial Statements and the Auditor's Report Thereon

Committee on Accounting Procedure 1941-1953

The special committee on the development of accounting principles was a seven-man committee formed in 1933 (AIA 1935, 240, 278). At the time, there was also a special committee on accounting procedure. Both of these committees were replaced in 1936 with a regular standing committee named the committee on accounting procedure (CAP). The same year the committee on terminology became a regular standing committee. In 1938, the CAP was reorganized and went from an eight-person committee comprised of chairmen of other committees to a twenty-one-person committee comprised of members of large and small accounting firms, as well as from academia (Zeff 1972, 135). The CAP published Accounting Research Bulletins (ARBs), which provided "substantial authoritative support" for accounting principles (Zeff 1972, 139). To be issued, an ARB required a two-thirds majority vote from the CAP members, and any dissenting opinions were published in the ARB. The executive committee's approval was not needed to issue an ARB, which gave the CAP more authority and autonomy. In conjunction with the reorganization and enlargement of the CAP, the Institute created the Research Department in early 1939 to assist with the CAP's workload. The CAP was superseded by the Accounting Principles Board (APB) in 1959, and the APB was superseded by the FASB in 1973.

From the CAP's inception as a special committee in 1933 to its end in 1959, Peloubet and William A. Paton tie for the longest consecutive tenure on the committee with 12 years. Peloubet served from 1941 to 1953, and Paton served from 1938 to 1950. The only other members with similar service were Paul K. Knight (12 years) and Edward B. Wilcox (14 years), but neither served their terms consecutively. Carman Blough was also a most influential factor on the CAP, as he was a member of the committee from 1938 to 1942 and the Institute's Director of Research from 1944 to 1961. Due to Peloubet's long tenure on the CAP and the number of ARBs issued during these years, an in-depth view of the committee's activities is beyond the scope of this paper. Instead, a summary view of the committee's activities and Peloubet's dissents from the CAP's collective two-thirds opinion are given below.

Peloubet's first year on the CAP was extremely busy, as the committee's work was greatly increased after the U.S. entered WWII on December 7, 1941. In his mid-year report dated April 30, 1942, Walter A. Staub, chairman of the CAP, stated:

> Since the committee's last report on August 26, 1941, the change of our national economy from a defense program to a full war basis has continued apace. The transition has given rise to a multitude of difficult accounting problems which must be dealt with at a time when numerous additional and pressing demands are being made for the services of accountants. In addition, if accountants are to maintain positions of leadership in current economic and industrial thinking, it is obvious that consideration must be given currently to the manifold problems which will undoubtedly arise in the period of postwar adjustment. (AIA 1943, 91-92)

The titles of many of the ARBs in the early to mid-1940s attest to the work brought on by WWII and several in the early 1950s reflect efforts during the Korean War (See Table 3).

An examination of the ARBs during Peloubet's tenure show three occasions on which he dissented from the CAP's collective opinion. On ARB No. 23 "Accounting for Income Taxes," Peloubet objected to its mandatory character and not the technical aspects of the bulletin. The ARB dealt with financial reporting issues for income and excess profits taxes, particularly when tax and financial income materially differed (i.e. deferred taxes). In his published dissenting statement, he stated,

> the bulletin is a mandatory directive to the profession to apply an entirely novel method of allocation to an expenditure, the amount of which is almost never certain when first included in accounting statements. (AIA 1944a, 193)

In a letter dated June 23, 1944 to the CAP chairman Walter A. Staub, Peloubet elaborated on his dissent from the proposed bulletin:

> I am in agreement with the general objective of the bulletin . . . I cannot agree that there is only one permissible method by which this may be accomplished, namely, through adjustments on the face of accounts. I believe there are many cases where footnotes or supplementary statements would answer the purpose much better and where attempts at adjustment, segregation or allocation would in themselves produce statements which would be, if not actually misleading, at least ambiguous and confusing.
>
> My principal ground of dissent is that the proposed bulletin is based on the assumption that there is but one method of stating Federal income and excess profits taxes correctly in income and surplus statements, that is, to adjust, segregate or allocate Federal income and excess profits taxes to the items of income or surplus to which they are assumed to apply.

Charles H. Towns and William D. Cranstoun also dissented from ARB No. 23. The bulletin proved to be controversial outside the CAP as well. The SEC criticized the ARB in Accounting Series Release No. 53, leading the CAP to issue the statement titled "'Tax Reductions' in Statements of Income: The Use of Certain Procedures Suggested by Accounting Research Bulletin No. 23 in Statements Filed with the Securities and Exchange Commission."

Peloubet also dissented on ARB No. 29 "Inventory Pricing," which was aimed at the pricing of inventories for commercial and manufacturing businesses. When discussing the appropriateness of the lower of cost or market valuation for inventories, Peloubet objected to the use of "reproduction or replacement cost as 'market' when such cost is less than net selling price" (CAP 1947, 242-243). He thought this unnecessarily accentuated the shift of income from one period to another. William Paton also dissented from ARB No. 29.

A third dissent by Peloubet is noted in a letter from the CAP to AIA members dated October 14, 1948. The letter stated the CAP did not think it appropriate to amend ARB No. 33 "Depreciation and High Costs" issued in December of 1947 "to meet the problem created by the decline in the purchasing power of the dollar" (CAP 1948, 380). Four of the twenty-one members, Maurice Peloubet, William Paton, Samuel Broad, and C. Oliver Wellington, dissented, noting that they believed inflation necessitated depreciation reform.

In June 1953, at the end of Peloubet's tenure on the CAP, ARB No. 43 "Restatement and Revision of Accounting Research Bulletins" was issued. This ARB replaced all previous ARBs, with the exception of the eight ARBs on terminology, which were published separately. Many of the ARBs issued during WWII and the Korean war were omitted, while other ARBs were updated or corrected (Vangermeersch 1996a, 17).

Table 3: Accounting Research Bulletins published during fiscal years 1941-1953

No.	*Date Issued*	*Title*
13	Jan. 1942	Accounting for Special Reserves Arising Out of War
14	Jan. 1942	Accounting for United States Treasury Tax Notes
15	Sept. 1942	The Renegotiation of War Contracts
16	Oct. 1942	Report of Committee on Terminology
17	Dec. 1942	Post-War Refund of Excess-Profits Tax
18	Dec. 1942	Unamortized Discount and Redemption Premium on Bonds Refunded
19	Dec. 1942	Accounting Under Cost-Plus-Fixed-Fee Contracts
20	Nov. 1943	Report of Committee on Terminology
21	Dec. 1943	Renegotiation of War Contracts (Supplement)
22	May 1944	Report of Committee on Terminology
23	Dec. 1944	Accounting for Income Taxes
24	Dec. 1944	Accounting for Intangible Assets
25	Apr. 1945	Accounting for Terminated War Contracts
26	Oct. 1946	Accounting for the Use of Special War Reserves
27	Nov. 1946	Emergency Facilities
28	July 1947	Accounting Treatment of General Purpose Contingency Reserves
29	July 1947	Inventory Pricing
30	Aug. 1947	Current Assets and Current Liabilities – Working Capital
31	Oct. 1947	Inventory Reserves
32	Dec. 1947	Income and Earned Surplus
33	Dec. 1947	Depreciation and High Costs
34	Oct. 1948	Recommendation of Committee on Terminology – Use of Term "Reserve"
35	Oct. 1948	Presentation of Income and Earned Surplus
36	Nov. 1948	Pension Plans – Accounting for Annuity Costs Based on Past Services
37	Nov. 1948	Accounting for Compensation in the Form of Stock Options
38	Oct. 1949	Disclosure of Long-Term Leases in Financial Statements of Lessees
39	Oct. 1949	Recommendation of Subcommittee on Terminology – Discontinuance of the Use of the Term "Surplus"
40	Sept. 1950	Business Combinations
41	July 1951	Presentation of Income and Earned Surplus (Supplement to Bulletin No. 35)
13	July 1951	Limitation of Scope of Special War Reserves (Addendum)
26	July 1951	Limitation of Scope of Special War Reserves (Addendum)
42	Nov. 1952	Emergency Facilities – Depreciation, Amortization, and Income Taxes
11	Nov. 1952	Accounting for Stock Dividends and Stock Split-Ups (Revised)
37	Jan. 1953	Accounting for Compensation Involved in Stock Option and Stock Purchase Plans (Revised)
43	June 1953	Restatement and Revision of Accounting Research Bulletins

Treasurer 1944-1947

A treasurer was elected at the annual Institute meeting, served one year, and had to be a member in practice. Per the AIA by-laws, the treasurer was also a member of council and the executive committee (AIA 1945b, 201). Peloubet was elected AIA treasurer for the 1944-1945, 1945-1946, and 1946-1947 fiscal years. As AIA treasurer, he also served as treasurer for the American Institute of Accountants Foundation, the American Institute Benevolent Fund, Inc., and the board of examiners (AIA 1945b, 207).

The American Institute of Accountants Foundation managed the income from the Institute's endowment fund. It was established in September 1922 as a separate entity in the hopes that contributions would be tax deductible to donors. Its constitution outlined that income was to be used "to advance the science of accountancy and to develop and improve accountancy education" (AIA 1924b, 127). By the fiscal year 1944-1945, Peloubet's first year as treasurer, the Foundation had total assets of $107,828.02 (AIA 1946b, 61).

The idea for a benevolent fund was proposed at the 1933 annual meeting (AIA 1934, 179). Due to the Great Depression, it was not uncommon for elderly members of the Institute to find themselves in financial difficulty, and a benevolent fund could provide assistance to those in need. The American Institute Benevolent Fund, Inc. was formally established in 1934. By the mid-1940s disbursements from the fund had greatly decreased. The Fund's financial statements for fiscal year ended August 31, 1945, Peloubet's first year as treasurer, show $27,255.37 total assets, $10,965.43 annual income, and only $1,700 assistance to members (AIA 1946b, 64).

Committee on Cooperation with Bureau of Economic Research 1940-1954, 1956-1958

A three-man committee was formed in December 1940 to cooperate with the National Bureau of Economic Research (AIA 1942, 114). The institute's Committee on Cooperation with the Bureau of Economic Research analyzed, checked, and criticized the preliminary conclusions and manuscripts of the Bureau. As Institute vice president, Peloubet was one of the three original appointees and chairman of the committee 1940-1941. He served continuously on this committee until 1954, and as chairman from 1948 to 1954. He took two years off from the committee and resumed for the 1956-1957 and 1957-1958 fiscal years. The following year was the committee's last, and it functioned under the name 'Committee on Cooperation with Economic Research Organizations' for the 1958-1959 fiscal year.

Committee on National Defense 1940-1942, 1950-1959

Shortly after U.S. President Franklin D. Roosevelt reactivated the Advisory Commission of the Council of National Defense in 1940, the Institute offered their assistance to help with the national defense programs (AIA 1941c, 134). The AIA president, John K. Mathieson, appointed nineteen men, including Peloubet, to the special committee on national defense. These AIA committee members agreed to "act as a liaison between the government and the accounting profession when the need arises" (AIA 1941c, 118).

In January 1942, the committee was down to sixteen men and was renamed the Committee on War Activities (AIA 1943, 150). By September of 1942, the Institute's efforts on war activities were so extensive and diverse that one committee of sixteen men was not efficient. Instead, it was more effective for the existing standing committees, special committees, and subcommittees to deal with specific war topics (AIA 1943, 150.) These committees included the Committee on Audit Procedure, the Committee to Cooperate with the War Department, the Committee on Selective Service, and various subcommittees of the Committee on War Activities. The nature of the majority of the committees' work precluded it from being publicized. A few of the items reported in annual reports include consultation with the War Department regarding audit procedures (AIA 1942, 128), with the Supply Priorities and Allocations Board on the problem of allocating supplies to maximize military production with minimal interruption to the civilian economy, with the Deputy Director General for priorities control on the entire flow of materials into war production, and with the Selective Service Department on how best to employ accountants during the war (AIA 1943, 149-154). Due to the multiple committees needed to address the myriad of issues brought on by the war, there was no singular Committee on War Activities after 1942.

Then in the summer of 1950, the AIA reappointed the Committee on National Defense in light of the U.S. invasion of Korea (AIA 1951c, 8). Peloubet was one of the initial nine members at its organization meeting in New York on September 6, 1950 (AIA 1950b, 1). The committee's initial agenda was to assist the government with "accounting and auditing aspects of war procurement and profit control" and with effective employment of accountants in the service (AIA 1950a, 8). The following fiscal year 1951-1952, the committee grew to 30 members and six subcommittees were designated (AIA 1952e, 21-22). Peloubet served on the Subcommittee on Cost Principles from 1951 to 1953 and was the subcommittee chairman for the 1952-1953 fiscal year. In 1953, after the Korean War ended, the committee reverted back to a nine-member committee. Peloubet remained on the committee until 1959.

Committee on State Legislation
1930-1932, 1956-1959

From 1930 to 1932 Peloubet served as the chairman of the three-member Committee on State Legislation. It was a regular standing committee that promoted state legislation for recognition of the profession. The committee monitored the introduction of accountancy bills introduced in the states and oftentimes knew about proposed bills before the effected state society did (Carey 1970, 289). It encouraged uniform legislation by supplying states a standard accountancy bill and offering advice when requested. One of the biggest issues the committee dealt with was how varied state legislation was on recognizing the difference between a CPA and a public accountant. Other concerns of the committee included interstate practice, reciprocity, use of CPA in the firm name, and the education requirement (Carey 1970, 325). Peloubet served on the committee a second time from 1956-1959, by which time the committee had grown to twenty-four members. This was a reflection of the growth in state societies and the manpower needed to keep a cohesive profession. In 1958, the Institute amended the by-laws to change the number of standing committees from sixteen to eight (AIA 1958, 8).

During Peloubet's early appointment to the committee (1930-1932), states were rapidly introducing accountancy legislation. In 1930-1931, 27 accountancy bills were introduced in 24 states (AIA 1931, 210). States' accountancy legislation fell into two broad categories – "permissive" or "regulatory." About half the states enacted "permissive" legislation that allowed anyone to practice as a public accountant, and only the CPA title was restricted. The other states enacted "regulatory" legislation that allowed only CPAs to practice accounting, but it grandfathered in those already practicing without a CPA license as public accountants. Historically, the Institute was neutral on "permissive" versus "regulatory" registration, but in 1956 the Institute took a stand in favor of "regulatory" legislation (AIA 1956, 6). The classification of “public accountant” was growing in the mid-1950s, and the Institute thought this misleading and confusing to the public (Carey 1956, 4). This same issue pushed the members of the Institute to change their name to the American Institute of Certified Public Accountants, which became effective June 1, 1957 (AIA 1957a, 2). To assist inquiring states, the Committee on State Legislation drafted a form accountancy bill of the “regulatory” type in the fall of 1956. The struggle to convince states with “permissive” accountancy legislation to change continued throughout Peloubet’s second tenure on the committee (1956-1959) and into the 1960s (Carey 1970, 334-337).

Committee on Publication
1935-1939

John L. Carey, the longtime Secretary and Executive Director of the Institute, noted that the “publications are the most important link between the individual members and the organization itself” (AIA 1937c, 6). The committee on publication was a regular standing committee that oversaw the publication of the *Journal of Accountancy*, the monthly newsletter (the *Bulletin* was renamed *The Certified Public Accountant* in 1937), and other publications by the American Institute Publishing Co. Inc. Every article submitted for publication in the *Journal of Accountancy* was read by at least one committee member (AIA 1937b, 447).

During Peloubet’s tenure on the committee there was a lot of change for the *Journal of Accountancy.* Its editor of twenty-five years, A. P. Richardson, retired on December 31, 1936. The committee assumed more supervision of the publication after Richardson’s retirement (AIA1938, 488). To ensure the *Journal of Accountancy* continued to represent the readers’ desires, the committee on publication sent out a questionnaire asking what sections of the journal members read and what additional material would they like included. Upon receipt of the readers' suggestions, the committee decided to add two new departments and revive an old one. They added "Notes of the Month," which contained current events and "The Commentator," which reviewed published financial statements. The committee revived the "Legal Notes" department, which had been discontinued in previous years. The committee also decided to drop the "Students' Department," which contained previous exam problems and solutions, and changed the cover and typography of the journal.

There was a steady increase in subscriptions to the *Journal of Accountancy* across Peloubet's tenure. 8,325 copies were issued in August 1936 and 13,277 in August 1939 (AIA 1938, 488; AIA 1940c, 152). The committee also oversaw manuscript publications. Across the four years Peloubet was on the committee, seven books were published, and one reprint was issued (AIA 1937b, 446; AIA 1938, 488; AIA 1939b, 120; AIA 1940c, 152). It is interesting to note that one of the books published in the 1936-1937 fiscal year was Peloubet's *Audit Working Papers*, and immediately after the publications for the year are listed in the annual report, it states,

> The executive committee suggested that in the future no books be published by the publishing company without the approval of the executive committee.

Though Peloubet did not serve again on the committee on publication, he served as an editor for the "Notes on War Contracts" section in the *Journal of Accountancy* beginning in June 1945 (Carey 1945, 430). The section provided prompt guidance on renegotiation and termination regulations and procedures. George D. McCarthy took over as editor in the fall of 1945 when Peloubet accepted a special assignment from the U.S. Government outlined below.

Committee on Admissions 1948-1951

A separate standing committee on admissions was created in the 1948-1949 fiscal year, to allow the Board of Examiners to focus on the uniform CPA exam, (AIA 1948c, 41). The committee handled applications for admission to the Institute and consisted of five members of practice elected by council to a three-year term. For the mechanics of this to work, the terms for the initial five-person committee was one served one year, two served two years, and two served three years. Peloubet was one of the original five members appointed to the new committee, and he served a three-year term from 1948 to 1951 (AIA 1949a, 2). The number of applicants admitted over these years demonstrates the committee's workload and are presented in Table 4.

Table 4: Number of Institute Applications 1949-1951

Year	**Number of Applicants**	
	Received	**Admitted**
1949	1,927	1,912
1950	2,480	2,292
1951	2,207	2,131

(AIA 1949b, 52; AIA 1950a, 59; AIA 1952b, 62)

Committee on Membership 1939-1941

The special committee on membership was formed in 1937, and their primary concern was the growing number of CPAs who chose not to join the AIA. The committee consisted of a chairman and an Institute member from "each important city in the country" to represent the state societies (AIA 1937a, 7). In 1939, there were over 13,000 nonmember CPAs, and it was estimated this was growing at a rate of over 1,000 a year (AIA 1940c, 197; AIA 1941c, 246). The 1939-1940 committee was composed of Peloubet as chairman and 166 members representing 47 states and the District of Columbia (AIA 1940c, 8-13). Largely due to the efforts of this committee, the AIA added 396 new members and associates in the 1939-1940 fiscal year (AIA 1941b, 5). This was the largest in its history other than 1936 when the AIA and ASCPA merged. With the loss of membership through resignations, death, and expulsion the net gain for the year was 253 for a total of 5,437 members and associates. Peloubet was reappointed chairman the following year and served alongside 160 members from 48[16] states and District of Columbia (AIA 1941c, 8). The Institute saw another significant net increase of 293 for a total of 5,730 members and associates (AIA 1942, 127). Some of this growth was due to Council implementing the committee's recommendation to waive application fees for members of state societies and lower it from $25 to $10 for all others.

Committee on Awards
1943-1944

In 1943, the council appointed a three-man committee who were challenged with the task of selecting leaders in accountancy "who made notable contributions to the literature or the welfare of the profession" (AIA 1946b, 107). Present-day recipients are known as the "AICPA Gold Medal Award of Distinction Winners." Peloubet had the honor of serving as the chairman of the inaugural committee on awards from 1943-1944 (AIA 1945b, 188). He served alongside Hiram T. Scovill, and Edward B. Wilcox. The committee guidelines evolved over the years, but

[16] Representatives from Nevada joined the 1940-1941 fiscal year, as this was their first year to have a state society. Hawaii and Alaska did not become states until 1959.

in 1944, the awards were to acknowledge excellence in accounting literature and outstanding service that benefited the public, as well as the profession. The first awards were presented:

1. To George O. May, for his book, *Financial Accounting*.
2. To William A. Paton, for his article, "Accounting Policies of the Federal Power Commission," in the June 1944 issue of *The Journal of Accountancy*.
3. To Captain J. Harold Stewart, SC, USNR, for his service as Assistant to the Director of the Cost Inspection Service of the Navy Department and as Chairman of the Accounting Committee operating under the Joint Contract Termination Board. (AIA 1946b, 107)

Peloubet only served one term on the committee. Two years later, Peloubet was a recipient of the 1946 award, alongside Arthur H. Carter. Peloubet's certificate stated:

> for his many contributions to the literature of the accounting profession in the United States, among the most recent of which is his article on 'Forensic Accounting,' published in *The Journal of Accountancy*, June, 1946, notable for its original thought and the light it throws on an important problem of professional conduct. (AIA 1947b, 30)

Between 1944 and 2018, only 107 individuals have received the AICPA Gold Medal Award of Distinction.

Trial Board
1952-1958

Prior to 1948, the trial board was the entire council, which became an unwieldy situation after the council was enlarged in 1946 (AIA 1948d, 43). An amendment to the by-laws was proposed in 1947, when council was 119 members, to create a smaller, separate trial board composed of twenty-one members from present and former council members (AIA 1948d, 77). Every year seven members would be elected to sit a three-year term. To establish the first trial board in 1948, seven members of council were chosen for a one-year term, seven for a two-year term, and seven for a three-year term. No member of the professional ethics committee could sit on the trial board. The by-laws were amended January 20, 1948, and the new trial board was elected that May (AIA 1948b, 5). Peloubet was named by council to serve two three-year terms from 1952 to 1958 (AIA 1953b, 30; AIA 1955b, 9).

When Peloubet joined the trial board the following protocol was outlined in the by-laws. If the committee on professional ethics believed there was strong evidence of a member in violation of the by-laws or rule of conduct of the Institute or of "conduct discreditable to a public accountant," the case was referred to the trial board (AIA 1952c, 6). After the defendant and the committee on professional ethics presented the case, the trial board would either dismiss the charges or admonish, suspend, or expel the defendant if found guilty. A summary of the case and decision was published in *The CPA* newsletter[17], and it was at the trial board's discretion to include the accused's name. In 1953, the by-laws were amended to authorize the executive committee to expel a member without going through trial board if the member's CPA license was revoked by a state board of accountancy (AIA 1953a, 11). A search of *The CPA* from 1952 to 1958 reveals the trial board suspended two members and expelled nine. Infractions range from soliciting clients by advertisement to federal tax fraud.

Insurance Committee of the AIA Insurance Trust 1950-1962

In the mid-1940s, the Institute decided to offer life insurance to its members. A subcommittee of the council, comprised of Maurice E. Peloubet, J. William Hope, and Edward A. Kracke, developed a plan to provide group life insurance to employees of public accounting organizations of which a principal was a member of the Institute (AIA 1948, 42). The subcommittee worked on the idea for over two years before it came into effect on October 1, 1947. By October 24, 1947, 3,772 individuals were covered and the total amount of insurance in

[17] Prior to 1950, the cases were published in *The Journal of Accountancy*.

force was $17,774,000 (AIA 1948d, 87). Under the group insurance trust agreement, the original subcommittee members served as trustees, but they were replaced by the Central Hanover Bank and Trust Company in early 1951 (AIA 1951b, 3). Beginning with the fiscal year 1950-1951, the Insurance Committee of the AIA Insurance Trust superseded the council's subcommittee on insurance. Peloubet served on the original subcommittee and the Insurance Committee for 15 straight years, with his last year being the 1961-1962 fiscal year. He never missed a single committee meeting (AICPA 1962b, 7).

The plan proved to be popular and grew exponentially over the years. In 1952, after only five years, 1,422 firms were enrolled, 9,082 individuals were insured, and the total amount of insurance in force was $48,749,300 (AIA 1952d, 11-12). The annual dividends on group policies that year was $177,740.51 (AIA 1952a, 2). By April 1962, the plan provided group life insurance of $233,452,900 for 18,282 individuals in 3,103 firms, as well as $110,098,500 for individual policies for around 6,700 individuals, and the annual insurance dividend was over $2.3 million (AICPA 1962a, 4). The Institute kept a reserve from the annual dividends and distributed the excess as refunds to the policyholders. As of April 1962, the cumulative annual refunds since the plan's inception totaled $8,654,000 (AICPA 1962a, 4). To this day, the AICPA offers life insurance coverage for its members.

Peloubet wholeheartedly dedicated his time and abilities to the AIA/AICPA during his career. The following two tables summarize this service. Table 5 catalogs his service by fiscal year, and Table 6 lists his service by committee or office.

Table 5: Peloubet's Service to the AIA/AICPA by Fiscal Year

Fiscal Year	*Committees and Offices*
1924-1925	Committee on Definition of Earned Surplus
1925-1926	Committee on Definition of Earned Surplus
1926-1927	Auditor
1927-1928	Auditor
1928-1929	Council
1929-1930	Council
1930-1931	Board of Examiners, Committee on State Legislation (chairman), Council
1931-1932	Board of Examiners, Committee on State Legislation (chairman), Council
1932-1933	Board of Examiners, Council
1933-1934	Board of Examiners (chairman)
1934-1935	Board of Examiners (chairman)
1935-1936	Board of Examiners (chairman), Committee of 50th Anniversary, Committee on Publication, Council
1936-1937	Board of Examiners (chairman), Committee of 50th Anniversary, Committee on Publication, Council
1937-1938	Board of Examiners (chairman), Committee on Publication, Council
1938-1939	Board of Examiners (chairman), Committee on Publication, Council
1939-1940	Committee on Auditing Procedure, Committee on Membership (chairman), Council, Executive Committee
1940-1941	Committee on Auditing Procedure, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on Membership (chairman), Committee on National Defense, Committee on Students' Societies (chairman), Council, Executive Committee, Vice President
1941-1942	Committee on Accounting Procedure, Committee on Cooperation with Bureau of Economic Research, Committee on National Defense, Committee on Students' Societies (chairman)
1942-1943	Committee on Accounting Procedure, Committee on Cooperation with Bureau of Economic Research
1943-1944	Committee on Accounting Procedure, Committee on Awards, Committee on Cooperation with Bureau of Economic Research, Committee on Postwar Problems, Committee on Public Information (chairman)
1944-1945	Committee on Accounting Procedure, Committee on Budget and Finance, Committee on Cooperation with Bureau of Economic Research, Council, Executive Committee, Treasurer, Treasurer of American Institute of Accountants Foundation, Treasurer of American Institute Benevolent Fund, Inc.,
1945-1946	Committee on Accounting Procedure, Committee on Budget and Finance, Committee on Cooperation with Bureau of Economic Research, Committee on Meetings, Council, Executive Committee, Treasurer, Treasurer of American Institute of Accountants Foundation, Treasurer of American Institute Benevolent Fund, Inc.,
1946-1947	Committee on Accounting Procedure, Committee on Budget and Finance, Committee on Cooperation with Bureau of Economic Research, Council,

1946-1947	Executive Committee, Treasurer, Treasurer of American Institute of Accountants Foundation, Treasurer of American Institute Benevolent Fund, Inc.,
1947-1948	Committee on Accounting Procedure, Committee on Cooperation with Bureau of Economic Research, Committee on Cooperation with Congressional Appropriations Committee, Committee on Federal Government Accounting, Committee on Nominations, Council
1948-1949	Committee on Accounting for Defense Contracts, Committee on Accounting Procedure, Committee on Admissions, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on Cooperation with Congressional Appropriations Committee, Committee on Federal Government Accounting, Council
1949-1950	Committee on Accounting Procedure, Committee on Admissions, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on Federal Government Accounting, Committee on Foreign Affairs (chairman), Council
1950-1951	Committee on Accounting Procedure, Committee on Admissions, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on National Defense, Council, Insurance Trust Committee
1951-1952	Committee on Accounting Procedure, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on National Defense, Council, Insurance Trust Committee
1952-1953	Committee on Accounting Procedure, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on National Defense, Council, Insurance Trust Committee, Trial Board
1953-1954	Committee on Accounting Principles for Income Tax Purposes, Committee on Cooperation with Bureau of Economic Research (chairman), Committee on National Defense, Council, Insurance Trust Committee, Trial Board
1954-1955	Committee on National Defense, Council, Insurance Trust Committee, Trial Board
1955-1956	Committee on National Defense, Council, Insurance Trust Committee, Trial Board
1956-1957	Committee on Cooperation with Bureau of Economic Research, Committee on National Defense, Committee on State Legislation, Council, Insurance Trust Committee, Trial Board
1957-1958	Committee on Cooperation with Bureau of Economic Research, Committee on National Defense, Committee on State Legislation, Insurance Trust Committee, Trial Board
1958-1959	Committee on National Defense, Committee on State Legislation, Insurance Trust Committee
1959-1960	Committee on Public Affairs, Insurance Trust Committee
1960-1961	Committee on Inter-American Accounting Conference, Committee on Public Affairs, Insurance Trust Committee
1961-1962	Committee on Inter-American Accounting Conference, Insurance Trust Committee

Table 6: Peloubet's Service to the AIA/AICPA by Committee or Office

Committee or Office	*Years of Service**
Auditor	1926-1928
Board of Examiners	1930-1939 (chairman 1933-1939)
Committee on 50th Anniversary	1935-1937
Committee on Accounting for Defense Contracts	1948-1949
Committee on Accounting Principles for Income Tax Purposes	1953-1954
Committee on Accounting Procedure	1941-1953
Committee on Admissions	1948-1951
Committee on Auditing Procedure	1939-1941
Committee on Awards	1943-1944
Committee on Budget and Finance	1944-1947
Committee on Cooperation with Bureau of Economic Research	1940-1954 (chairman 1940-1941; 1948-1954); 1956-1958
Committee on Cooperation with Congressional Appropriations Committee	1947-1949
Committee on Definition of Earned Surplus	1924-1926
Committee on Federal Government Accounting	1947-1950
Committee On Foreign Affairs	1949-1950 (chairman)
Committee on Meetings	1945-1946
Committee on Membership	1939-1941 (chairman)
Committee on National Defense	1940-1942; 1950-1959
Committee on Nominations	1947-1948
Committee on Postwar Problems	1943-1944
Committee on Public Information	1943-1944 (chairman)
Committee on Public Affairs	1959-1961
Committee on Publication	1935-1939
Committee on State Legislation	1930-1932 (chairman); 1956-1959
Committee on Students' Societies	1940-1942 (chairman)
Council	1928-1933; 1935-1941; 1944-1957
Executive Committee	1939-1941; 1944-1947
Insurance Trust Committee	1950-1962
Inter-American Accounting Conference	1960-1962
Treasurer	1944-1947
Treasurer, A. I Benevolent Fund, Inc.,	1944-1947
Treasurer, American Institute of Accountants Foundation	1944-1947
Trial Board	1952-1958
Vice President	1940-1941

*First date is the year in which the fiscal year began, and last date is the year in which fiscal year ended. Example: if *Years of Service* is 1926-1928, he served fiscal years 1926-1927 and 1927-1928.

International Conferences

In addition to Peloubet's national service to the profession of accountancy, he looked for ways to promote and strengthen the profession internationally. The international exposure early in his career set the tone for his professional outlook. He was a delegate at three International Congresses of Accountants, attended a fourth as a visitor, and was a delegate at four Inter-American Conferences on Accounting.

International Congress of Accountants

The first International Congress of Accountants was held in St. Louis in 1904. It has been held every three to five years since the Second International Congress in Amsterdam 1926, and is now known as the World Congress of Accountants and sponsored by the International Federation of Accountants. Some years the conference was titled the International Congress *on Accounting*, rather than *of Accountants*. Throughout the following text the title used for the specific conference was retained.

The Third International Congress on Accounting was held in New York City, September 9th – 16th, 1929. It was sponsored by the AIA, ASCPA, National Association of Cost Accountants, American Association of University Instructors in Accounting, and the State Societies of CPAs in the U.S. (*International Congress on Accounting 1929: Proceedings* 1930, iii-xvi). The congress was organized by the president, Robert H. Montgomery, along with a treasurer, an executive secretary, and a nine-man executive committee, including Peloubet. Though a member of the AIA, Peloubet represented the Society of Certified Public Accountants of the State of New Jersey, having recently served as their president for the 1928-1929 fiscal year. The congress lasted six days and sixty-five papers were presented with each translated into

English, German, and French. Foreign participating accounting societies from Austria, Canada, Honduras, Czechoslovakia, Germany, Great Britain, Holland, Ireland, Italy, Japan, Mexico, Norway, Puerto Rico, Romania, Russia, and Switzerland were present. Each of the six days a different member of the executive committee acted as chairman. Peloubet acted as chairman on Wednesday, September 11th, the same day he presented his paper, "Valuation of Normal Stocks at Fixed Prices," at the session "Principles of Valuation – Current Assets." In addition to the presentation of papers there were "exhibits of machines, office equipment, cost systems of trade associations and of particular industries, and historical material relating to accountancy" (AIA 1929b, 8). Over 1,400 accountants attended the conference at the Hotel Commodore in New York City (AIA 1929a, 2).

Peloubet also served as a delegate at the Fourth International Congress on Accounting, this time representing the AIA. The conference was in London, July 17th – 21st, 1933. The AIA sent thirteen delegates, the AAUIA sent two, and the ASCPA sent four. There were 49 accountancy bodies represented from 22 countries, and the organizations outside of Great Britain sent 90 delegates and 79 visitors (*Fourth International Congress on Accounting* 1933, iv). Peloubet was a discussant on a Sir Albert W. Wyon's paper "Holding and Subsidiary Companies: Accounting Principles Involved in the Treatment of Earnings and Valuation of Holdings." Sir Wyon was a senior partner at Price, Waterhouse & Co. (1916 – 1937) under whom Peloubet had previously worked. In his address, Peloubet acknowledged that this made the task of discussant a bit daunting (*Fourth International Congress on Accounting, 1933* 1933, 143). In his memoir, Peloubet's recollection of the Fourth International Congress is mostly about reconnecting with old acquaintances (Peloubet 2000, 35-36). While in London, he spent time with Sir Lawrence Halsey, one of his former bosses from Price, Waterhouse & Co. Peloubet recounts the day his and Sir Halsey's audit work was interrupted by one of the first German daylight raids, and they had to seek shelter in the basement.

In 1957, Peloubet was a delegate for the AIA at the Seventh International Congress of Accountants in Amsterdam, September 9th – 13th. In the opening session, it was noted there were 104 accountancy bodies represented from 40 different countries, and that 2,850 admission cards were issued (*Proceedings of the Seventh International Congress of Accountants* 1957, 36). The U.S. was strongly represented with a total of 125 registered delegates and visitors from five national accounting organizations, and many of these brought their spouses (*Proceedings of the Seventh International Congress of Accountants* 1957, 694-697). The AICPA was represented the strongest with 52 delegates. The other four organizations, the National Association of Accountants, the Institute of Internal Auditors, the American Accounting Association, and the Controllers Institute of America, only sent 2 or 3 delegates.

Inter-American Conference on Accounting

The Puerto Rico Institute of Accountants began sponsoring the Inter-American Conference on Accounting in 1949, to promote comradery and higher professional standards in the accounting profession in the Western Hemisphere (AIA 1948a, 1). As a member of the Institute, Peloubet represented the U.S.at four Inter-American Conferences on Accounting. He was a delegate for the U.S.at the Second Inter-American Conference on Accounting in Mexico City, Mexico, November 12-14, 1951. A photo from the conference shows Peloubet along with eight other U.S. delegates wearing headphones for translation of the proceedings (AIA 1951d, 1). Twenty nations were represented, but of the 1,174 registered for the conference, 961 were from Mexico (AIA 1951a, 4). The U.S. had the second largest number of delegates at 60. While in

Mexico, Peloubet took a guided, ten-day road trip to explore the ancient Mayan sites of Chichen Itza, Uxmal, and Kabah (Peloubet 2000, 97-99). His longtime fascination with Mexican history and archaeology manifested itself in a poem inspired by the Mexican folk dancers at the conference (Peloubet 2000, 92). He sent the poem to Roberto Casas Alatriste, the president of the conference, and it was included in the published proceedings of the meeting (*Memoria de la segunda Conferencia Interamerican de Contabilidad* 1951, 668-669).

The Third Inter-American Conference was in São Paulo, Brazil, November 14-24, 1954. Peloubet was one of seventeen AIA members who served as delegates at the conference. A total of three hundred delegates from 21 nations attended the conference. Peloubet not only presented his paper, "The Cost Accountant in the Modern World," which was reprinted in the *Folha da Nanha*, the São Paulo daily newspaper, he also participated in a 90-minute, televised accounting panel (AIA 1955a, 7, 9). For the televised session the delegates gave a ten-minute summary of their paper, and then an interpreter would translate it into Portuguese (Peloubet 2000, 79-80). After all papers were read then people could call in with questions for the panel. One caller asked Peloubet what he thought of the Brazilian monetary and exchange methods, how they compare to that of the US, and whose was better. Given that inflation was rampant in Brazil and that their exchange rates depended on what the money was to be used for, Peloubet said the caller really set him up. Thankfully, Peloubet was able to give the following sufficiently vague answer, and other calls rolled in.

> Tell him that the United States and Brazil have the same kind of money, a managed currency without any gold or other metallic backing. In managed currency we must depend entirely on the skill, judgment and good faith of the managers. I am reasonably satisfied that those who are managing the currency affairs in the United Sates are capable and well intentioned. I have not been in Brazil long enough, nor have I had sufficient opportunity to observe, to make any comment on the mangers of the Brazilian currency, except to say I think they are doing the very best they can with a most difficult problem. (Peloubet 2000, 80).

Peloubet was the secretary for the eleven-member U.S. delegation at the Fourth Inter-American Conference in Santiago, Chile, November 15-23, 1957 (AIA 1957b, 2). Due to strained relations between the Cuban and American governments, the Institute thought it wise to forgo sending delegates to the Fifth Inter-American Conference in Havana, Cuba (AICPA 1960, 2). But the Sixth Inter-American Conference was in New York City in September 1962. It was held in conjunction with the Eighth International Congress of Accountants immediately following the Institute's annual meeting. Peloubet was a delegate at the conference and he served on the AICPA's Inter-American Accounting Conference planning committee for the 1960-1961 and 1961-1962 fiscal years.

World War II

Peloubet's service to the AIA during WWII is noted above, but he also voluntarily worked directly for the government. Although it is mentioned elsewhere in the paper, it is worth summarizing his governmental service in this section in order to grasp how fully he gave of himself during the War.

Like so many of the Institute members, Peloubet was a "dollar-a-year man," donating his services to the federal government. Beginning in 1941, he served as an accounting consultant to the Office of Production Management, which became the War Productions Board (AIA 1941a, 3). He was also an AIA vice president at the time (1940-1941). In September of 1942, he moved over to work as a consultant to the Cost Inspection Division of the U.S. Navy for about a year (*The Decatur Daily Review* 1942).

In June 1945, T. Coleman Andrews, acting as Chief of the Corporation Audits Division of the General Accounting Office (GAO), asked Peloubet if he would consider working on a survey of the Civil Affairs accounts across the European Theater of war (Peloubet 2000, 63). The project would be the combined responsibility of Great Britain, Canada, and the United States. Peloubet agreed to be the chief of the U.S. section of "The Combined Auditors for International Accounts" if he could have Jacob S. Seidman as his first assistant (Peloubet 2000, 63, 128). The GAO looked outward to fill these positions, as qualified staff was scarce. In a section of the 1946 Annual Report, when discussing the newly formed Corporation Audits Division the GAO noted:

> Difficulty has been encountered in staffing this new organization due to the abnormal demand for qualified accountants within and without the Government. (Comptroller General of the United States 1946, iii)

The job consisted of two areas: (1) the accounts for the 'spearhead money' introduced in the occupied and allied territories and (2) the accounts for the distribution of supplies and materials under the 'program for the prevention of disease and unrest among the Civil population' in occupied and war-torn allied countries (Peloubet 2000, 63-64). The assignment's ultimate purpose was to "provide a basis for settlement of the international accounts affected" (Peloubet 2000, 128). Patton (1946, 55-58) discusses the use of 'spearhead currencies' during WWII in depth. When an allied force invaded a foreign country, a currency was needed to pay military personnel and for the general running of operations. Patton notes that if the invader used his own regular currency, it could be captured and used to finance "espionage and sabotage activities" (55). For this reason, the invading governments would issue a currency denominated in their own currency but with some type of mark to differentiate it from the regular currency. Patton notes that the 'spearhead currencies' issued by Allied governments included the British Military Authority notes and the United States yellow seal and Hawaiian Series (brown seal) dollar notes (55).

Seidman was in charge of the accounts for the 'spearhead money,' while Peloubet and a GAO accountant M. C. McIntosh were in charge of the accounts for supplies and materials. Peloubet briefly discusses the work on this project in his memoir, along with a few colorful anecdotes (2000, 63-66). The work was varied and dealt with almost anything needed by a civilian population. Peloubet tells of a "large raw-boned Canadian Sergeant" who approached him with a dilemma, "Mr. Peloubet, I have a question about my work. Can you tell me the difference between knickers and panties?" (Peloubet 2000, 64).

Outside of Peloubet's memoir, there are not many details available on his assignment or travel in Europe. An article in the November 1945 issue of *The Certified Public Accountant* noted that Peloubet was currently in Europe on assignment for the Corporation Audits Division of the General Accounting Office (GAO) (AIA 1945a, 5). And a travel document notes his return by aircraft to Washington, D.C. from the British territory of Bermuda on November 26, 1945 (*Passenger and Crew Lists, 1942-1962*). A copy of a commendation letter from the GAO is reproduced in Peloubet's memoir (2000, 121-122). Major General Oliver P. Echols thanks Peloubet for his

> constructive approach to and expert handling of the many problems involved in the survey, for your successful coordination of such problems among the U.S. and British agencies concerned and for your helpfulness in including in the report not only a survey of what had been done but also a record of what should and could still be done in these accounting matters. (Peloubet 2000, 122)

Though Peloubet did much work for the government during WWII, he fully believed accountants in industry and public accounting were crucial during the War. The following excerpt from an address to the Pittsburgh Chapter of the National Association of Cost Accountants in 1941 was reprinted in the *Journal of Accountancy* and demonstrates Peloubet's passion:

> I am inclined to doubt whether the accounting work done by accountants in the employ of government departments or agencies is the most important and useful work the profession is doing for the defense program. I am strongly inclined to think that the public accountant in general practice and the private accountant employed in industry may be making a greater and more important if, perhaps, less spectacular contribution to the defense program. Probably every enterprise except the very best organized one, has had to improve or amplify its methods to make sure that it is meeting the requirements of government contracts or that the interest both of the government and stockholders are being adequately defined and protected. If the groundwork of accurate and properly designed cost and financial accounts is not laid by the accountant in industry, the task of the government auditors and possibly parts of the defense program itself, will be held up or damaged. (Peloubet 1942b, 6)

State Societies

In addition to his service to the profession's national organization, Peloubet served heavily in the administration of two state societies. Records indicate he was the second person to be president of two state CPA societies. He was president of the Society of Certified Public Accountants of the State of New Jersey (SCPASNJ) for two terms beginning in the spring of 1927, and president of the New York State Society of CPAs (NYSSCPA) for the fiscal year 1950-1951. Before him, James F. Hughes accomplished this feat, serving as president of the SCPASNJ 1925-1927 and president of the NYSSCPA 1935-1937.

Peloubet joined the SCPASNJ in October 1920 when there were only sixty-two members (SCPASNJ 1930, 41). He served as president 1927-1929 and as a trustee 1928-1931. He was on several standing committees such as the legislation committee and the ethics committee during the early 1930s. Peloubet's address in the AIA Yearbook is listed as New Jersey through the 1940 Yearbook (AIA 1941c, 3). And beginning with the 1941 Yearbook, his address changed to New York (AIA 1942, 3). But he remained active in the New Jersey state society, serving on the advisory committee in the 1940s and early 1950s.

In January 1923, Peloubet joined the New York State Society of CPAs when there were 699 members (NYSSCPA 1923, 26, 64). An examination of the society's annual yearbook shows, he was active early on. He served on the technical committee, Accountants' Reports, from 1924-1930 and was chairman for the 1928-1929 and 1929-1930 fiscal years. He served on numerous committees throughout the years and was on the board of directors 1931-1937. Peloubet contributed an eleven-page article and poem to a book celebrating the 50th anniversary of the society. The title of his article describes its contents, "50 Years of Development of Accounting and Auditing – Principles, Procedures and Methods" (NYSSCPA 1947, 34-44). And the poem, which was mentioned above, was inspired by his time on the AIA audit committee just after the McKesson & Robbins scandal, "The Comma Comes After Hereafter" (NYSSCPA 1947, 89). Peloubet was elected president of the society for the 1950-1951 fiscal year. In a book commemorating 100 years of the NYSSCPA, Peloubet is mentioned as one of the more notable presidents to have served during the organization's "Golden Years," which were 1947-1972 (NYSSCPA 1997, 34-36). The article declares him a "leading authority on the extractive industries" (NYSSCPA 1997, 35).

Conclusion

Peloubet gave his time and abilities to help shape the profession of accountancy through his committed involvement on the state, national, and international levels. He worked tirelessly for the AIA throughout his career in public accounting, and his dedication to the state CPA societies of New Jersey and New York was commendable as well. Like many leading professionals during WWII, Peloubet also offered his expertise to the government. Peloubet's extensive service to the professional societies and the government, as well as his decades in practice, provided him with invaluable insight into the profession. His vast experience allowed him to speak with authority and recognize areas of accounting thought he believed were underdeveloped. Peloubet was able to effectively share this knowledge and reach a broader base through his talent for writing, which is examined in the next chapter.

CHAPTER VI

ANALYSIS OF PELOUBET'S WRITINGS

> No matter how capable or well-informed you may be, you can be effective only at short range if you lack adequate means of communication. True, you must have something worth communicating; but no matter how vital or important your message is, it is worthless unless it is understood by those for whom it is meant. (Peloubet 1956b, 36)

Introduction

Maurice Peloubet was known for his writing skill. In 1946, his award citation for the annual AICPA service award (now called the Gold Medal for Distinction) noted his numerous contributions to the accounting literature (AIA 1946a, 3). He presented papers at the annual AICPA meetings in 1939, 1944, 1946, and 1960 (Zeff 1982 and Peloubet 1961). Two of his essays from the 1930s were included in Moonitz and Littleton's *Significant Accounting Essays* (Moonitz and Littleton 1965, 95, 450). In 1963, he was one of twenty leading authors in accountancy consulted for an article on professional writing (Dilley 1963). He was one of the first writers "invited by Syracuse University to contribute his correspondence and files to the university's manuscript collection[18]" (Peloubet 1971, 61). Peloubet was also prolific. His academic writings number around 250, which includes articles, speeches, book reviews, chapters in texts, and several books. Peloubet's first solo-authored book was *Audit Working Papers: Their*

[18] A supervisor with the Special Collections Research Center at Syracuse University Libraries informed the author that it appears Peloubet's papers were never collected by the university.

Function, Preparation and Content (1937), which he revised and reissued as *Audit Working Papers* (1949). Peloubet and Crawford C. Halsey co-authored *Federal Taxation and Unreasonable Compensation* (1964). He also wrote *Financial Executive and the New Accounting* (1967), which outlined all the services a financial executive should expect from his accounting advisors. Peloubet's memoirs were published posthumously as *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting* (2000). He also self-published a book of his poems *Ballads, Songs & Snatches* (1938).

Peloubet's first piece of writing was published in December 1914 when he was 22 years old. It was a letter to the editor of the *Journal of Accountancy* in response to a previously published article by John C. Duncan, an instructor at the University of Cincinnati (Duncan 1914). Duncan's article was on accounting education, and in it he discussed his method of teaching accounting systems. Peloubet thought Duncan took more credit than he should for originating the teaching methods he used. Peloubet came across a bit strong, perhaps showing his tender age, when he stated, ". . . Mr. John C. Duncan is apparently under the impression that his method of teaching system building is unique and original with him" (Peloubet 1914). Peloubet went on to point out a course in accounting systems at New York University School of Commerce, Accounts and Finance. Of course, Duncan could not let Peloubet have the last word and wrote his own letter to the editor published in the February 1915 issue of the *Journal of Accountancy*. Duncan insisted Peloubet completely misunderstood what he said and took an almost berating tone when he noted, "I am aware of what is being done not only in New York University, but in every other important university in the country" (Duncan 1915, 161). So was Peloubet's introduction to publication, and it seems to have taught him an important lesson. Though his writing never lost its tone of self-confidence, it did stop short of arrogant.

Three of Peloubet's writings provide particular insight into the importance he placed on good writing and how best to achieve it. The earliest is a 1936 *Journal of Accountancy* article titled "Jargon." The second is a letter he wrote in 1952, which was reproduced in 1970 under the heading "Maurice Peloubet's Selected Readings," in the *New Jersey CPA.* And the third resource is his 1956 *Journal of Accountancy* article titled "The Problem of Communication." In all three pieces, Peloubet insisted an accountant should read good poetry and prose, to better learn how to effectively communicate with his/her audience. He believed poetry taught a reader how simple and familiar words can be used for clear, precise and effective communication. Peloubet declared, "the more good poetry we read the better able are we to use words in exactly the places where they will do the most good" (Peloubet 1936a, 40). He believed there were only two ways to become a better writer: "to read what others have written, and to write yourself" (Peloubet 1956b, 38). Although the below lists of Peloubet's recommended writers may seem long and arduous, they serve as testimony to his scholarly nature and what made him a successful writer. Peloubet made it very clear that the works of the writers he mentioned were not necessarily among the greatest literature, that they were not chosen for their literary qualities. He chose the authors for the clarity, precision, and structure displayed in their writing.

"Jargon" (Peloubet 1936a), was written for the student of accountancy and warned against "the pretence and vagueness of jargon" (40). Peloubet noted that an accountant's hard work may be lost if it cannot be communicated clearly.

> The accountant gets at his facts with figures, but he expresses his results largely with words. This being so, let them be English words – short, clear and definite, arranged as they are spoken. Use plain words for plain facts. Use exact words for complicated facts. (Peloubet 1936a, 39)

As the antidote to jargon, Peloubet pointed to well-written poetry and prose. He named the poets Shelley, Poe, Coleridge, Keats, Francis Thompson, John Donne, George Herbert, and John

Milton as examples (39). And he mentioned the prose of Jonathan Swift, Laurence Sterne, and Tobias Smollett from “the 18th century when precision and correctness were popular” as examples for the accountant (40).

In 1952, John R. H. Gilmour, an accounting instructor at Rutgers University, was concerned about his students’ lack of writing skills. He thought if they read good writing it would rub off on them, so he asked Peloubet for a list of writers for his students. In a reply letter, Peloubet states,

> What we want in accountants’ writing is clarity and precision before everything else. . . . Accountants’ writing is basically descriptive and explanatory. It is seldom or never argumentative or emotional. Even in presenting a tax case, the accountant relies on his facts, on their interpretation and on their arrangement. (Peloubet 1970, 20)

Peloubet goes on to recommend the essays of Joseph Addison, Oliver Goldsmith, Jonathan Swift, Charles Lamb, and Robert Louis Stevenson for their clarity, precision, beauty of language, and skillful arrangement of material (20). Peloubet recommended the letters of Abraham Lincoln for their clear forceful manner; the short stories of Edgar Allan Poe, Washington Irving, Saki, and James A. Michener for their succinct structure; and the poetry of Alexander Pope, John Dryden, Tennyson, Longfellow, Whittier, and James Russell Lowell for their precise statements of fact and observation (21-22). Peloubet also mentioned the philosophers George Santayana, Descartes, and Pascal for their skill of explaining a concept in ordinary language (22). Peloubet closed out his recommendations with a few “older writers on economics” – Adam Smith, David Ricardo, and John Stuart Mill (22).

In the 1956 *Journal of Accountancy* article “The Problem of Communication,” Peloubet gave the reader more instruction on the mechanics of good writing. Basically, he said start with the conclusion or the most important facts to hook the audience (Peloubet 1956b, 37-38).

Peloubet advised the writer to always keep the reader in mind and carefully plan the structure of the writing (38). In addition to some of the authors previously mentioned, Peloubet noted Thomas Gray, John Galsworthy, Carl Sandburg, William Hazlitt, and Thackeray as writers worth reading (38).

When Peloubet was consulted for Dilley's 1963 article on professional writing, he suggested that the "intending writer" should not just read but also analyze the construction and presentation of the work (Dilley 1963, 65). And though Peloubet lauded the need for a well-structured piece of writing, his approach was unexpected:

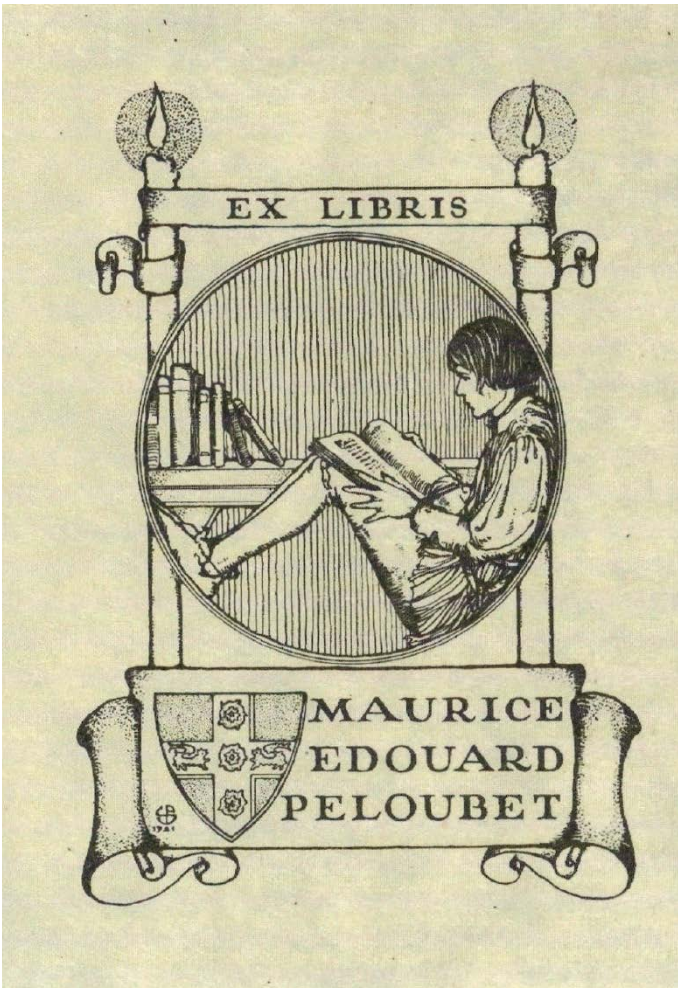
> I get the best results by writing and dictating everything I can think of on a subject without regard to form and order, or even importance or relevance. I then sort out the significant facts from the unimportant ones and begin to put them in a logical and understandable sequence. (Dilley 1963, 62)

In many of Peloubet's papers, he began with a story or an allegory to introduce his topic, and he often punctuated the end of his writings with a humorous yet compelling statement.

It is clear from reading Peloubet's other writings, that he was well-read. If fully understood, his quips, idioms, and references provide the reader with a liberal arts education. In a discussion on renegotiation of war contracts Peloubet's warning against litigious settlement battles referenced the Kilkenny cats (Peloubet 1945f, 133). He used a passage from one of the Platonic dialogues in an analogy in a letter to George May dated October 5, 1949 (PricewaterhouseCoopers Records). In an article on inflation, Peloubet mentioned Ernest Christopher Dowson's 19^{th} century love poem Cynara, as well as the avant-garde Gertrude Stein (Peloubet 1953c, 716; 722). And in a 1957 article on leadership, he referenced Mark Twain (Peloubet 1957a, 35). Philip B. Chenok, AICPA president 1980-1995 and former employee of Pogson, Peloubet & Co., recalled Peloubet as, "an author, with wide-ranging interest. He maintained a personal library of 5,000 books, financed studies of poet William Blakes's *The*

Book of Job and was a poet himself" (Bisky 1980, 49). When Peloubet retired in 1964, he donated close to 500 books on the subject of Blake to the New York University Library (Nolan 1971, 22). His love and collection of books started early, as Figure 1 is an image of Peloubet's bookplate designed by Pauline Stone in 1921.

Figure 1: Peloubet's Bookplate by Pauline Stone, 1921.



Peloubet published over 200 academic writings, and therefore no attempt has been made to cover each one. Though all extant writings were considered, what follows is a thorough sampling of his work. For a complete list see Appendices A, B, C, D, E, and F. To better appreciate Peloubet's talent and opinions, a variety of excerpts from his writings are presented throughout this chapter. For discussion purposes his work is divided into the following sections: journal articles, papers, and speeches; books and book chapters; book reviews; and poetry. Within the section on journal articles, papers, and speeches the material is addressed by topic in order to explore the development of his professional opinions over time. Although topics addressed in his articles and books overlap, his books and book chapters are primarily technical and not policy-oriented, and therefore, addressed separately. A selection of opposing arguments, reviews, and criticisms of Peloubet's writings by his contemporaries are interspersed throughout.

Journal Articles, Papers, and Speeches

Depreciation

The history of depreciation for tax purposes is a tedious affair, and background information is needed to understand and appreciate the context in which Peloubet wrote. His efforts towards depreciation reform included many articles, as well as testimony before Congress in the late 1950s and early 1960s. The writings examined below illustrate Peloubet's ability to clearly explain technical topics, as well as his determination to fight for something in which he believed.

With the depression of the 1930s, the government looked for ways to increase Treasury revenue. In 1933, the House Ways and Means Committee conducted a study and pointed out that depreciation was eating into Treasury revenue. In their report, they recommended reducing depreciation deductions by 25% for 1934, 1935, and 1936, which was estimated to bring in an additional $85,000,000 each year (Committee on Ways and Means 1934, 5). The committee's view of depreciation is interesting,

> In the first place, it must be remembered that these amounts deducted from income do not represent cash outgo like wages, repairs, and similar expenses, but are annual reserves[19] generally theoretically set aside to replace plant and property investments. In the second place, the magnitude of such allowances depends on the life of the property – a very uncertain factor. (4)

This view of depreciation, which focused on future replacement of fixed assets and not the expensing of the cost of the fixed assets, would be important in future years as inflation steadily increased. Treasury Secretary Henry Morgenthau, Jr. wisely decided against reducing depreciation deductions by 25%, and instead recommended an administrative change to ensure depreciation was taken over the entire life of the asset (Brazell, Dworin, and Walsh 1989, 8). Taxpayers were now required to file detailed depreciation schedules with their return. If an examination by the Bureau revealed a fully depreciated asset was still in use or if the depreciation reserve was higher than the auditor deemed reasonable, it was assumed the depreciation rates were excessive and were adjusted. Prior to this change, the onus was on the Treasury to show the depreciation deduction was unreasonable, now the taxpayer had to prove it was reasonable. In essence, the changes in administrative procedure sought to extend the useful lives of fixed assets, thereby lowering the annual depreciation allowance. At the time, the Treasury only had guidelines for useful lives of depreciable property, which a taxpayer could deviate from. The changes were announced as Treasury Decision (T.D.) 4422 and the Bureau issued Mimeograph 4170 to its agents. Regarding the fallout from these changes, Grant and Norton (1955) frankly stated,

> Although many taxpayers complained bitterly that the Bureau examiners were making unreasonable reductions in depreciation rates, very few taxpayers made any effort to examine or criticize the fundamental concepts underlying the change.

[19] The depreciation reserve account is now known as accumulated depreciation.

In a footnote, they reference the following article by Peloubet as one of only four works the reader could consult for a critical examination.

Peloubet gave a detailed explanation of the 1934 depreciation changes in a paper read before the New Jersey Society of CPAs on July 25, 1934, which was published a few months later in the *Journal of Accountancy* (Peloubet 1934a). In his rather lengthy paper, "Depreciation Under the Revenue Act of 1934," Peloubet opened with a discussion of the language of the tax law, which he circled back to at the end of the paper.

> The revenue act of 1918 lists under allowable deductions from income "a reasonable allowance for exhaustion, wear and tear on property used in trade or business, including a reasonable allowance for obsolescence." This language has been retained in its identical form through all the revenue acts from that time, including the act of 1934. (169)

He then walked through the effects of T.D. 4422 and addressed Mimeograph 4170 paragraph by paragraph. He told the accountant and taxpayer how best to follow what the Treasury wanted by keeping detailed records, and he illustrated the advantages of keeping separate accounts for each asset rather than grouping assets of the same type into one account as the Treasury Department encouraged (189). The Treasury Department wanted to make their job easier with streamlined records to examine, but if a taxpayer did not have the detailed records to support depreciation reserves and deductions, their return was adjusted. While Peloubet noted that it had always been the responsibility of the taxpayer to keep records, he warned that such detailed recordkeeping was expensive, and the cost could be more than the adjusted tax. In Peloubet's opinion, one of the more significantly weak aspects of mimeograph 4170 was the focus on the physical life of the asset (186). His issue was with the following excerpt from the memo:

> If, upon examination and verification of the schedule, it is found that the cost or other basis of any depreciable property has been fully recovered though the property is still in use or where the reserve as provided is higher than is justified by the actual physical condition of the property, it will be presumed that the

> depreciation rates allowed in the past have been excessive. (U.S. Treasury Department, Bureau of Internal Revenue 1934, 61)

Peloubet claimed the Treasury was effectively doing away with the deduction for obsolescence, which, he established at the beginning of the paper, was still allowed by the law. Peloubet also touched on an item that would become increasingly important in years to come. The U.S. had recently abandoned the gold standard and Peloubet noted,

> There is much weight in the contention that all depreciation allowances taken in the year 1933 and subsequently are inadequate unless the rates have been increased proportionately to the devaluation of the dollar. . . . While we have not yet had a rise in price level proportionate to the devaluation of the dollar this is inevitable and, when it arrives, the inadequacy of depreciation allowances calculated in irredeemable dollars on a gold base at rates previously in force will be increasingly evident. (Peloubet 1934a, 194)

The history of the tax treatment of capital assets is so closely tied to depreciation that a brief discussion is warranted to fully appreciate and understand Peloubet's articles on depreciation. Much of the following is taken from Brazell, Dworin, Walsh (1989). In 1934, depreciable property was considered a capital asset, and gains and losses on capital assets were subject to the preferential maximum rate of 12.5%. The Revenue Act of 1934 introduced a sliding scale for the inclusion of noncorporate capital gains and losses in ordinary income (i.e. at higher rates). The scale ranged from 100% for capital assets held one year or less to 30% for capital assets held for more than 10 years. This was meant to produce more tax revenue. Net capital losses were capped at $2,000 for noncorporate and corporate taxpayers. With the Revenue Act of 1938, depreciable property was taken out of the definition of capital asset. This was beneficial to the taxpayer who suffered a loss on the disposal of depreciable property, because he could fully recover the loss. But a taxpayer who incurred a gain on disposal of depreciable property no longer had preferential treatment accorded to capital assets. This became a hot topic when the demands of World War II and general inflation drove up the market value for depreciable assets. Wartime conversion of these assets created significant gains, and Congress enacted the Revenue Act of 1942 to alleviate some of the issue. The Act imposed a maximum capital gain rate of 25% and included gains on depreciable property in this preferential treatment, yet losses on depreciable property were fully deductible. This tax treatment for gains gave the taxpayer incentive to depreciate an asset as quickly as possible. He deducted depreciation against ordinary income, thereby lowering the asset's adjusted basis, and any resulting gain on disposition was taxed at the 25% preferential rate. "Thus, the capital gains treatment for depreciable property gave an added impetus to Bureau policies to enforce the use of actual useful lives and salvage values" (Brazell, Dworin, Walsh 1989, 12).

For the April 1948 *The Accounting Review* article "Depreciation and the Price Level," six "outstanding accounting authorities" were asked to write a paper in the affirmative or the negative to the following proposition:

> Resolved that departures from the historical cost basis of recording fixed asset depreciation be recognized as falling within the scope of generally acceptable principles of accounting. (Dohr et al. 1948, 115)

Peloubet, James Dohr, and W. A. Paton wrote in the affirmative, and William H. Bell, Howard C. Greer, and Eric L. Kohler upheld the negative position. In his affirmative to a departure from historical cost basis, Peloubet stated that such departures from historical cost are acceptable only when they are:

> (a) Based on data which can be objectively tested,
> (b) Consistently applied,
> (c) Based on assumptions the validity of which is not open to reasonable doubt, and
> (d) Where there is some measure of acceptance of the method of making the departure from the cost basis by accountants and by government agencies concerned. (Peloubet 1948d, 124)

The way Peloubet saw it, when a fixed asset was depreciated on the historical cost basis, which was much lower than replacement cost due to inflation, the depreciation expense was understated, and net income was overstated. The taxpayer was then required to pay higher taxes, which ate into available capital to replace the fixed asset. Peloubet called this a "capital levy" (Peloubet 1948d, 125). He was a proponent of calculating depreciation based on replacement cost either by using an appraisal method or by multiplying the historical cost by an index number for the specific class of fixed asset. Nowhere in his paper does Peloubet use the idea that depreciation based on historical cost does not represent the economic cost as do Dohr and Paton, the other two affirmative positions. These papers were printed in the April 1948 edition of *The Accounting Review*. In June 1948, Peloubet published a piece in the *The New York CPA*, which noted, "This paper was read by Mr. Peloubet before The Technical Valuation Society on March 24, 1948," that does bring up the idea of monetary versus economic cost (Peloubet 1948b). The piece has almost three pages of introduction in a conversational tone to set the stage and then the rather technical letter published in the April 1948 *TAR* article is reproduced word for word. So, it seems Peloubet may have just left out the idea of economic cost from the April *TAR* publication. Peloubet titled the June *The New York CPA* article "Are We Giving Away Our Capital Without Knowing It?," and in it he declared that the way to keep the economic capital intact was to provide a reserve for the replacement of the fixed asset (Peloubet 1948b, 442). Paton argued against this idea of depreciation as a mechanism to provide a replacement provision or reserve (Dohr, et al. 1948, 120).

Peloubet echoes the idea of depreciation based on replacement cost in a June 1948 speech reprinted in *The New York CPA* the following August.

> In my opinion it is entirely practical by means of appraisal or index numbers to convert plant, machinery and equipment accounts kept on the various bases

> ambiguously known as "cost" to a consistent and uniform current value. (Peloubet 1948c, 567)

It should be kept in mind that Peloubet's opinion on replacement cost depreciation was in contrast to the majority of the other Committee on Accounting Procedure (CAP) members. In October 1948 when the CAP issued a letter stating they did not think it appropriate to revise ARB No. 33 Depreciation and High Costs, which did not permit the calculation of depreciation expense on replacement cost, Peloubet along with three other CAP members dissented noting that inflation necessitated revision (CAP 1948).

In his 1953 article "Accountants' Failure to Deal with Effects of Inflation," Peloubet admonished the accounting profession for its weak effort to counter the effects of inflation on the depreciation of fixed assets at historical cost (Peloubet 1953c). He stated,

> The persistent use of an accounting method that continuously overstates earnings is one of the most subtle and effective weapons with which to destroy private capitalism. . . . High apparent earnings, high taxes, high dividends, and low real earnings reduce working capital and eventually cause the company financial distress or even bankruptcy. (715)

Peloubet believed the income statement should be expressed in current dollars, and it was the impact of the cost of inventory and fixed assets that made this challenging (717-718). A remedy for inventory was available in the form of the last-in, first-out (LIFO) cost flow assumption, which allowed current labor and material costs to be expensed, but there was no such mechanism in place to express depreciation of fixed assets in current dollars. Replacement cost of fixed assets was Peloubet's solution. Peloubet condemned the accounting profession for not showing more concern for the situation and for being "unduly and probably unnecessarily mindful of views of governmental regulatory bodies" (722). He applauded the efforts of the IRS and the businessman. The IRS was thanked for shortening the useful lives of assets, as this allowed for faster depreciation and "lessened the probability of loss on replacement" (720). The businessman was complemented for coming up with the idea of the sale-leaseback, which allowed a company to sell an asset valued on the books at historical cost and receive its value in current dollars and then lease it back from the new owner. Obviously, the sale was a taxable transaction, but the preferential capital gains tax rate was 25% and the lease (or rent) payments were deducted by the company at corporate rates of 50% (721). This improved the company's working capital, which presumably could be used to earn more than what it was paying in rent. Peloubet closed the article charging the accountants with their duties,

> All he can do is to try to make the accounts tell the truth about facts and things, not dollars and figures. Accountants have responsibilities undreamed of a few decades ago. We must live up to them or resign them to those better qualified or, at least, bolder. (722)

An insightful rebuttal to Peloubet's paper by Maurice J. Kluger, a Philadelphia CPA, was published three months later in the *Journal of Accountancy* (Kluger 1954). Kluger applauded Peloubet as one of the greatest leaders of the accounting profession (280), but he fervently disagreed with him on several points. First, he exposed the fallacy in equating the mechanisms of LIFO and replacement-cost depreciation. Kluger pointed out that LIFO charged

> *expended* current costs to operations . . . The strict application of LIFO principles to depreciation accounting would seem to require current expended costs of fixed assets to be charged to current operation. That's about what is done. (279)

And as for Peloubet's charge that accounts should represent facts (see above excerpt from Peloubet 1953c, 722), Kluger noted,

> … it seems to me an admirable refutation of the basic argument for depreciation on replacement costs. We strive for factual representation; therefore, we absorb costs into the income account so as to clearly establish what is left over for income taxes, for replacements, and for dividends. (Kluger 1954, 279)

Kluger goes on to say that the greatest concern is the tax impact, and therefore the remedy lies in the change of tax law and not a change in generally accepted accounting principles (279).

The following year was a milestone in the advancement of depreciation, as the 1954 Internal Revenue Code (IRC) "represented a major change in depreciation policy" (Brazell, Dworin, and Walsh 1989, 12). For tangible property with a useful life over three years, the IRC explicitly allowed the accelerated depreciation methods of double-declining balance and sum-of-the-years' digits. It also allowed a taxpayer to switch from double-declining balance to the straight-line method. While it was believed the larger depreciation deductions in the early life of the asset more accurately represented an asset's economic depreciation, the primary motive was "to provide a permanent investment incentive" (Brazell, Dworin, and Walsh 1989, 13).

Peloubet continued to advocate for changes in depreciation, and by 1958, he was touting a method called reinvestment depreciation, which he explained in an article published in the *N.A.A. Bulletin* (Peloubet 1958c). It did not convert depreciation calculated on historical cost into current values, rather it had the "effect of allowing current-value depreciation in arrears" (23). It is easiest to understand the basics of the method through an illustration given in Peloubet's article. Assume a company purchased a fixed asset for $100,000 ten years ago and that since then the purchasing power of the dollar had declined 40%. If the company disposed of the old fixed asset and invested the current value of the fixed asset of $250,000 ($100,000/.40) by purchasing a new fixed asset for $250,000, then in the year of purchase the company would be allowed to write off $150,000 ($250,000 – $100,000; the current-value depreciation in arrears), and the remaining $100,000 would be depreciated at the usual rates. Peloubet went on to say it was not necessary for the new depreciable property to replace or even be of similar nature to the disposed property. Only two things were necessary: (1) both the disposed and purchased assets had to be depreciable property and (2) the transactions actually occurred (24). He closed by briefly addressing the challenges of record keeping and various scenarios, such as when disposal was greater than reinvestment in a given year and the difference was carried forward to apply against future reinvestment. In another 1958 article, Peloubet predicted the method of reinvestment depreciation would generate spending on plant and equipment, which in turn would help the economy (Peloubet 1958d, 13-14). Peloubet, along with other prominent accountants, lawyers, and economists, testified before Congress in January 1958 as to the advantages of reinvestment depreciation, which is detailed in Chapter VII.

Instead of reinvestment depreciation, the Technical Amendments Act of 1958 enacted section 179 of the IRC. This allowed an additional first-year depreciation deduction of 20% of the assets cost (not reduced by salvage) for tangible personal property with a useful life of six years or more that was purchased after 1957 (Brazell, Dworin, and Walsh 1989, 13). The amount of eligible cost was limited to $10,000 for single taxpayers and $20,000 for married filing jointly.

There were additional significant tax changes for depreciation in 1962. The Revenue Act of 1962 established a 7% investment tax credit for qualified depreciable property, and the Long amendment required the credit to be deducted from the cost basis for depreciation calculations. The same year, the IRS brought more changes with Revenue Procedure 62-21, *Depreciation Guidelines and Rules*. The changes were so complicated, Brazell, Dworin, and Walsh (1989) use almost five pages to explain them. Though the changes were meant to simplify the tax audit process, some of the changes, such as the use of the reserve ratio test, proved to be so complicated that they were never effectively used (Brazell, Dworin, and Walsh 1989, 16). The reserve ratio was meant to test if the ratio of accumulated depreciation to cost of the assets was appropriate by comparing it to a range of test ratios.[20] If an asset life was found to be too short, it was lengthened by 25%, and if too long, it was shortened but only by 15%. There was a three-

[20] The details of the reserve ratio test are not needed for purposes of this paper, but they can be found in Brazell, Dworin, and Walsh (1989) pages 16-17.

year moratorium on the application of the reserve ratio test, and in 1965 its application was modified and delayed (16). Rev. Proc. 62-21 also introduced new guidelines for useful lives, which ultimately established "safe harbor" useful lives that were significantly shorter than those previously used by American corporations (17). These shorter useful lives prompted Congress to enact "recapture" rules whereby gains on disposition of depreciable property were taxed at ordinary income rates (15). In 1962, §1245 established recapture rules for personal property and certain "other tangible property," and in 1964, §1250 established recapture rules for all real depreciable property not covered under §1245.

In December 1963, Peloubet published "Depreciation and Replacement – Changes and Prospects," in which he reviewed and examined the changes to depreciation and tax incentives over the previous year and a half. He applauded the shorter asset lives presented in Rev. Proc. 62-21, but he addressed the need for permanency through legislation, as there was only a three-year transitional period provided for in the guidelines (Peloubet 1963b, 56). After three years, the asset lives were subject to change. As for the reserve ratio Peloubet noted,

> Another administrative difficulty of the present guidelines are the formulas which must be used to derive the tables which, in turn, must be used to derive the reserve ratio for any particular taxpayer. The Revenue agent has the choice of becoming proficient in calculus and actuarial science or accepting 35 pages of closely printed tables without understanding the methods upon which they were constructed. (57)

He said the solution was not to "tinker with the reserve-ratio but to abolish it by suitable legislation" (59). Peloubet also pointed out that the Long amendment made the investment tax credit an excessive burden on some taxpayers, and he advocated for its repeal (57). The investment tax credit was mandatory, so even if the cost of the recordkeeping required by the credit outweighed the tax benefit, the taxpayer did not have the right to forgo taking the credit.

A Treasury-Conference Board study revealed that if audited, almost 90 percent of firms would fail the reserve ratio test in 1965 (Brazell, Dworin, and Walsh 1989, 16). New rules were released by the Treasury in February 1965, which eventually became Rev. Proc. 65-13. The new reserve ratio rules were more lenient and reduced the lengthening of the useful lives if the taxpayer failed the test. Peloubet referred to the revised reserve ratio as the "do-it-yourself" ratio in his brief 1966 article, "Depreciation or Capital Allowance?" (Peloubet 1966, 40). While he believed the revisions were burdensome, he thought the probable benefits outweighed the cost and annoyance of the recordkeeping and calculations (41). He closed the article asking for legislation to provide simplicity and certainty as to the depreciation deduction (42). The complexity and flawed nature of the reserve ratio test finally led to its demise in 1971, and it was replaced with the Asset Depreciation Range System (Brazell, Dworin, and Walsh 1989, 17).

Inventory – LIFO

Peloubet was first exposed to the base stock method[21] (a forerunner of LIFO) in 1916 while working for Price, Waterhouse & Co. in England during the First World War (Peloubet 2000, 37-39). Peloubet witnessed how the method worked during an audit of a foundry that made malleable iron products. The theory of the method was that certain manufacturing or processing industries required a base amount of inventory to operate and remain a going concern. Even though the inventory physically flowed through the process, a base amount was required for the enterprise to operate. If the process took three weeks, then there would always be three weeks' worth of inventory on hand, as well as the need for three weeks' supply of raw materials. This base stock was considered a permanent investment. When such an enterprise would enter a new

[21] The method was also called the normal stocks at fixed prices method.

contract, the sales price would be based off the current cost of raw materials that would be purchased to replenish what was "borrowed" from the base stock, and the current cost of goods sold would be expensed on the income statement. While working on the 1916 audit, Peloubet was told it was principally used in the base-metals trades and in some textile industries. At the time, it was an acceptable method for preparing accounts for stockholders and British income tax purposes, though not for calculation of the excess profits tax. When Peloubet prepared the foundry's accounts using the base stock method, he took copious notes in case he wanted "to make any practical application of it" (Peloubet 2000, 39). This began Peloubet's interest in the base stock method.

Though the U.S. Treasury prohibited the use of the base stock method for tax purposes in 1919 with Treasury Regulation 94, Article 22(c)-2, many continued to champion its use to help smooth out income due to fluctuation in prices (Davis 1982, 6-8). Then, in 1930, the Supreme Court ruled the base stock method could not be used for income tax purposes (*Lucas v. Kansas City Structural Steel Co.*, 281 U.S. 264 (1930)). The LIFO inventory method was then devised as an alternative. Its simple rule of the last inventory in is the first inventory out was very easy to administer and matched current cost to current sales, and it did not require management's judgment as to the amount and value of base stock. The acceptance of LIFO for tax purposes in the U.S. was a hard-fought battle. A brief outline of its history is needed to understand Peloubet's writings on the topic, as well as appreciate his contribution to its acceptance[22]. In 1934, the American Petroleum Institute passed a resolution in which they recommended the use of LIFO for valuing petroleum inventories (Davis 1982, 9). In May 1936, Peloubet testified before Congress as to the merits of the base stock method for tax purposes (Committee on

[22] For a detailed account of the history of LIFO consult Davis (1982) and Pincus (1989).

Finance 1936, 717-719). He was told it was not a legislative matter, and that he should discuss the issue with the Bureau of Internal Revenue (Committee on Finance 1936, 719). Also in 1936, the American Petroleum Institute consulted with the AIA, and the AIA deemed that LIFO was an acceptable accounting principle. In January 1938, the AIA issued a report advocating LIFO as an appropriate inventory method for tax purposes provided certain conditions were met. Davis (1982, 9) importantly points out, “This report assumes, as did almost all writers until the 1950s, that prices are cyclical but have no steady upward trend.” At the Congressional hearings for the Revenue Act of 1938, Peloubet and other prominent businessmen testified and convinced Congress of the merits of LIFO for income tax purposes (Committee on Ways and Means 1938, 1181-1184 and Committee on Finance 1938, 143-167). Unfortunately, the 1938 Act limited the use of LIFO to tanners and brass smelters and refiners. Peloubet thought the 1938 LIFO legislation was poorly written and did not represent what advocates of the method, in or out of Congress, intended (Peloubet 1958b, 663). This resulted in three prominent accountants, Edward A. Kracke, Roy B. Kester, and Carman G. Blough, being appointed by the Treasury to help draft the new legislation for the Revenue Act of 1939, which extended the use of LIFO to all taxpayers (Pincus 1989, 36-39). A detailed discussion of Peloubet’s 1936 and 1938 testimonies are presented in Chapter VII.

Peloubet was an early and vocal champion for the base stock and LIFO inventory methods. His opinions on the methods developed over the years, which are reflected in his writings discussed below.

In his 1928 article, “Current Assets and the Going Concern,” Peloubet explained the base stock inventory method, though he did not call it by name, and discussed the theory behind the method. Instead of classifying assets as either current or fixed, Peloubet argued for three asset classifications for financial statements to represent a business as a going concern. He pulled from the ideas of the 18th century economist Adam Smith and discussed assets as "those representing fixed capital, circulating capital and undistributed profits not invested in the enterprise" (Peloubet 1928, 21). The assets representing the "circulating capital," were the assets required for the operations of the business, such as base stock inventory, receivables, and a necessary cash reserve (Peloubet 1928, 22). Peloubet acknowledged the classification scheme made the accountant more responsible, in that he would have to decide which assets were necessary for operations, but Peloubet believed the increased usefulness of the statements for the management would be sufficient pay back (Peloubet 1928, 22).

In 1935, Peloubet published "Principles of Inventory Valuation," which was a lengthy, technical examination of different inventory methods. His premise was that determining income for a fixed period is one of the hardest things a company had to do, and for nonservices companies this was largely determined by inventory. Peloubet followed this line of reasoning and declared the main purpose of the inventory account was to determine profit and loss (Peloubet 1935d, 52). He listed four factors in determining the monetary value of inventory:

> (1) A correct statement of physical quantities.
> (2) A correct statement of condition, both physical and as to salability.
> (3) A correct determination of ownership or title.
> (4) A correct method of valuation and its correct application. (Peloubet 1935d, 53)

Peloubet believed that only the fourth factor dealt with accounting, and it was on this factor that he wrote another fifteen pages. He discussed six different methods of inventory valuation: the FIFO method at the lower of cost or market, the "retail method," normal stocks at fixed prices method (another name for base stock method), the LIFO method, value at standard cost method, and valuation of by-products method. Peloubet concentrated on the method of normal stocks at fixed prices and the LIFO method (56-65). This was one of the earliest, if not the first, mention of LIFO in Peloubet's published work. He noted it was primarily the oil industry that was openly supporting the method. The most interesting aspects of the article are Peloubet's thorough account of the history of the normal stocks at fixed prices method and his introduction of LIFO.

Peloubet also discussed the idea of inventories as fixed assets in his 1936 article "Special Problems in Accounting for Capital Assets" (Peloubet 1936b, 192-193). He pointed to the oil industry, as well as smelting and refining companies as entities where the method was appropriate. And he pointed out that it was the businessman who came up with this treatment of inventories, and the accountant slowly caught on.

The proper valuation of inventory became increasingly important after the 1936 Revenue Act, which Peloubet stressed in his paper "Problems of Present-Day Inventory Valuation" (Peloubet 1937b). In 1936, President Roosevelt passed an undistributed corporate profits tax, which made the calculation of profits and therefore, the proper selection of inventory method all the more significant. Peloubet acknowledged the situation and noted,

> Up until now, errors in accounting theory have not been so serious because they have not invariably been translated into action. . . . Now the conditions are different. The ascertaining of a book profit is practically equivalent to the payment of a dividend or the payment of a tax as a penalty for not distributing the dividend. (Peloubet 1937b, 745)

Peloubet did not recommend one inventory valuation method over another. Instead, he urged a critical examination of the method chosen to evaluate if the book income approximated realized income (747). He believed this was the benchmark that the most appropriate method was chosen.

In 1938, Peloubet and other prominent accountants and businessmen testified before Congress in support of the allowance of LIFO for tax purposes. Subsequently, Congress approved the use of LIFO for tanners, as well as producers and processors of certain nonferrous metals in the 1938 Revenue Act (Pincus 1989, 34). Then in the 1939 Revenue Act, Congress extended the allowance of the LIFO method to all taxpayers. After the passage of the 1939 Revenue Act, Peloubet was chosen to give Institute members an update on the tax laws for LIFO at the 1939 annual AIA meeting. As part of a round-table session on inventories he presented his paper “Acceptance by Congress of the ‘Last-in, First-out’ Method for Valuing Inventories.” He gave a brief overview of the history of LIFO in the U.S. and explained the benefits of LIFO. He spoke of the dangers of apparent profits or losses caused by the use of FIFO, and even went so far as to say,

> A number of eminent economists have taken the position that fictitious inventory profits were an important contributing factor to the 1928 boom and subsequent depression. (Peloubet 1939a, 74)

He quoted from a study by the economist Dr. Simon Kuznets to support this statement. Throughout his paper Peloubet fervently insisted that LIFO was not advocated primarily as a sound accounting principle or as a tax-saving mechanism, but that,

> The real basis for requesting the right to use this method is that it represents the closest approximation to actual economic and operating facts in the industries to which the method is adapted. (Peloubet 1939a, 75)

After his Congressional testimonies, Peloubet continued to be a proponent for the LIFO inventory method. In response to Professor William Paton’s critical article on LIFO in the May 1940 issue of *Journal of Accountancy*, Peloubet penned “Last-in, First-out Once More: A Discussion of Certain Points Raised by Professor Paton,” which was published in the following month’s issue. In the opening line, Peloubet expressed his compulsion to criticize some of Paton’s assumptions and conclusions (Peloubet 1940, 446). In his article, Paton walked through several examples and pointed out the shortcomings of the LIFO inventory method (Paton 1940). Peloubet acknowledged that LIFO was an inappropriate method in Paton’s examples and readily admitted that as long as LIFO had been advocated, its limited application had been acknowledged (Peloubet 1940, 447). He went on to list types of industry where LIFO was more appropriate,

> . . . those having to do with the production and fabrication of nonferrous metals, the tanning industry, several branches of the textile industry, and branches of the chemical industry including the refining and processing of petroleum. (Peloubet 1940, 447)

The general characteristics of such industries being,

> . . . principally the use of a uniform or substantially uniform raw material or raw materials, the preponderance in value in the finished product of the raw material and a relatively long processing period or relatively slow turnover. (447)

Peloubet stressed that LIFO's main concern was to match current costs with current sales and that it was only secondarily concerned with inventory (448). Peloubet remarked that Paton's article made LIFO out to be a "Procrustean bed to which all industries and situations must be fitted" (Peloubet 1940, 448). Whereas Peloubet thought it was more like the smallest bear's bed that Goldilocks finally found after trial and error. Again, Peloubet entertained the reader and lightened the tone with his analogies. Peloubet acknowledged that Paton was right in that not all difficulties in applying LIFO had been solved. But Peloubet insisted that economists and businessmen arrived at the LIFO method first and accountants had just caught up and assisted them (450). He noted that many theorists thought it should be the other way around and that accountants should foresee the need for change before problems arise. Peloubet ended with,

> If we could do this, we might be more useful to our clients, but the ability to foresee things in such a way would be so highly rewarded in other lines that accountants gifted with this foreknowledge would undoubtedly leave the profession. (450)

An exchange of letters between Anson Herrick and Maurice Peloubet on the topic of LIFO was published in the December 1948 "Current Accounting Problems" department of the *Journal of Accountancy* (Blough 1948, 492-495). Herrick addressed that the use of LIFO grossly distorted the balance sheet and made the current ratio meaningless (Blough 1948, 493). He wanted companies using LIFO to restate their balance sheet to reflect inventory on a FIFO basis with the difference reflected as a current liability (portion for deferred tax) and noncurrent liability (for the deferred profit). In his reply letter, Peloubet spoke of several important aspects on his stance of LIFO. He agreed with Herrick's comment on the current ratio and believed a company appropriately using LIFO should classify the minimum LIFO inventory as a fixed asset rather than a current asset (Blough 1948, 494). But Peloubet acknowledged this was not likely to happen any time soon. Peloubet firmly disagreed with the calculations Herrick recommended. Peloubet said if that was necessary, LIFO was not the appropriate inventory method and the company should be using FIFO. Peloubet thought the recent extension of LIFO was unwarranted, that the extension was driven by tax considerations, and that the use of index numbers was never contemplated by the original advocates of LIFO (Blough 1948, 494). The extension of LIFO referred to several recent court cases in which dollar-value LIFO method was allowed for a department store (*Hutzler Brothers Company v. Commissioner*, 8 T.C. 14 (1947)) and a grocery chain (*Edgar A. Basse v. Commissioner*, 10 T.C. 328 (1948)). Peloubet closed with a charge to the accounting profession:

> Let us refrain from throwing the baby out of the window with the bath water, and let us try to encourage the use of Lifo where it is necessary and proper. Let us discourage its use where it is illogical and let us, as a very long-time project, try to modify accounting conventions in the direction of classifying minimum fixed inventories as capital assets. (Blough 1948, 494)

Peloubet published "Choice of Inventory Methods Depends On Specific Needs of Each Business" in the January 1951 *Journal of Accountancy*. The title explains much of the article's aim, which Peloubet accomplished by walking through eight permissible inventory methods for financial accounting purposes (not all were eligible for tax purposes). But knowing Peloubet's background on LIFO, it seems he is defending the appropriate use of LIFO. In his discussion as to the aim of inventory accounting, he firmly stated the focus is on the income account and not the current valuation of the balance sheet (Peloubet 1951a, 71-72). To support this, he highlighted the CAP's ARB Inventory Pricing No. 29, to which not one of the twenty-one members dissented to the principle

> That inventories, in the usual balance-sheet, do not represent current or realizable values but are a "residual" resulting from the application of specific and presumably suitable inventory methods. (Peloubet 1951a, 72)

This article was the topic of discussion in an exchange of letters between George O. May and Peloubet in January 1951. When May wrote his letter to Peloubet on January 11, 1951, he was working on a report for the AIA's Study Group on Concepts of Income and wanted to discuss Peloubet's article from the *Journal of Accountancy* (PricewaterhouseCoopers Records). May questioned Peloubet's presentation in the article as to the circumstances necessary to make LIFO an appropriate choice.

> I seemed to detect a certain conflict between a desire to take the orthodox Institute view[23] and your own scientific convictions. . . . I know that you, like myself, agree that determining activity profits by placing revenues and costs as nearly as possible on the basis of the same purchasing power is scientifically sound. . . . I think perhaps we weaken our position by rationalizing the procedure as being a true cost method. (PricewaterhouseCoopers Records)

In his reply dated January 17, 1951, Peloubet acknowledged that on reflection he saw that when discussing the appropriateness of LIFO, he unintentionally overstressed the "responsiveness of sales prices to raw material prices" and played down the income aspect (PricewaterhouseCoopers Records). Peloubet acknowledged it was difficult to tease the two apart sometimes, but he clearly stated his beliefs,

[23] May is referring to an earlier mention in his letter about Statement 4 of ARB No. 29. May was not satisfied with the view expressed in the statement that whether LIFO was appropriate depended "on the quickness of response of sales prices to changes in cost" (PricewaterhouseCoopers Records).

> While the convenience of LIFO is most evident in situations where the price of the finished product varies directly with the price of the raw material, the correct matching of costs, even though these costs may not be directly reflected in the price of the product, and the avoidance of unrealized inventory profits or losses are certainly the most important aspects of LIFO, either in a single enterprise or as it effects [sic] the economy as a whole. . . . There is no doubt in my mind that the avoidance of apparent but unrealized inventory profits is the most important business and economic function of LIFO.

Neither man was driven by tax considerations, as they both lamented the increasing influence of tax considerations on the applicability of LIFO in their letters.

In August 1958, J. F. Barron, an economics professor at the University of California in Los Angeles, published an article on LIFO, in which he concluded, “Available evidence indicates that it was not the intention of Congress, the business community or the Treasury that LIFO be used by any and all business firms” (Barron 1958, 571). He also referenced and quoted several of Peloubet’s comments from 1936 and 1939 in support of this conclusion (Barron 1958, 570). In the next month’s issue of the periodical, Peloubet published a strong rebuttal to Barron’s article. The opening line:

> As Professor Barron has made several references to me in his article . . . I thought I should point out the more important inaccuracies and correct Professor Barron’s statements where these conflicted with the actual history and effects of LIFO. (Peloubet 1958b, 663).

Peloubet pointed out that multiple times in Barron’s article, Barron confused LIFO with the base stock method, which invalidated many of his arguments (Peloubet 1958b, 664-665). Peloubet noted other inaccuracies in Barron’s article, but a more interesting takeaway from Peloubet’s piece is the insight provided on the evolution of his views on LIFO. Peloubet admitted that it was not until the mid-1930s that he recognized the shortcomings of the base stock method and realized LIFO should be substituted for it (Peloubet 1958, 664). This is evidenced in his 1936 and 1938 Congressional testimonies. In 1936, he was still pushing for the acceptance of the base stock method, which he referred to as the normal or necessary stock method (Committee on Finance 1936, 717). But by January 1938, he switched over to advocate for LIFO (Committee on Ways and Means 1938, 1181-1184). In the 1958 article, Peloubet also acknowledged that his view as to the applicability and technical features of LIFO changed over the years, though he argued that his underlying reasoning for the inventory methods had not changed.

> I do not believe that I have changed my views on the general principle of maintaining an unchanging inventory investment at an unchanging value from 1916 to the present time, but I freely admit that my views on the applicability and the methods of application of this principle have, I hope, changed and developed with the changes in the business and the economic culture. (Peloubet 1958b, 664)

Later in the article, Peloubet reiterated the notion that accountants must change with the business and economic climate and that they are entitled to modify their positions (Peloubet 1958b, 665). Contradicting Barron, Peloubet concluded,

> that the 1939 legislation was the expression of an intention to allow the use of LIFO, in some form and under some proper regulations, to any taxpayer which used inventories in the determination of income. (Peloubet 1958b, 666)

After he retired, Peloubet published a history of LIFO in the U.S. in *The Price Waterhouse Review* (Peloubet 1971), which he retold in his memoir (Peloubet 2000, 37-45).

Audit

Though Peloubet wrote on the topic of audit prior to 1939[24], he became more vocal after the McKesson & Robbins financial statement scandal and his subsequent appointment to the AIA's Committee on Auditing Procedure. Peloubet published a piece on auditing inventories in the July 1939 *Journal of Accountancy* that was from several speeches he made the previous May. In May, the AIA adopted the report of the special committee on auditing procedure that

[24] Peloubet's 1937 book *Audit Working Papers: Their Function, Preparation and Content* is discussed in a later section of this chapter.

established the physical test of inventories and confirmation of receivables as normal audit procedures. In the *Journal of Accountancy* article, Peloubet walked through four questions the auditor had to answer regarding inventory:

(1) What is it?

(2) Who owns it at the inventory date?

(3) How much is there of it?

(4) What is it worth?

To the first question, Peloubet acknowledged that the more complex, technical processes of some industries are beyond the auditor's knowledge, such as chemicals, metals, leather, and unfabricated textiles, and that the auditor will have to rely on what the factory technicians tell him (Peloubet 1939, 8-9). One of his main points on ownership was that if inventories were held by third parties, the auditor should verify this by directly communicating with the third party (Peloubet 1939, 11). Out of the four questions, Peloubet devoted more attention to question three, as a physical test of inventory was now an expected audit procedure. Here he divided the method of physical inventory into two groups: (1) when the auditor could supervise or watch the client's staff perform a physical inventory and (2) when the auditor could make physical independent tests (Peloubet 1939, 13). Whatever the auditor's method, Peloubet stressed

> that the public accountant will need to satisfy himself by appropriate physical tests that the inventories do in fact exist and that the records which indicate this evidence may be relied upon. (Peloubet 1939, 14)

To address the last question on the inventory's worth, Peloubet focused on the client's inventory method, such as LIFO or retail method. He closed the article with enduring counsel for the public accountant,

> We have now had the improving and chastening experience of being accused, ridiculed, and derided. . . . There is no doubt that much good will eventually come

> out of the present examination of accounting and auditing procedures. We must make every effort to realize as much of this good as possible without being hurried into the advocacy of measures of doubtful real value but great public appeal. Such changes and improvements as are made should be permanent and should be of a sort which will not have to be altered or reversed within a short time. . . . The profession will continue to advance and improve, but if its past history is any criterion it will do so carefully, temperately, and in such a way that it will not need to retrace its steps.

Peloubet's 1946 article "Internal Control and Internal Auditing: As the Certified Public Accountant Views It" provides the reader with a look at the relationship between the independent auditor and the internal auditors of a company (Peloubet 1946c). Peloubet gave a brief history of internal audit, and a nod to railroad companies, a few large industrial companies, and chain stores for their early internal audit efforts. He also recognized the work of the Institute of Internal Auditors, which was founded in 1941, and noted that their work in defining the role and duties of the internal auditor was invaluable to corporations and the accounting profession (251). Peloubet supported the independent auditor's reliance on the work of the internal audit staff only after the training, ability, and independence of the internal audit staff was verified and the design and effectiveness of their programs and methods were examined (251). Peloubet acknowledged the time and judgment this took on the part of the independent auditor, but he noted it was one of the most important parts of an audit (252). He also noted that it was essential for the independent auditor to have the controller's cooperation and to make a survey of the company's internal checks and controls. For this he suggested a comprehensive questionnaire, such as the example in Chapter 13 of *Contemporary Accounting*, which Peloubet authored.

Peloubet wrote a paper dated June 6, 1947, titled "Internal Control and the External Auditor." Undoubtedly, he presented the paper before an audience, as several times throughout, he referred to the discussion period after the paper's presentation (Peloubet 1947c, 4). But there is no documentation as to the location of the presentation. Nonetheless, it is an enjoyable read in which Peloubet provided several examples from practice to illustrate how a company's quantitative and qualitative records could assist the external auditor. In one example, an auditor of a brewery found the financial records and supporting documents in order, though the company's production records did not look very good (5-6). His gut told him to dig further. He compiled a quantitative statement of the raw materials, such as malt and hops, looked up chemical formulas for beer production, and found that the actual output of beer was extremely low for the materials consumed. He knew the company to be well-run and did not believe they would have such inordinate process losses. The auditor visited the plant yard and discovered that the brewmaster was redirecting some of the company's raw materials to his own personal brewery. Another entertaining example was an audit of a lumber yard where the auditor "was equally endowed with both mental and bodily vigor and agility" (7). The auditor thought the quantitative records for finished lumber were extremely low for the number of logs received at the mill. So, the auditor grew a beard, dressed like a lumberjack, and got a job with the lumberyard. He then discovered that while all the logs felled in the woods were brought to the company property and counted and weighed, not all were unloaded from the truck before the truck drove away again. He also discussed the advantages for an auditor when a standard cost system is employed, and the variance accounts are examined. Peloubet admitted that his examples were extreme, but he wanted "to indicate the approach and the attitude of mind of the external auditor" (14). He thought the same amount of thought and judgment were required of the external auditor on a daily basis.

In March 1958, Carman G. Blough published a piece in the *Journal of Accountancy* section Accounting and Auditing Problems titled "Implications of 'Present Fairly' In the Auditor's Report," which was a criticism of Arthur Andersen & Co.'s practice of issuing a two-part audit opinion (Zeff 2007a, 7)[25]. From 1946 until 1962, the firm decoupled the audit opinion into (1) did the financial statements "present fairly" the financial condition of the company and (2) were the financial statements in conformity with GAAP. This was not original with Arthur Andersen & Co., as Walter Staub who was on the AIA committee that drafted the original audit report in 1933 stated it was the committee's intention for the auditor to provide two separate opinions (Zeff 2007a, 2). Blough's March 1958 article criticized this practice and stated that, "if every accountant were to decide for himself what a 'fair presentation' is, there would be no standards to go by" (Blough 1958a, 76). Blough thought the only test of reasonableness as to the accountant's judgements was if they were within the framework of GAAP. Peloubet responded to Blough's article with a letter to the editor of the *Journal of Accountancy* in the May issue. To recognize the importance of Peloubet's reply, Blough had it published in the Accounting and Auditing Problems section and not with the other letters to the editor. To introduce the letter, Blough stated that Peloubet was,

> A well-known and highly regarded member of our profession, for whose views we have the highest respect. (Blough 1958b, 73)

In his rebuttal, Peloubet argued for the two-part audit opinion. He believed that GAAP allowed for different choices and that the auditor had to decide whether the option the client chose was appropriate, i.e., "presented fairly." Peloubet did not think the auditor's responsibility was discharged with stating the financial statements conformed to GAAP. He said otherwise, "why bother about 'present fairly'?" (Peloubet 1958a, 73). Blough published a reply along with Peloubet's letter. Blough insisted that management was primarily responsible for the presentation of financial statements and that the determination of fairness was guided by the generally

[25] See Zeff (1992) for additional information on Arthur Andersen & Co.'s two-part audit report, as well as commentary on Blough's public criticism and Peloubet's reply.

accepted accounting principles that were applicable in the circumstances (Blough 1958b, 74; Zeff 1992, 456). The debate over the two-part audit report continued. Nearly fifty years later, Stephen Zeff (2007a) put forth the argument in support of a two-part audit opinion in his paper "The Primacy of 'Present Fairly' in the Auditor's Report."

Military Contracts

Military contracts, as well as the renegotiation and termination of military contracts, were of the utmost importance before, during, and after WWII. In 1941, Peloubet went to work as an accounting consultant to the Office of Production Management, which became the War Productions Board (AIA 1941a, 3). Then in September of 1942, he transferred over to work as a consultant to the Cost Inspection Division of the U.S. Navy for about a year (*The Decatur Daily Review* 1942). This experience coupled with his extensive work in the accounting profession allowed him to speak with authority on the topic of military contracts.

During WWII, the government outlawed the use of the cost-plus-percentage-of-cost (CPPC) contracts used during WWI, as the structure promoted profiteering through escalated costs, and instead they authorized cost-plus-fixed-fee (CPFF) and fixed-price contracts (Taggert 1941, 35, 37). Some CPFF contracts rewarded the contractor if he kept costs below the estimate by splitting the cost savings with the government 50/50, with a cap at one-half of one percent of estimated cost (Taggert 1941, 37). One of the biggest issues with the CPFF contract was the government's definition of "allowable" costs.

At the time, the government relied on Treasury Decision 5000 (TD 5000) for the definition of allowable costs for government contracts. TD 5000 was issued June 28, 1940, and was related to excess profits on contracts for naval vessels and Army and Navy aircraft. In 1942, the War Production Board's Division of Purchases published *Explanation of Principles for Determination of Costs under Government Contracts* to explain TD 5000 "in simple and complete terms" (United States WPB 1942, 516). This booklet was known as the "Green Book." It was reprinted in the June 1942 issue of the *Journal of Accountancy* where it is noted the booklet was prepared under the direction of Eric A. Camman, chief, and Maurice E. Peloubet, assistant chief, of the Accounting Advisory Branch of the War Production Board. In his memoir, Peloubet names the booklet in his list of publications and notes Eric Camman as his "co-author" (Peloubet 2000, 117). Though a technical document, the "Green Book" was easy to read and understand. It stated many times throughout that its purpose was not to prescribe an accounting system and that the government would only reimburse actual costs. The document acknowledged that standard cost systems

> are widely in use and are acceptable for cost determination under Government contracts, if the variation from actual costs are restored properly so that in the end the costs chargeable to the contract will stand upon the basis of the actual costs. (United States WPB 1942, 529)

Even though Fleischman and Marquette (2003) doubt the widespread use of standard cost systems at the onset of WWII (73), they acknowledge the War had a negative effect on its development and necessitated the abandonment of standard costs for actual (75). Factors such as inexperienced labor, material shortages, and uncontrollable prices were not ideal conditions for standard costing.

Due to Peloubet's extensive work with the War Productions Board, he was a noted authority on military contracts and made many presentations throughout the War. In his writings and speeches, he always applauded the efforts of those involved in setting regulations and volunteering their services to the war effort, but he believed criticism was a proper mechanism by which to make things better. But, when Peloubet criticized, he offered a possible solution.

In June of 1942, at the annual NACA meeting, Peloubet presented his paper "War Contracts – Government Accounting Requirements." He began his paper by explaining how the government transferred the risk from the contractor to the government through the mechanisms of:

(1) the cost-plus-fixed-fee contract;
(2) operation by a corporation of government-owned properties for a management fee;
(3) the use of escalator clauses whereby a contractor is compensated for increases in material prices and wage rates;
(4) provision by the government of facilities which will probably not be operated after the war;
(5) the right to amortize war facilities provided by the contractor over a short period; and
(6) fixed-price contracts with renegotiation provisions. (Peloubet 1942b, 103)

He then discussed the difficult task of deciding a fair rate of profit and concluded it should be based on both variable costs and invested capital (107). Volume was an appropriate base for more labor-intensive operations with more variable costs, and invested capital was appropriate for more automated operations with more fixed costs. Peloubet referenced Public Law 528, which dealt with the renegotiation of contracts, and explained that the renegotiation process basically functioned as a more efficient excess profits tax and was preferable, as long as the excessive profits were determined fairly (110). He warned of the vagaries of the law, as there was no definition of excessive cost (111-112). What was the benchmark? Would a contractor be penalized if there was a lower cost method of which he was unaware? Peloubet thought the broad laws presented in Public Law 528 would be carried out by the contracting agencies fairly, but he believed contractors should be aware of the vagaries in the law and retain legal counsel in the negotiation process if necessary (112).

After he presented his paper, Peloubet fielded questions from the audience, and his tactful demeanor showed through on several of his replies. When someone asked a question about a cost that Peloubet believed would be disallowed, he replied, “I doubt whether it is possible to get it, but you have a good case” (Peloubet 1942b, 118). And another time he said, “Probably you would have a little difficulty in your arguments, but if the facts are as you state them, I think you have a good case, and it ought to be part of your negotiations” (117).

In 1942, the hot topic related to military contracts quickly became renegotiation. For decades the U.S. government fought Bethlehem Steel Corp. (*U.S. v. Bethlehem Steel Corp*., 315 U.S. 289 (1942)) to get back what the government deemed excess profits from a WWI contract. In February 1942, the Supreme Court decided in favor of Bethlehem Steel and declared “if the Executive is in need of additional laws by which to protect the nation against war profiteering, the Constitution has given to Congress, not to this Court, the power to make them” (*Bethlehem Steel Corp*., 315 U.S. at 309). Congress quickly got to work and drafted an amendment that was included in section 403 of Public Law 528 issued on April 28, 1942. The statute required the Maritime Commission and the War and Navy departments to include a renegotiation clause in all new contracts and subcontracts for over $100,000 and to recover “excessive profits” on contracts not yet paid (Wilson 2010, 353). The War Department Price Adjustment Board and the Navy Price Adjustment Board oversaw the renegotiation process (Wilson 2010, 354).

In his article “Renegotiation, Termination, and Costs,” Peloubet was quick to establish that his criticisms were against the renegotiation statute and not the price adjustment boards (PABs) and the men administering the statutes (Peloubet 1943).

> I am inclined to think the administration of the price adjustment boards will be as good as the law permits. The members of the various boards are men of high standing and attainment who are making every effort to do a careful and conscientious piece of work. (Peloubet 1943, 45-46).

This sentiment was verified in Walker (2010, 359),

> Of the dozens of contractors who testified before Congress about wartime renegotiation or wrote letters to the PABs, nearly all expressed satisfaction with the competence and fairness of the renegotiation teams in their case, even if they objected to the size of their refund or believed that the statute was wrong.

Peloubet's main criticisms of the renegotiation statute were that it was too broad in scope and that there was no appeal process (Peloubet 1943, 46-48). He basically snorted at the statute's circular definition of excessive profits,

> "the term excessive profits means any amount of a contract or subcontract price which is found as a result of renegotiation to represent excessive profits."
> Comment on such a definition is superfluous. (46)

The statute's broad language put the onus on the PABs to interpret the law. The PABs found it so difficult that when they issued a joint statement in 1943 it was noted that the regulations were for information only and were subject to change (50). But again, Peloubet clearly stated, "The weakness is in the statute, not in the men who administer it" (50). For cases of renegotiation where the contractor did not agree with the government's position, Peloubet believed there should be a system that provided for prompt, binding, and informal arbitration with an impartial tribunal (47). Peloubet believed criticism was the way to point out improvements (53), so he provided six points of revision to remedy his criticisms (48-49). As to contract termination agreements, he addressed the need for simple principles for both termination of individual contracts (during hostilities) and termination of contracts in mass (at the close of hostilities). These four principles were: (1) prompt payment to contractors, (2) clearly stated basis for the amount to be paid, (3) clearly defined scope of settlement, and (4) a prompt and inexpensive appeal system (51). He closed his paper noting that everyone should be grateful to the men who had made the current legislation work as well as they had.

> We should adopt the charitable attitude advocated by the proprietor of the dance hall in the mining camp, who put a large sign above the rather cracked piano in

> the corner of his establishment which read, "Don't shoot the piano player, boys. He's doing the best he can." (53)

Twice, Peloubet edited a department for the *Journal of Accountancy* on the topic of military contracts. His experience as a consultant to the WPB and the Navy Department, along with his years in public accounting made him an easy choice (Carey 1945, 430 and Carey 1948, 180). The *Journal of Accountancy* added the "Termination and Renegotiation Department" in June 1945 to provide readers with information on the accounting aspects of these topics, as necessitated by the broad legislative statutes and detailed regulations (Carey 1945, 430). The department's journal section was called "Notes on War Contracts," and Peloubet edited it from June to August when he accepted a special assignment from the U.S. Government. George D. McCarthy took over as editor, and the department ended with the January 1946 issue.

For the three months Peloubet served as editor of the 1945 "Notes on War Contracts," topics covered included momentum costs, problems of inventory control, and preterminations. Momentum costs were costs that continued after contracts were terminated but were not covered by the definition of settlement expenses (Peloubet 1945d, 486; Peloubet 1945e, 56-57; Peloubet 1945f, 135-136). One specific problem of inventory control was how to keep enough material on hand to allow for spoilage and breakage but not too much to prevent charging to the contract, and this was exacerbated by the rapid advances in military technology (Peloubet 1945d, 486-487; Peloubet 1945e, 59). As the war slowed, the government began entering pretermination agreements with contractors. These agreements fixed the contractor's final claims against the government before the contract ended, which allowed both sides advanced knowledge of remaining materials and facilities when war production stopped (Peloubet 1945d, 487; Peloubet 1945f, 135-136)

Though Peloubet's article "Are Profits Necessary?," had a broader application than solely to military contracts, the topic of profits was at the root of much public debate when it came to war contracts. Peloubet pointed out how, "The 'profit motive' has either been sneered at or has been the object of vituperation" (Peloubet 1947a, 141). He did not like the term "profit" used to define a company's excess receipts over expenditures, as he believed this ignored relevant factors (144). Peloubet illustrated how the same amount of revenue resulted in a different "profit" depending on whether the business was run as a sole proprietorship, a corporation that owned all its property, or a corporation who rented property and borrowed money (143). The entities' main expense differences being rent, interest, salaries, and taxes. He pointed out how the three organizations' profits were not comparable, and he discussed payments for assumption of risk versus payment for services. Peloubet urged,

> the most careful study on the part of anyone who either prepares or uses financial statements, particularly where these may form the basis of action by, or agreement with, governmental bodies or labor organizations. (146)

In the latter half of the 1940s the Cold War started to build steam, and the U.S. began preparations. Once again, military contracts became a hot topic for accountants and businessmen, so the *Journal of Accountancy* started the department "Accounting for Military Contracts" in September 1948. It ran until June 1949 with Peloubet as its sole editor. Over his ten-month tenure as editor, Peloubet reviewed some of the more pertinent sections of government publications on war contracts, addressed other applicable topics, and solicited questions and comments from his readers.

In the September 1948 opening article of the *Journal of Accountancy* department "Accounting for Military Contracts," Peloubet noted that industrial business was in a very different position than it was at the outset of WWII (Peloubet 1948a, 241). In 1948, the industrial sector was in full production, and there was no idle man and machine power as there was in 1939 and 1940. Now war production meant taking away from civilian production. Peloubet considered that most factories would work on both military and civilian contracts, and costs would need to be tracked and allocated more closely (Peloubet 1948a, 242). Detailed cost systems were mandatory, and this time around the government planned ahead and issued several documents and statutes related to military contracts in preparation of war. Peloubet gave a brief analysis of the relevant sections of *Military Procurement – A Guide for Joint Industry-Military Procurement Planning*, which was issued by the Munitions Board on June 1, 1948, and encouraged accountants to take a proactive approach and familiarize themselves with the pamphlet (Peloubet 1948f, 326-327). He also covered the Renegotiation Act of 1948 (Peloubet 1948e, 328-329) and the *Armed Services Procurement Regulation on Cost Principles*, which was issued December 15, 1948, and covered "cost-reimbursement type" contracts (Peloubet 1949a, 163-165). This latter government regulation was also known as Section XV. In the February 1949 edition of "Accounting for Military Contracts," Peloubet announced that an advisory panel had been appointed to aid the Army Comptroller, Major General Edmond H. Leavey (165). There were twenty-one members on the panel, which was comprised of eleven corporate officers, four "engineers and other consultants," and six CPAs, including Peloubet (Peloubet 1949a, 165). "Accounting for Military Contracts" abruptly stopped with the June 1949 edition of the *Journal of Accountancy*, which was shortly after the Berlin Blockade ended.

After the U.S. entered the Korean War, the discussion of military contracts increased again, and the government's approach to "allowable" and "unallowable" costs remained a hot topic. In a July 1951 article, Peloubet considered business versus government views on costs. He was not opposed to the general principle of "unallowable" costs regarding cost reimbursement contracts, as he thought the interest of the government must be protected in situations where a contractor is in effect spending the government's money and not his own (Peloubet 1951d, 88-89). But Peloubet believed that in a price redetermination or in the negotiation of a fixed price contract, the definition of cost should more closely align with the business definition of cost (Peloubet 1951d, 89). Peloubet thought in the same way the government left the choice of alloy metals used in jet engine production to technicians, so should they leave questions regarding cost, economics, and profits to those qualified to answer them (Peloubet 1951d, 90). He thought the government too cost-conscious, and stated,

> The procurement authorities should be more interested in getting a low price than in eliminating a high profit. (Peloubet 1951d, 90)

Peloubet was tired of what he saw as the government's "emotional approach" in many of their statements on costs and cost principles, and he advocated that a flat percentage for costs like donations, advertising, selling expense, depreciation, and research would be better than the countless hours of debate and fruitless discussion that had been wasted thus far (Peloubet 1951d, 90).

Forensic Accounting

Peloubet coined the phrase "forensic accounting" in 1946. As Peloubet saw it, forensic accounting was when an accountant presented and explained accounting information or principles in such a way that a nonprofessional could understand it. In essence, when an accountant acted as an expert witness, he practiced forensic accounting.

Though Peloubet did not coin the phrase "forensic accounting" until 1946, he gave a speech five years prior in which he touched on the same idea. "Crossroads at Cross-Purposes" was a speech Peloubet gave in his capacity as vice president of the AIA at presentations on April

17th and 18th, 1941. The first speech was to Institute members in Springfield, Massachusetts, and the next was to accountants, bankers, lawyers, and other businessmen at a public dinner put on by the Connecticut Society of CPAs (*Hartford Courant* 1941). Peloubet's speech was lengthy and of great variety, but the overarching theme was that when events or circumstances call for action there are different parties involved with different agendas, and it is unbiased information, often accounting information, that is needed to reach a satisfactory conclusion. He illustrated his point with numerous current issues where the government or the SEC made contradictory decisions, and to all of these situations, Peloubet proposed that

> Impartial, accurate and condensed information is the only thing on which sound judgments of policy can be based and the only thing which can be used properly as a foundation for the statutes and regulation by which we all so largely live at the present time. (20)

Peloubet went on to say that accounting was "the only method yet devised by man for efficient and certain economic control" (30). He thought it quite probable that much of the recent "ineffective economic legislation" was due to a lack of properly composed and presented information (30). Peloubet directly addressed the role of the accountant in the government, which was about to ramp up with the onset of WWII,

> Accountants and the accounting profession, both within and without the government service, and it is not impossible that those in the government service may increase greatly in number, have the duty, not to try to influence policy, not to try to push a theory nor to prove an assumption but to present as clearly, as concisely and as logically as possible summaries or statements of the diverse activities of government, trading and industry reduced to a common and familiar unit and expressed in a manner in which the man who is to use the information can understand it. (30)

In this speech Peloubet emphasized that the growing number of government and regulatory bodies often rely on sound accounting information to reach their conclusions, and therefore it is the accountant's duty to present this information. This line of thought is the most noteworthy thread of his speech, as it was a harbinger for his 1946 article on forensic accounting (Peloubet 1946a).

"Forensic Accounting Its Place in Today's Economy" was written after the end of WWII, but the involvement of government agencies in the business realm remained. In the article, Peloubet stated that the war had shifted the focus of the cost accountant from control or reduction of costs to the justification and proof of costs (Peloubet 1946a, 459). Peloubet discussed the postwar role of the accountant,

> During the war both the public accountant and the industrial accountant have been and for a long time after the war will be engaged in the practice of forensic accounting. (459)

This was his introduction of the term "forensic accounting", and he made an analogy with forensic medicine. Peloubet was very adamant that a doctor testifying in a court of law as to a plaintiff's injuries was not an advocate but an impartial, expert witness (459). He mapped this duty onto the accountant and noted that the increase of government agencies during the war and their continued "extensive and minute control of business operations" meant the accountant was involved in a type of forensic practice (460). Peloubet thought,

> The position of the public accountant is that of a witness to the facts, of an interpreter of principles, or of an exponent of data too complicated or difficult for the unaided comprehension of the layman. (460)

He noted forensic accounting was exercised during the war with renegotiation and contract termination and present opportunities included labor disputes and arbitration, as well as dealings with the SEC and government agencies (461). Later in the year, Peloubet received the AICPA annual award for outstanding service, which mentioned this article, as well as his overall contributions to accounting literature (AIA 1947b, 30).

On June 1, 1946, the same month "Forensic Accounting Its Place in Today's Economy" was published, Peloubet presented his paper "How Public Is Public Accounting" at a meeting of the Virginia Society of Public Accountants (Peloubet 1946b). In the paper he discussed the ever-increasing amount of information companies were required to disclose to government agencies and called it a "financial strip-tease" (2). This laid the foundation for him to discuss the new type of accounting he called "forensic accounting," in which the accountant represented his client before various government agencies (3). As to the accountant's duty, Peloubet believed

> His function, in theory always, and generally in practice is to assist the administrative body in arriving at a fair conclusion. (4)

He also addressed the widespread idea that the accountant acted as the client's advocate when it came to tax work. Peloubet believed this was an incorrect usage of the term advocate, certainly in the preparation of tax returns. He thought the role of the accountant and the Bureau of Internal Revenue were the same: "to arrive at a fair tax in view of all the facts" (5). Peloubet believed laws and government regulations would become more and more strict on businesses and that it was the accountant's duty to help his clients meet these demands (6).

In 1967, Peloubet published "Forensic Accounting," in the *Price Waterhouse Review* (Peloubet 1967b). In the article, which was an excerpt from a chapter in his recently published book *The Financial Executive and the New Accounting*, Peloubet admitted the CPA's role of representing his client in public forums had steadily evolved over the years. But, no matter the circumstances, Peloubet thought:

> The accountant as an expert witness has but one duty: to give and if necessary defend his professional opinion on a given or assumed set of facts, which opinion is based on experience and is arrived at after adequate research and study. (52-53)

Most of the article was dedicated to providing examples, presumably from Peloubet's career, of the accountant acting as expert witness. The cases presented were wide ranging and included the diversion of corporate assets, damages in a patent litigation, and the interpretation of a mineral lease.

Accounting as a Profession

Peloubet was on the AIA's board of examiners when he penned his 1934 article "Professional Ethics and the Student" (Peloubet 1934b). The article was meant as a general overview of the AIA's 1933 rules of professional conduct for students and teachers of accounting. Peloubet's lighthearted but on-point approach to the need for such rules began with an explanation of why the Golden Rule[26] would be disastrous if applied to the accountant-client relationship. He explained that in situations where the actual results of a client's statements were not as good as the client would like them to be, the accountant should not be tempted to apply the Golden Rule. Instead, he should

> forget, so far as possible, the feelings of the client and to hold in check any sympathy which the accountant may feel for the client's unfortunate position. The accountant should, rather, fix his attention on those third parties or members of the public who may rely on the statement. (Peloubet 1934b, 164)

As Peloubet discussed each of the twelve rules and the 1919 and 1932 resolutions, he provided examples. Throughout his discussion, Peloubet repeatedly mentioned the need for the impartial and professional judgement on the accountant's part. He devoted more focus to Rule (2), which dealt with the certification of a statement containing an essential misstatement or omission thereof (AIA 1934, 292). The rule called for the member's expulsion if the act was due to the willful or gross negligence of the accountant. Peloubet deemed Rule (2) as the most important (Peloubet 1934b, 165). In his conclusion, Peloubet encouraged the discussion of ethics in the classroom and recommended A. P. Richardson's "The Ethics of a Profession" for both the

[26] The biblical rule of "do to others what you would have them do to you" (Matthew 7:12).

teacher and the student. Peloubet believed that while most professional accountants did not need such rigid rules,

> There are always with us our unfortunate brothers who either lack a keen perception of what a professional man's attitude should be or are interested only in sailing close to the wind as possible. It is against these that the rules must be enforced and they must be enforced by the men for whom they are not necessary. (Peloubet 1934b, 170)

As a member of the AIA's board of examiners, Peloubet reviewed applications for membership. His 1935 article, "Candidates as Human Beings," is a delightful insight into the process as Peloubet viewed it. In addition to providing information on his professional duties, the article also gives the reader a glimpse of Peloubet's character. In the piece, Peloubet recalled a Sunday afternoon when he was overwhelmed with the doom and gloom espoused in the Sunday newspaper:

> an implicit admission that the country had reached its ultimate development . . . all we could now do was to divide up what there was . . . our social system was to become permanently stratified and solidified into castes and that every one, employed or unemployed, would soon look to the government for guidance and sustenance. (Peloubet 1935a, 277)

After he set aside the newspaper and had dinner, Peloubet started in on a pile of applications for membership to the AIA. As he slowly read the applications, he was moved by the individuals behind them: an applicant from a southern state overcame a background of poverty and working in the fields to obtain a professional education; another applicant lost his right hand in the army and asked to take the oral exam for the accounting section of the CPA exam, as he was not able to complete it in the allotted time writing lefthanded; and another applicant struck a more personal note for Peloubet, as the applicant was from a western town where Peloubet had once lived. This young man was from a mining family of Slavic origin and had worked all sorts of jobs to gain experience. The applicant had become a professional man instead of doing, as

Peloubet noted, "the easy and obvious thing" and becoming a miner or laborer (Peloubet 1935a, 280). Peloubet realized that

> After going through these applications, my feeling of gloom and disappointment over the condition of the American people began to leave me. (Peloubet 1935a, 280)

He acknowledged that reading the applications, along with the five or six letters of recommendation for each one, could easily be a rather dreary and tedious chore. However,

> if we can clothe the skeleton of facts, which the application blank gives us, with the flesh of imagination and human sympathy the examination of these applications becomes a task of absorbing interest and one which, on the whole, tends to raise one's opinion of his fellow men in general and of Institute members in particular.

Today, many state CPA societies offer a student membership to help aspiring CPAs connect with the profession and provide resources such as workshops and scholarships. But in 1936, when Peloubet penned "What Can We Do for the Student?," no state society offered such membership[27]. In his article, Peloubet applauded the general aim of state societies, but he criticized their lack of involvement with students of accountancy. Peloubet thought the majority of accounting students were at a disadvantage getting their education in schools that were not "strictly professional" (Peloubet 1936c, 20). He believed, that to some degree, it was the responsibility of the state societies to help the students, as

> They alone have the prestige and facilities to provide a means whereby the accountancy student who has not yet received his degree may become familiar with the actual methods, the mental attitude and the ethical point of view of the accountant who is in actual daily practice. (Peloubet 1936c, 20)

Peloubet did not intend his comments as a criticism of the technical schools, rather he meant them as encouragement to the profession to augment the good work the technical schools were

[27] Peloubet mentioned that the New York State Society was contemplating adding a student society (Peloubet 1936c, 21).

already doing (Peloubet 1936c, 19). He advocated for the student societies to offer lectures, debates, and mock trials for violations of rules of ethics. Peloubet believed the profession could only benefit from such efforts.

In October 1941, Peloubet delivered the address “Have Our Professional Societies Met the Growing Need for Organization?” to the Ohio Society of CPAs (Peloubet 1941b). In his address Peloubet mostly spoke to the efforts of the national societies and mentioned the AIA, AAA, NACA, and Controllers Institute of America. He stressed that the AIA wanted to aid state societies where they could, such as with finding speakers for meetings (7-8). Peloubet lauded the AAA for “its value to the student body and for its contributions to accounting thought and theory” (8). He also acknowledged the close cooperation between the AIA and the Controllers Institute. Peloubet opened his discussion of the NACA with a special tribute to J. Lee Nicholson and Stuart McLeod,

> If Mr. Nicholson may be said to be the father of the NACA, Stewart McCleod [sic], known affectionately over the whole country as “Doc”, may be said to be the step-father, the wet nurse and the governess of the promising infant. (9)

He went on to discuss the significance of the NACA, as it provided accountants not in public practice a forum to discuss their problems (9). Peloubet stressed that the success of all of these professional societies completely depended on the involvement of the members. And closed his address with,

> I might leave with you the thought that the Institute enjoys co-operation, invites criticism and hates apathy. (10)

In his 1945 article “Art or Science,” Peloubet argued that both the design of accounting systems and the preparation of financial reports were an art rather than a science. Some of his points may be dated due to technological advances, but the main tenets of the article are timeless.

These were that the design of financial and managerial accounting reports must keep the users' needs in mind and that,

> Even if it were desirable, it is impossible to present accounting statements which are reflections of absolute fact or truth. Judgment or opinion is involved in the preparation or use of even the most simple statement and an impression of some sort is made by every statement. (Peloubet 1945a, 393)

In support of his belief that the accountant's job was more art than science, he declared that,

> A science must rest on facts subject to exact measurement and objectively observed. An art may make use of the same facts as the science, but an art is essentially a description or representation of the purposes and effects of human actions and emotions influenced, consciously or unconsciously, by the opinions and personality of the artist. (Peloubet 1945a, 394).

Miscellaneous

Peloubet wrote two noteworthy papers that do not fit into the above categories, so they are addressed in this section. Below is a discussion of "Is Value an Accounting Concept," a 1935 address delivered to the NJSSCPA, and "Is Further Uniformity Desirable or Possible," a paper presented at the annual 1960 AICPA meeting. The *Journal of Accountancy* published both papers.

Peloubet's 1935 paper "Is Value an Accounting Concept" was included in *Significant Accounting Essays* (1965) by Moonitz and Littleton because it

> Sets forth the widely-held view that accounting is not and should not be concerned with changes in values because value itself is not an accounting concept. . . . Peloubet's discussion is significant because it is a clear-cut statement of the views of a respected leader of the profession. (Moonitz and Littleton 1965, 95)

The article was written just after the 1934 Securities Act, and Peloubet saw a need to clarify the duties of the auditor. Asset valuation was a major topic of discussion at the time, as a six-year Congressionally-mandated investigation by the FTC into the corrupt practices of public utility holding companies including asset value write-ups was concluded in 1934 (Zeff 2007b, 49-50). Peloubet began his paper with the explanation of value as a subjective concept. He then stated that he believed accounting was objective and was therefore not the proper instrument to measure changes in valuation (Peloubet 1935, 202). Peloubet also mentions that he does not view the balance sheet as "an instantaneous photograph of a business at a particular moment of time" (203). Rather, he viewed it as a continuous narrative of investment that covered the life of the entity from formation to the present. Further on Peloubet warned,

> We should not forget that when cost figures, representing investment, are altered to represent some "value" we are not only altering the statement before us, but we are projecting into the future the results of valuation. (204)

He added that he did not think the SEC would approve of periodical revaluations and pointed out that the Commission only required the accountant to disclose on what basis the accounts were stated. Peloubet went on to discuss the numerous definitions for value and stated that the AIA Committee on Terminology gave definitions for thirty-one different types of value encountered in accounting or financial transactions (Peloubet 1935, 205). He noted that while accountants cannot make valuations, through their experience they have the competency to assess if valuations are "grossly or substantially inaccurate" (Peloubet 208). Peloubet's closing was spirited and forthright,

> The safe and honest thing for ordinary mortals is to choose one profession, devote the best of their abilities and energies to that and to leave the other professions to their own practitioners. Any accountant who attempts to make valuations other than those indicated by the accounts, or by some definite index, such as a market price, is coming dangerously close to the boundary of his own field and is preparing to step over into that of the economist and engineer. Valuation in any true or important sense is not a matter for the accountant and the more completely this is recognized by accountant and client the better it will be for all concerned. (209)

At the 1960 annual AICPA meeting, both Peloubet and Leonard Spacek presented papers at the session on uniformity and comparability of accounting principles on September 28. The discussion on uniformity was on point, as the recently formed Accounting Principles Board[28] (APB) was still organizing and planning its agenda (Zeff 1972, 174). Peloubet's and Spacek's papers, along with commentary by Charles J. Gaa and Carman G. Blough, were published in the April 1961 issue of the *Journal of Accountancy*. Spacek's paper "Are Accounting Principles Generally Accepted" pushed for "more narrowly defined accounting principles and substantial uniformity in practice" (Spacek 1961, 41). Peloubet's rebuttal paper was titled "Is Further Uniformity Desirable or Possible?" (Peloubet 1961). A preliminary discussion captured in a series of correspondence between Peloubet and May from August and September 1960 provides crucial context and insight into Peloubet's paper. It is a passionate conversation between two leaders in the field that illustrates the shaping of the profession. In a letter dated August 5, 1960, Peloubet told May,

> After writing a letter of protest at the tone and implications of the leaflet sent to Institute members about the new Accounting Principles Board, I suffered the usual consequences of an action of this sort and was requested to be one of the leaders in the panel discussion of the Accounting Principles Board and the Research Program at the annual meeting of the Institute next month. (PricewaterhouseCoopers Records)

Peloubet goes on to say that Jack Carey told him May also thought the Board's aims and purposes were either misrepresented in the leaflet or that if the description was accurate, they "were not in the best interest of the profession" (PricewaterhouseCoopers Records). He therefore asked May if he would read the first draft of the paper he planned to present. Unfortunately, a copy of Peloubet's draft was not preserved with the letter. May replied August 16, 1960, and advised Peloubet to stay away from discussing particular types of industry because "then you are

[28] Founded in 1959.

immediately charged with having a special interest to serve" (PricewaterhouseCoopers Records). In a follow up letter from May dated August 30, 1960, May criticized how Blough had steered the Institute with his "backwards" look and focus on the myriad of small companies rather than the few thousand large companies that actually influenced the economy (PricewaterhouseCoopers Records). May added,

> In this latter group there has been a strong tendency towards diversification so that the problem of achieving uniformity has become more than ever a will-o'-the-wisp. Spacek and others talk in abstract terms without any regard to the existing status of the corporations or the Institute. . . . writers like Spacek start from the assumption that their outlook is that of the Institute. (PricewaterhouseCoopers Records).

May's tone continued to be aggressive, and he noted, "The whole program[29] bears witness to the immaturity of thought which characterizes the Institute of today in this field" (PricewaterhouseCoopers Records). This is a typewritten correspondence and close inspection reveals there was originally a period after "today" and at a later time "in this field" was added as the text is a little offset from the rest of the line. Perhaps May was trying to temper his frustration. Peloubet replied September 20, 1960,

> As a result of yours and other suggestions, and after going over Spacek's paper, I have made a revised version which I think covers the points Spacek is raising. . . . His paper throughout assumes what he wants to prove. It is hard to imagine that he really believes what he says. . . . All in all, it is a pretty poor performance, and I could wish it was on a somewhat higher level.

On September 22, 1960, May sent a short reply to Peloubet that included,

> Many thanks for the copy of your paper which I have read with interest with which in general I find myself in agreement. . . . I am disposed to offer some comment at the meeting and to devote that comment to a consideration of the question why Spacek has spoken rather than to the question of what he has said.

[29] An earlier reference in May's letter to the number of papers to be read at the meeting on September 28, indicates "program" refers to the session on uniformity and comparability of accounting principles and not the APB's program.

These letters indicate the paper Peloubet presented "Is Further Uniformity Desirable or Possible?" was not solely the efforts and beliefs of one man, but of a camp within the profession. In his paper, Peloubet laid out five generally accepted accounting principles: (1) adequate disclosure, (2) conservatism, (3) materiality, (4) the use of agreed conventional assumptions, such as going concern, validity of inventory method, and the "disregard of any changes in value of the company's property," and (5) the preservation of the integrity of the income account (Peloubet 1961, 35-36). For the fifth principle Peloubet pointed to Chapter 1 of ARB No. 43, which listed the six rules originally adopted by the Institute in 1934. Peloubet believed that,

> The most complete uniformity of practice and enforcement of these generally accepted principles is not only desirable but essential. (Peloubet 1961, 36)

Peloubet went on to differentiate between alternate acceptable practices and procedures in accounting,

> The impossibility of presenting the accounts of different companies in the same industry on a completely comparable basis arises from the fact that physical and financial conditions and management policies are different, and this must be reflected differently in the accounts. (Peloubet 1961, 39)

These were still early days for the terminology being bandied about and one of the biggest issues was a lack of consensus on the definition of accounting "principle." At the time, accounting principle and accounting procedure were often used interchangeably. In his commentary, Blough stated,

> It seems to me that, for the present at least, the term "accounting principles" means nothing different from the term "accounting procedures." Possibly by definition there may be a difference but there seems to be none now. It makes no difference in my interpretation of an auditor's report whether he says that the statements are "in accordance with generally accepted accounting principles" or "in accordance with generally accepted accounting procedures." Possibly the Accounting Principles Board will be able to change all this. Certainly it hopes to. (Blough 1961, 52)

Peloubet's participation in this public debate between leaders in the profession exemplifies his influence and role in the evolution of accountancy in these formative years.

Books and Book Chapters

In 1937 Peloubet published *Audit Working Papers: Their Function, Preparation and Content* (1937), and twelve years later he revised and reissued it as *Audit Working Papers* (1949). He co-authored *Federal Taxation and Unreasonable Compensation* (1964) with his former business partner Crawford C. Halsey. Three years later Peloubet wrote *The Financial Executive and the New Accounting* (1967) to provide financial executives with an idea of the types of services an independent accounting advisor should offer. Peloubet also wrote his memoirs, which were published posthumously as *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting* (2000).

Peloubet's *Audit Working Papers: Their Function, Preparation and Content* (1937) was published by the American Institute Publishing Co. and provided a much needed "how to" book for auditors. Peloubet kept his focus narrow, as he thought it impossible to prepare a comprehensive treatise on auditing and give sufficient attention to the preparation and application of working papers. His intention was "to cover nothing which is not essential to the preparation of adequate working papers" (ix). He stated,

> The object of this book is to provide an accountant or student who is already well grounded in the theory of accounting and auditing with what may be described as a useful set of working tools, which will give him the results he wants with the least expenditure of time and effort, but will also leave him a full and clear record of the work he has done and of the basis on which the client's accounts and report have been prepared. (14)

As a foundation for principles and practices, Peloubet relied on the AIA's 1936 bulletin *Examination of Financial Statements by Independent Public Accountants* and the Securities and

Exchange Commission's forms and instruction books (x). Prior to the publication of Peloubet's book, the two eminent texts on the topic were *Audit Working Papers* (1923) by J. Hugh Jackson and *Accountants' Working Papers* (1923) by Leslie E. Palmer and William H. Bell, which was revised and reissued in 1929. Peloubet acknowledged his indebtedness to Jackson's book and confessed that much of the material in Peloubet's Chapters I and XV were taken from Jackson's Chapters I and II, which were respectively titled "The Auditor's Records" and "Indexing and Filing Working Papers" in both volumes (xii). Peloubet also acknowledged that Walter P. Adams, an accountant with Pogson, Peloubet & Co., prepared the chapter "Records and Working Papers for Income-Tax Returns of Individuals" (xii). In all, the text has sixteen chapters and 412 pages, which Peloubet dedicated "To the Memory of My Father" (v). In the first two chapters, "The Auditor's Records" and "The Function of Working Papers," Peloubet provided the reader with a general foundation for the text. In the third chapter, "Examination into System of Internal Audit and Control," Peloubet quoted from and expounded on the AIA's *Examination of Financial Statements by Independent Public Accountants* (1936), as well as provided a sample questionnaire and checklist for the process. The fourth chapter addressed the preparation and adjustment of the trial balance, which Peloubet believed should be done using a horizontal format for large consolidated companies. For this chapter he pulled much from his 1923 *Journal of Accountancy* article titled "Mechanical Difficulties in Consolidating Accounts" (Peloubet 1923). In the next seven chapters, Peloubet walked through the procedures in the *Examination of Financial Statements by Independent Public Accountants* (1936) and examined the different balance sheet accounts. In the twelfth chapter, Peloubet presented the working papers and schedules used in the audit of a hypothetical metal products company, as well as one of its subsidiaries, a railway company. He did the same for two more fictitious companies, a service company and a mercantile company, as well as an estate. The thirteenth chapter took the working papers of a consolidated company and illustrated the usage of the working papers to prepare: (1) published accounts for stockholders, (2) comprehensive report to management, and (3) Form 10K as required by the SEC (Peloubet 1937, 238). Throughout the reports, Peloubet used the aptly named accounting firm "Kean, Swift & Co." The fourteenth chapter dealt with the difficulties of larger consolidated companies, the fifteenth chapter looked at the indexing and filing of working papers, and finally, the sixteenth chapter addressed working papers for individual income tax. Professor Arthur W. Hanson of Harvard University reviewed the book for *TAR* (Hanson 1937). He acknowledged that Peloubet's book was a much-needed resource to help the accountant navigate the complexities in audit work that had arisen since Jackson published his 1923 text (443). He also thought the book was well-written,

> As one turns the pages of this work he gains the impression of a tremendous amount of detail all well under control. One wonders how a busy practitioner could find the time to prepare a book so free from errors. An intelligent student should derive from this book sufficient guidance to produce adequate working papers for almost any situation with which one might be confronted in the practice of auditing. (444)

Peloubet completely revised his 1937 text and had it published as *Audit Working Papers* in 1949 by the McGraw-Hill Book Company, Inc. Much had transpired in the intervening twelve years in the fields of accounting and audit: the AIA's standing Committee on Auditing Procedure was formed in 1939 in the wake of the McKesson and Robbins financial scandal, WWII and the subsequent formation of numerous government agencies brought many changes to reporting requirements, the function of the internal audit staff had greatly increased, and the focus of the financial statements had shifted from the balance sheet to the income statement (Peloubet 1949, xi). For the 1949 edition, the chapter topics and order are much the same as the 1937 text. The one exception is that Peloubet moved the 1937 edition's chapter one "The Auditor's Records" to chapter fourteen in the 1949 edition and renamed it “Safeguarding Working Papers – Good Form.” Though a comparison of the two books’ table of contents indicates few changes, a deeper look into the chapters reveals much work went into the 1949 revision. In addition to using the AIA bulletin *Examination of Financial Statements by Independent Public Accountants* (1936), Peloubet applied the statements from the AIA’s Committee on Auditing Procedure. He also borrowed material from the two chapters he wrote for *Contemporary Accounting: A Refresher Course for Public Accountants*, which the AIA published in 1945 (Leland 1945). As for the methods Peloubet presented in his text, he stated that,

> No claim is made to originality or novelty. . . . It is a compilation and explanation of the best current practice, rather than an attempt to demonstrate anything new or untried in the hope that it might be an improvement. (vii)

When Peloubet published the book, the Comptroller General of the U.S., through the Corporation Audits Division of the GAO was auditing all the government-owned corporations (Peloubet 1949, xii). So, in an appendix, Peloubet included excerpts from the instructions issued to the staff of the Division, which included an illustrative example with working papers. The book was reviewed in *TAR* and the *Southern Economic Journal (SEJ)*, and a brief description of the book’s contents were included in the “Current Books & Articles of Interest to Accountants” section of the February 1950 issue of the *Journal of Accountancy*. Paul F. Icerman, Lecturer in Accounting at the University of Michigan wrote the *TAR* review. He mentioned the book’s “valuable descriptive material regarding auditing procedures and techniques,” as well as its “comprehensive treatment of audit working papers” (Icerman 1950, 468). Earl Saliers of Louisiana State University wrote the review published in the *SEJ,* and he noted that the book was “essentially a manual of practical information; but the author’s philosophy of accounts is reflected therein, to the reader’s profit” (Saliers 1950, 236).

Peloubet and Crawford Halsey co-authored *Federal Taxation and Unreasonable Compensation* in 1964, the year they both retired as partners from Price Waterhouse. The two had worked together for almost forty years. Halsey joined Pogson, Peloubet & Co. in 1925, where Peloubet was already a partner (De Mare 1963b, 8). Then, in 1963, when Pogson, Peloubet & Co. merged with Price Waterhouse both men were admitted as partners. As its title indicates, the subject of the book is when the compensation of a corporate employee is deemed unreasonable by the federal government and therefore disallowed as a deduction. The authors noted, Section 162(a) of the 1954 Internal Revenue Code provided as a deduction "a reasonable allowance for salaries or other compensation for personal services actually rendered," as well as the fact that the provision was unchanged since its first inclusion in the Revenue Act of 1918 (Halsey and Peloubet 1964, 1)[30]. As a lot hinged on the definition of "reasonable," Halsey and Peloubet noted it to be the most litigated topic in corporate income tax (iii). The authors therefore reviewed all 482 Supreme Court, Courts of Appeal, Court of Claims, and Tax Court cases on the topic and presented their findings from this macro-case analysis. The 180-page text is wonderfully laid out. The first chapter lists twenty-one factors relevant in deciding if compensation is reasonable or unreasonable. The second chapter provides an alphabetical list of the 482 court cases mentioned above and notes which of the factors from chapter one were present in the case, along with how the court decided. At the bottom of each page is a key recapping the twenty-one factors from chapter one. The third chapter classifies the same cases by industry. And the fourth chapter provides advice for the taxpayer for three scenarios: steps are provided to avoid compensation being questioned as unreasonable, steps are provided if the reasonableness of compensation has been called into question, and steps are provided to mitigate

[30] Section 162(a)(1) still reads the same.

the economic penalties if compensation is determined as unreasonable. The book received favorable reviews from both the law community and fellow accountants. A review in the *American Bar Association Journal* said that it was "carefully prepared, well documented and clearly written" (Noted in Brief 1965, 574). In the *Boston College Law Review,* Sughrue (1965) noted the volume to be "a concise and valuable handbook for the corporate tax practitioner" (980) and that "the tax bar should be grateful" for the advice on how to avoid the problem and how to lessen the impact when it is encountered (981). A *Journal of Accountancy* review by Troy G. Thurston, CPA, a tax accountant with George S. Olive & Co. in Indianapolis, Indiana, declared that

> Any tax library or tax reference collection needs this book, which reflects a tremendous amount of research and study of decided cases involving reasonableness of compensation claimed as deductions for Federal income tax purposes. (Thurston 1964, 93)

In addition to serving as a resource for the tax practitioner, both Sughrue and Thurston thought the volume provided a thorough presentation of the topic for the student (Sughrue 1965, 981; Thurston 1964, 94). The text was also the earliest referenced example of a macro-case analysis in tax research in a 1977 *TAR* article on the subject by Kevin M. Misiewicz (936).

In 1967, Peloubet published *The Financial Executive and the New Accounting*, which was dedicated to his wife Louise (Peloubet 1967a, iv). In 227 pages, the book was meant to provide the financial executive with an insider's view of what services accounting firms should offer, as well as a bit of background on how these services developed and where they were headed. Peloubet wanted to encourage "freer communications between businessmen and accountants" (vii). Throughout the text he provided actual cases and experiences from his time in practice, and he acknowledged the role technology and data processing had played and would continue to play in the way accountants carried out their work. The first chapter provided an overview of current accounting services, and the next four chapters covered management advisory services, tax services, the independent audit, and forensic accounting. The sixth chapter provided a brief look at the development of the accounting profession, which Peloubet thought necessary.

> But because the needs and pressures of business have been a predominant factor in the development of the accounting profession, an understanding of the nature and results of those changes may well be one of the most powerful weapons the executive has at his command to attack the ever-increasing complexity of the problems with which he must deal. (111)

The seventh, and final, chapter was on how to select the proper CPA firm. Peloubet also included three appendices, with the first being the most interesting. Peloubet sent out questionnaires to a group of accounting firms that were designed to "yield a comprehensive description of their practices and experiences," and he received responses from ten international and national firms and thirty-five regional and local firms. Peloubet claimed these firms represented all sizes of firms, all states, and all industries. His 24 questions along with the firms' answers are provided in Appendix A (167-198). Appendix B is a glossary of 50 terms used in statistics and operations research, and Peloubet acknowledged that all but four definitions were straight from the book *Understanding Operations Research* published by the Canadian Institute of Chartered Accountants in September 1963 (199-206). The final appendix is the AIA's Statement No. 1, *Extensions of Auditing Procedure*, which was adopted in 1939 by the Special Committee on Auditing Procedure, on which Peloubet served (207-221). The book received favorable reviews in the *Journal of Accountancy* and *The Accounting Review*. Gregg C. Waddill, CPA with Haskins & Sells in Houston, reviewed the book for *Journal of Accountancy* and noted,

> The astute practitioner might very profitably take heed of some of the things his "public" may expect of him. It is a book which might not only promote the understanding Mr. Peloubet seeks, but might also encourage practitioners to broaden their horizons and capabilities. (Waddill 1968, 85-86)

Fred J. Mueller, Professor of Accounting at the University of Washington, wrote the review for *The Accounting Review* and closed with,

> The book is highly recommended, not only to executives who deal with C.P.A.'s, but to students of accounting and the members of the public accounting profession. It is well worth the time. (Mueller 1968, 623)

The manuscript of Peloubet's memoir was discovered in 1975 by Alfred R. Roberts, and twenty-five years later it was published as *The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting* (Peloubet 2000, back cover). Unfortunately, Peloubet did not live to see its publication, as he passed away in 1976.

It seems the memoir was in a fairly finished state in the early 1970s, as Peloubet's 1971 article "The Struggle for LIFO" noted that it "was excerpted from 'The Memoirs of Maurice E. Peloubet'" (Peloubet 1971, 61). But events and publications after his retirement in 1964 are spottily documented in the memoir. There are a few mentions of events post-retirement with the latest being 1967 (Peloubet 2000, 5). The book provides a rough outline of Peloubet's life with the primary focus on his professional career. In the introductory chapter, there are a few personal details noted in his early years when the family lived in Chicago and his father worked for Price, Waterhouse & Co., but the book contains very little information of a personal nature. The bulk of the book is divided into twenty-three short anecdotes. In these brief narratives, Peloubet described such topics as his work as an accountant in Europe during WWI, the struggle for the acceptance of LIFO, depreciation reform in the U.S. during the 1950s and 1960s, appearances as an expert witness, and his experiences with clients in mining industries. The remainder of the book chronicles Peloubet's awards, publications, correspondence with government officials, and AICPA service. Stephen R. Moehrle wrote an in-depth book review for *The CPA Journal* in 2004, in which he noted the book's relevance and wide application:

> His book is interesting and historically significant, containing discussions with policy implications that are relevant to the contemporary accounting discourse. . . . As a persuasive advocate for LIFO and for accelerated depreciation, Peloubet worked to create financial reporting and tax benefits that most companies still enjoy today. . . . Accounting practitioners, academicians, and students will find *The Story of a Fortunate Man* to contain valuable wisdom from one of the most important accountants of the 20th century. (Moehrle 2004, 16)

Peloubet contributed chapters to numerous volumes on accounting. He contributed five chapters on the topic of audit to four different texts. In 1945, the AIA published *Contemporary Accounting: A Refresher Course for Public Accountants* with its primary purpose being to update accountants who participated in the war effort (Leland 1945, ix). Peloubet contributed Chapter 12, "New Auditing Techniques" and Chapter 13, "Audit Programs and Working Papers." Chapter 12 gave a brief look at the updates to the field including the work of the AIA's Committee on Auditing Procedure and the increased development of and reliance on internal audit. Most all of the material in Chapter 13 is a revision of material pulled from Peloubet's 1937 text *Audit Working Papers.* In 1953, Peloubet wrote "Copper and Brass Mills" for J. K. Lasser's *Handbook of Auditing Methods* (Peloubet 1953b). In addition to a description of the industry, Peloubet outlined audit procedures aimed specifically at the industry, but he noted it could be applied "to similar fabrication for other nonferrous metals, such as aluminum" (Peloubet 1953b, 228). Also, in 1953, Peloubet contributed a chapter titled "Audit Working Papers" to volume two of the *CPA Handbook* (Peloubet 1953a). The contents of this chapter were taken from Chapters 1, 2, 14, and 15 of Peloubet's 1949 book of the same title. And in 1956, a condensed version of the 1949 book was published in Lasser's *Standard Handbook for Accountants* (Peloubet 1956a, 33).

Peloubet contributed chapters to several more volumes of Lasser's handbooks. In 1949, he contributed "General Survey of Cost Accounting, Its Problems and Setting" to Lasser's

Handbook of Cost Accounting Methods, which was reprinted in 1970. In 1951, Lasser used an article he and Peloubet wrote in 1949 and published it as “Difference Between Tax Accounting and Commercial Accounting” in his *Handbook of Tax Accounting Methods*. In 1952, Peloubet contributed “How to Run an Accounting System” to Lasser’s *Executive Course in Profitable Business Management*, which was revised and reprinted as *Business Management Handbook* in 1954 and 1968. In the 1968 edition, Peloubet renamed his chapter “Installing a Productive Accounting System” and included a section on electronic data processing.

Peloubet contributed to several volumes specifically aimed at industry. He wrote “Inventory Values and Profit Measurement” in 1954 for *Industrial Accountant’s Handbook* (Peloubet 1954). In 1957, he wrote “Tanning and Processing of Leather” for the *Encyclopedia of Accounting Systems* (Peloubet 1957b). In 1959, Peloubet wrote “Accounting for the Extractive Industries” for the *Economics of the Mineral Industries,* to which he made minor revisions for the 1964 second edition (Peloubet 1959; Peloubet 1964b).

Peloubet also wrote about the history of accounting. He authored the first chapter of *Handbook of Modern Accounting Theory* (1955), which according to its editor, Morton Backer, was meant to “familiarize its readers with the major areas of controversy in accounting and to evaluate the relative merits of related proposals which have received or deserve serious consideration” (Backer 1955, v). Peloubet’s chapter was titled “The Historical Background of Accounting,” and his scope was

> limited to the effect of various social, economic, legal and financial factors and conditions on the practice of accounting. . . . no connected history of the development of accounting theory as such will be attempted. (Peloubet 1955, 10)

In a rather scathing review of the book for *The Accounting Review*, Maurice Moonitz quoted the above section from Peloubet and said it struck the keynote of the whole book.

> Do not misunderstand me. I am not criticizing Peloubet; he has handled his topic, as delimited, in excellent fashion. My criticism is directed at the editor and publishers for labeling this kind of material “accounting theory.” (Moonitz 1955, 721)

A series of correspondence between Peloubet and George O. May from 1952 provides insight into the evolution of the book’s controversial title, as well as Peloubet’s contribution. A letter from Peloubet to May dated August 15, 1952, reveals the book was already in the works and was to be called *Essays in Advanced Accounting Thought* (PricewaterhouseCoopers Records). In the letter, Peloubet asked if May would have a look at the enclosed draft of his chapter on the historical background of accounting,

> As I have used your statement of the utilitarian theory of accounting as a peg on which to hang practically everything in the chapter I thought you might be interested in looking through it. (PricewaterhouseCoopers Records)

Unfortunately, the early draft of Peloubet’s chapter was not preserved. May’s reply dated August 20, 1952, provided a detailed review of Peloubet’s draft in which he pointed out areas where Peloubet should elaborate, eliminate, or make corrections. May followed up on August 27, 1952, with more information to which Peloubet replied on September 11, 1952. Peloubet profusely thanked May for the thorough review and commented the title of the book had been changed to *Handbook of Advanced Accounting Thought* (PricewaterhouseCoopers Records). As to May’s specific comments, Peloubet replied,

> Those of your suggestions which involve specific corrections or amplification have been adopted. . . . I have not followed out completely your suggestions on the matter to be eliminated as, while I agree with you that from a strictly logical point of view, much of this could be dispensed with, I think it is of interest to practitioners in this country and might give them a little broader view. (PricewaterhouseCoopers Records)

May suggested Peloubet take out “the discussion of auditing procedures on page 5,” a section on the origins of double-entry accounting that mentioned Paciolo and Peragallo, and a comparison of the U.S. and British income tax structures. All of which Peloubet left in the final draft. This series of correspondence not only provides additional information into the shaping of Peloubet's chapter "The Historical Background of Accounting," it also illustrates the comradery between the two men and their dedication to the study of accountancy.

In 1966 the entire volume was extensively revised and reprinted as *Modern Accounting Theory*. In addition to 19 new authors, 7 of the original 21 authors contributed to the revision including Peloubet. He updated his chapter and retitled it "The Historical Development of Accounting." William J. Schrader, Professor of Accounting at Pennsylvania State University reviewed the 1966 edition for *The Accounting Review*. Though he thought the revision conformed much better to the "accounting theory" label, he had a rather benign reaction to Peloubet's contribution.

> Peloubet presents an interesting survey of historical forces that have affected accounting as a profession, but nothing that is analytical or controversial. (Schrader 1967, 414)

A more favorable review of the 1966 edition was published in *Journal of Accountancy* by Oscar S. Gellein, an accountant with Haskins & Sells. Gellein thought the essays would help in the quest for an overall framework for accounting concepts (Gellein 1967, 89).

Book Reviews

Throughout his career, Peloubet contributed to accountancy literature through thoughtful book reviews. Peloubet's accounting experience in public practice, the AIA, and the government gave him a foundation from which to assess a wide variety of writings on the field of accountancy. Thirty-four reviews were found dating from 1924 to 1967, with all but four appearing in the *Journal of Accountancy*. The other four reviews were written for *The*

Accounting Review in the latter part of his career. Only a handful of reviews are discussed below, as a thorough analysis of all the reviews would not provide great insight into Peloubet's writing. What does come across is that Peloubet was a thorough reviewer who did not hesitate to point out deficiencies, but was always ready to acknowledge great thought, effort, and writing style. Numerous excerpts are provided to illustrate Peloubet's acerbic wit, as well as his gracious admiration.

Peloubet's reviews of three editions of Arthur Stone Dewing's *The Financial Policy of Corporations* are among the more amusing. The first of these reviews was for Dewing's 1926 second edition, published when he was a professor at the Harvard Business School. Though Peloubet acknowledged Dewing's "careful and usually successful effort" to coordinate finance, economics, and accounting in his work, Peloubet took much issue with Dewing's view of accountancy (Peloubet 1927, 149).

> Professor Dewing is a trained economist, a well informed financial student, but, one is forced to conclude, only a rather indifferent accountant. The greatest shortcoming of this book . . . is its distressingly consistent misapprehension of the functions of accountancy and the accountant. . . . A favorite and frequently expressed misconception of Professor Dewing's is that accountancy is a system of valuation and revaluation which attempts to value and revalue all economic factors in a business. (149)

Throughout the review, Peloubet gave credit to Dewing for his fresh and entertaining writing style, and Peloubet cheekily closed the review with,

> A work such as this might conceivably be of more value in stimulating thought and discussion than one written less brilliantly but with a more meticulous adherence to accepted points of view and methods. (152)

Peloubet's review for the 1935 edition was much the same, as Dewing's view of accountancy had not changed.

> The author's curious views, expressed with a vigor and clarity equaled only by their inherent error, have not altered with the years but have rather strengthened. (Peloubet 1935b, 67)

But once again, Peloubet complemented Dewing's "clear, interesting and authoritative" writing style, but not before he pointed out Dewing's omission of the recent work of the SEC (Peloubet 1936, 68). Six years later when Peloubet reviewed the book's 1941 edition, his overall tone was positive. Though there were still some aspects of Dewing's writings with which Peloubet did not agree, Peloubet commended Dewing's ample coverage of the SEC's efforts and his revisions that brought the book "into accordance with modern accounting thought" (Peloubet 1942a, 92).

Peloubet wrote a rather stinging assessment of Vernon A. Mund's *Government and Business* (1950), which addressed business competition and government regulation. Mund was a professor of economics at the University of Washington. Peloubet's opening set the tone,

> This is a curious book. . . . as we get into it a little it becomes, as Alice said, "Curiouser and curiouser." . . . Professor Mund paints for us with a most serious, we might almost say dead-pan, face a fantastic picture of an economic Never-never Land, which he apparently wishes us to take entirely seriously. (Peloubet 1951, 133)

Among other points, Peloubet took issue with Mund's take on monopolies. Mund viewed a monopoly as an "organization big enough to have some type of leadership in an industry" (133). And Mund's solutions to monopolies were break them into smaller units, declare them public utilities, or demand government intervention (134). Peloubet thoroughly reviewed the book and commended the factual and legal data presented in the text. He even stated that he intended to keep it in his library as a reference (134). But Peloubet closed the review on a cautious note,

> This would be a good book . . . if we could have this book with all of the tendentious, slanted, inaccurate and unfair passages printed, say, in red and the factual matter printed in black. . . The obvious qualifications and the apparent sincerity of the author also make it more dangerous than it would be otherwise. (134)

Peloubet was just as passionate when giving a positive review of a book, as exemplified in his review of William A. Paton's *Shirtsleeve Economics, A Common Sense Survey* (1952). Peloubet thought Paton's book presented economic fundamentals and a "reasoned case against any mystical faith in government" (Peloubet 1952, 576). In his closing, Peloubet noted that

> The book should be required reading in high schools and universities. Businessmen and legislators should study it. If they can stand it, it should be read by government officials and employees. (577)

Accounting Theory: Continuity and Change (1962) by A. C. Littleton and V. K. Zimmerman also received a favorable review from Peloubet. He particularly valued the authors' fresh and objective judgments and cited as an example

> that the authors refer to principles, accepted methods, or required rules as merely "beliefs." The use of this word indicates a willingness to examine and test the validity of what is being considered. (Peloubet 1963a, 97)

Peloubet did take issue with the authors' strong stance on keeping accounting records in historical dollar, as Peloubet was strongly pushing for recognition of inflation through the reinvestment method of depreciation at the time. But overall, he thought

> The authors have done a splendid piece of work. It is stimulating and well based and should be read by everyone genuinely interested in the foundation of accounting theory and its origins. (98)

Poetry

In addition to professional writings, Peloubet also wrote poetry. He found inspiration for his poems in nature, as well as in his experiences and interest in accounting. In his memoir's chapter on poetry, "Verses Suggested by Various Phases of Accounting," Peloubet said,

> Why, when we have a subject of so much romantic and dramatic appeal as accounting and the aspects of business life with which it is connected, we should invariably express ourselves in formal and not always very graceful prose. (Peloubet 2000, 81)

The outlets for Peloubet's poetry were varied. He self-published a book of his poems titled *Ballads, Songs & Snatches* in 1938, in which he acknowledged that several of the poems had previously appeared in *Columbia Poetry*; *College Verse*; *MS, A Magazine for Writers*; *The Erie Railroad Magazine*; *The Accountant*; and *The Bulletin of the Woman's Club of Orange* (Peloubet 1938, v). The book contains thirty-six writings divided into seven topical sections: Woods and Gardens, The West, The Sea, Italy, Holland, New York, and And Others. In the section titled The West, is "Old Angus," an epic narrative about a Scotsman with a checkered past who works in a coal mine (Peloubet 1938, 17-22). Peloubet discussed the poem in his memoir and said the inspiration came from the tales of two old Scotsmen he met while working on the audit of a coal mining company near Bear Creek, Montana (Peloubet 2000, 83). The poem is 42 stanzas of four lines each, and at its end Angus meets his fate.

> The mine was good to work in,
> The coal ran thick and fine,
> You didn't drop into no dirty shaft,
> But rode down a big incline.
>
> Two of the boys was workin',
> In a place just off the line,
> Workin' with a cutter,
> An' tearin' into it fine.
>
> Old Angus musta seen somethin' wrong,
> When he was ridin' near,
> He stopped his cars an' mighta yelled,
> But the boys inside can't hear.
>
> The cutter's makin' too much noise,
> Out there it won't unhitch,
> So Angus comes a runnin' in,
> An' throws the cutter switch.
>
> He yells, "Get out! It's fallin'!"
> An' points up to the crack,
> The three of them start runnin',

An’ they ain’t lookin’ back.

But Angus musta stumbled,
He tripped an’ hit his head,
Before the boys could get to him,
The roof fell. He was dead.

Whatever Angus done before,
An’ why he come out here,
Nobody knows for certain,
But it musta been damn queer.

But like he said that New Year’s eve,
About MacGregor’s name,
He’s got his own name cleared again,
An’ he done it just the same.

It’s like the preacher said to us,
“He was faithful unto death,”
When they put him in the frozen ground,
Where the coal crushed out his breath.
(Peloubet 1938, 21-22)

Peloubet wrote several other poems inspired by his accounting clients, such as “Electric Furnace” about the brass industry (Peloubet 2000, 88) and “Prospect Holes” about old time prospectors who found mineral resources by reading the topography of the land (Peloubet 2000, 82). Peloubet also had a more romantic side, which is evident in his transcendentalist nature poem “Snow at Twilight,”

In the dim, half-rosy light,
Between the winter day and night,
From the grey sky, in silence meet,
Comes on soft, unhurried feet
The Comforter, the Paraclete.

He spreads a covering mercy’s pall,
That smoothes and hides and softens all –
The world draws in, seems less immense,
And drifts that lie along the fence
Show forth to us His immanence.

He lays His cool, protecting cheek,

On the seedling, small and weak,
Tempers the force of cold and dearth,
And soothes and comforts the dark earth,
That rests and strengthens for rebirth.

Sometimes, in mercy, let us know
A comfort like the deep, white snow,
That, for a little, insulates
Us from our vague but certain fates,
That wait, obscure, beyond the gates.
(Peloubet 1938, 6)

In 1930, the Institute of Chartered Accountants in England and Wales (ICAEW) celebrated their 50th anniversary. In honor of the occasion, Peloubet wrote "Recte Numerare." The Latin phrase, which roughly translates to "reckon rightly" or "correctly count," is on the ICAEW coat of arms. Peloubet's commemorative poem was divided into the three sections: 1880, 1885, and 1930. Below is a replication of the first section:

RECTE NUMERARE

1880

The first Articled Clerks are apprenticed to Chartered Accountants
and struggle manfully for five years to learn their profession.

In the City, grey and old,
Young impatient clerks are told
Not to be cunning, or wise, or bold,
But – Recte Numerare.

Beyond his page the boy's mind, free,
Sees Eastern suns and a strange, bright sea,
Sighs, "How will these things come to me?"
By – Recte Numerare.

The 'prentice years are long, and far
Seems the lad's goal as any star,
For five young years full weary are
Of – Recte Numerare.
(Peloubet 1938, 62)

As can be seen from the above examples, Peloubet's poetry was varied in topic and form. His poem "The Comma Comes After Hereafter" was inspired by his time on the AIA audit committee just after the McKesson & Robbins scandal. Peloubet wrote the poem while riding a train the day after a late-night committee meeting in which Dr. Joseph Klein

> went into a rather lengthy discussion, not of what would be considered accepted practice hereafter, but what he seemed to think was an equally important question: whether a comma should follow hereafter (Peloubet 2000, 100).

The narrative poem, which is 29 stanzas of four lines each, includes several of the prominent accountants present at the meeting, such as Vic Stempf, George Cochrane, and Pat Glover. In 1947, the poem was published in a book commemorating the 50th anniversary of the NYSSCPA (NYSSCPA 1947, 89). Peloubet was on the NYSSCPA fiftieth anniversary publication committee. The following is an excerpt from the poem.

> Recalcitrant members
> Say "Go climb a tree"
> When they're told it's the wishes
> Of dear Ess Ee See.
>
> They say, only stronger,
> "No, no, what the heck
> No dictation to us,
> From any damn Sec."
> (Peloubet 1947b, 89)

In 1951, Peloubet was inspired by the Mexican folk dancers at the second Inter-American Accounting Congress and wrote "The Dancers" (Peloubet 2000, 92). The poem was included in the published proceedings of the meeting (*Memoria de la segunda Conferencia Interamerican de Contabilidad* 1951, 668-669). Peloubet did not hesitate to share his poetry. He and his wife Louise often sent Christmas cards that included his poetry (Peloubet 1951c; Peloubet, Leydenfrost, Peloubet 1961; Peloubet 1962). Peloubet even sent Robert Frost his rather melancholy Christmas card in 1962, which contained the following verse:

Things are now in such a way
With a fresh, new crisis every day,
It doesn't leave one much to say. (Albright 2017)

Former AICPA president Philip B. Chenok, who started his accounting career at Pogson, Peloubet & Co., recalled that Peloubet handed out Christmas poems to his employees every year (Bisky 1980, 49). Peloubet's love of poetry led to a collection of over 500 volumes on the 18th century English poet William Blake, which he donated to the New York University Library on his retirement from Price Waterhouse in 1964 (Nolan 1971, 22). Peloubet was a known authority on Blake and lectured on him as late as 1968 (Brandt 1968). Peloubet was very involved in the Poetry Society of America (PSA) in the 1950s and early 1960s. In the late 1950s, he established the PSA Emily S. Hamblen Memorial Award given annually for an outstanding work on the poet Blake, and in 1960, he was made a PSA Fellow (PSA 1969, 340). This same year, the PSA published an anthology of poems to celebrate the 50th anniversary of the society, and in the volume is Peloubet's "The Eternal Kinship" (PSA 1969, 215-216). The first half of the poem discusses the interconnection between the sea, earth and sky, and the second half analogizes this relationship to man,

The water of the sea is blood, it brings
Rhythms that live within us all. Can we
Set man apart from any life? All things

Are one at last, but man, imperfectly,
Trying to learn, still classifies, divides,
Seeing the difference, blind to unity:

For peace and truth are one. Eternal guides,
Christ, the Arabian, Moses, Buddha, teach
The eternal kinship that we know abides

Between all men, that live in God's great reach,
The life, the force, that binds us each to each.
(PSA 1969, 216)

In addition to being a member of the Poetry Society of America, he served as the society's treasurer thereby combining his interests in accounting and poetry. Peloubet noted that he was treasurer from 1952 to 1962 (Peloubet 2000, 77), but it seems his service was likely from 1951 to 1961. A letter from Peloubet to Mr. A. M. Sullivan[31] on PSA letterhead dated February 27, 1951, clearly stated Peloubet was the treasurer at the time (A. M. Sullivan Papers). And an article in the *New York Times* on January 19, 1962, noted he was the "former treasurer of the society" (Terte 1962). Nonetheless, Peloubet received the PSA's Medal for Distinguishing Service in January 1962 in recognition of ten years of service as treasurer (Peloubet 2000, 106; Terte 1962).

Conclusion

Peloubet's numerous and varied academic writings made an impact on the profession of accountancy. His talent allowed him to make a significant contribution through the publication of journal articles, papers, speeches, book reviews, books, and textbook chapters. In an era where public debate between academics and practitioners took place in journals such as *Journal of Accountancy* and *The Accounting Review*, Peloubet was an authoritative voice. The variety of his years of practice provided the knowledge, and his talent for writing allowed for the effective communication of his convictions and experiences. In addition to demonstrating his accounting expertise, Peloubet's writings give testimony to his sense of humor and wide-ranging knowledge.

[31] Aloysius Michael "Mike" Sullivan (1896-1980) was a member and past president of the PSA. At the time of Peloubet's correspondence, Sullivan was an advertising executive for Dun and Bradstreet.

CHAPTER VII

CONGRESSIONAL TESTIMONIES

Introduction

This chapter focuses on Maurice Peloubet's congressional testimonies. He was asked to testify on several topics throughout his career including the LIFO inventory method, governmental accounting, depreciation reform, and the investment tax credit. Peloubet was never one for a brief testimony, and at most of his testimonies he also submitted a formal statement. At each congressional hearing, Peloubet's was only one voice among several other prominent accountants and businessmen testifying. These other testimonies whether in agreement or against Peloubet's views are not covered in depth, as they are outside the scope of this chapter. Appendix G contains a full list of Peloubet's congressional testimonies and official written statements.

LIFO Inventory Method

This section covers Peloubet's congressional testimonies on the LIFO inventory method and its predecessor, the base stock method. Peloubet was exposed to the base stock method during WWI while working for Price Waterhouse throughout Europe. At the time, it was accepted for British income tax purposes, but not the excess profits duty. Peloubet found the method to be a perfect fit for companies whose operations required a lengthy processing or manufacturing system. He was told it was often used in the base metals and textiles industries

(Peloubet 2000, 38). Such a company could not maintain normal operations without a base inventory continually moving through the process. This base stock was viewed as a permanent investment. The base stock inventory method was a forerunner for the last-in, first-out (LIFO) inventory method. Peloubet was a strong proponent of both of these methods.

In May of 1936, Peloubet testified during the Senate hearings for the Revenue Act of 1936. He spoke on behalf of the American Mining Congress and requested a provision to specifically allow the base stock method for tax purposes, as previous litigation had disallowed the method (*Lucas v. Kansas City Structural Steel Co.*, 281 U.S. 264 (1930)). In his testimony, Peloubet referred to the method as the normal or necessary stock method and artfully explained the tax ramifications:

> Our suggested provision will have the effect of preventing in years of declining prices the escape from taxation of actual realized profits, and will insure in years of rising prices that all realized profits are taxed, in those industries where the processing period is long and where a constant normal stock of raw material must be maintained. (Committee on Finance 1936, 717)

Peloubet wanted to add a clarifying provision to Section 22 (c) of the 1936 proposed bill, which read the same as the Revenue Act of 1934:

> Whenever in the opinion of the Commissioner the use of inventories is necessary in order clearly to determine the income of any taxpayer, inventories shall be taken by such taxpayer upon such basis as the Commissioner, with the approval of the Secretary, may prescribe as conforming as nearly as may be to the best accounting practice in the trade or business and as most clearly reflecting the income. (Committee on Finance 1936, 717)

Peloubet wanted to add:

> Including the normal or necessary stock method in those industries in which the taxpayer consistently keeps his accounts in accordance with such method, provided that the taxpayer shall elect his method of stating the inventories in his first return under this title. (Committee on Finance 1936, 718)

The Committee on Finance considered this a matter for the Bureau of Internal Revenue and that legislation was not required. Peloubet was therefore instructed to confer with Arthur H. Kent, the acting chief consul of the Bureau of Internal Revenue (Committee on Finance 1936, 719).

Very little progress on the matter was made with the Bureau of Internal Revenue (BIR) by 1938, and Peloubet was asked to testify before Congress again. This time Peloubet represented the Copper and Brass Mill Products Association. He testified before the House Committee on Ways and Means in January 1938 (Committee on Ways and Means 1938, 1181-1184) and before the Senate Committee on Finance in March 1938 (Committee on Finance 1938, 143-167). Peloubet's testimony before the House was fairly brief in comparison to that given before the Senate. In his House testimony, Peloubet wisely opened by complimenting the committee's efforts in the proposed revisions, but he quickly mentioned that there was one point that "unfortunately escaped the attention of the committee" (Committee on Ways and Means 1938, 1181). Here he brought up the discrimination against industries, such as the brass, leather, petroleum, and cordage industries, who should be allowed to use the LIFO inventory method for tax purposes but were not. He mentioned the partial relief of the BIR General Counsel's memorandum 17322, which was published in November 1936. The memo allowed the cotton-textile and flour-mill industries to apply the results of hedging transactions to their inventories to avoid fictitious profits and losses. Peloubet argued that the brass and copper industries performed similar hedging transactions, only they were with private parties instead of the public (Committee on Ways and Means 1938, 1183). For industries which had no futures market Peloubet provided two alternative provisions to section 22 (c) of the Revenue Act of 1936 to remedy the dilemma. His first choice for the provision explicitly stated the last-in, first-out inventory method:

> In the case of a trade or business in which the Commissioner shall find that the method is applicable, inventories may be taken upon the basis of applying current costs to current operations as is done in the accounting practice generally known as the last-in, first-out, or replacement method of determining an inventry [sic.] (1183)

If this was not satisfactory, Peloubet suggested:

> The recognized accounting practice of a trade or industry as evidenced by a consistent course of action on the part of individual members thereof or by the recommendations of a representative trade association or similar body or by the opinions and statements of recognized accounting authorities shall be deemed to constitute the best accounting practice for taxpayers using such methods and shall be permitted as a method of determining taxable income under this act. (1183)

Peloubet then mentioned the AIA's report released one week prior to his testimony, in which the AIA advocated the LIFO method for appropriate industries (1183-1184). In his closing remarks Peloubet repeatedly stated that these industries were only asking to pay taxes on the profits that were earned, not for any privilege. Peloubet's was the only testimony given on the subject of LIFO as an appropriate inventory method for determining income at the House hearings. But by the time the bill reached the Senate, four other individuals testified as to the merits of LIFO: Victor Stempf, representing the AIA's committee on taxation; I. R. Glass, representing the Tanners' Council of America; and Julian D. Conover and D. A. Callahan, both representing the American Mining Congress.

Peloubet's statement before the Senate's Committee on Finance was extremely thorough. As previously cited, Moonitz and Littleton included Peloubet's testimony in *Significant Accounting Essays*

> because it is probably the first extended public explanation of the need for the last-in, first-out method of pricing inventories and of determining cost of goods sold. It also represents one of the few cases where a group of prominent accountants in practice lobbied openly, persistently, and successfully for a change in the income tax law. (Moonitz and Littleton 1965, 450)

Along with his oral testimony, Peloubet submitted a brief, a list of twenty-six publicly traded companies that used LIFO or a similar method, nine supporting letters from accountants at the most prominent public accounting firms, a bibliography on LIFO and similar methods, and a list of eight trade associations that approved LIFO or similar methods (Committee on Finance 1938, 143-167). The letters Peloubet submitted were from Paul K. Night of Arthur Andersen & Co.; Edward A. Kracke of Haskins & Sells; Dr. Joseph J. Klein of Klein, Hinds & Fink; Walter A. Staub of Lybrand, Ross Bros. & Montgomery; Samuel J. Broad of Peat, Marwick, Mitchell & Co.; Rodney F. Starkey of Price, Waterhouse & Co.; C. Oliver Wellington of Scovell, Wellington & Co.; Victor H. Stempf of Touche, Niven & Co.; and the firm of Deloitte, Plender, Griffiths, & Co.; (Committee on Finance 1938, 154-164). The bibliography was thorough and listed thirty-four entries comprised of texts, books, papers presented at meetings, as well as journal, magazine, and newspaper articles (Committee on Finance 1938, 165-167). Peloubet's final submission was the list of associations that approved LIFO or similar methods: the American Mining Congress, the American Cooper and Brass Mill Products Association, the Lead Industries Association, National Association of Credit Men, National Electrical Manufacturers Association, Tanners' Council of America, and The Trade Association for the Rope and Cordage Industry (Committee on Finance 1938, 167).

In 1953, Peloubet testified before the House Committee on Ways and Means requesting the IRC be amended to allow taxpayers using the LIFO inventory method an election to value their ending inventory at the lower of cost or market (Committee on Ways and Means 1953). Peloubet did not officially represent any industry or trade association, but he stated that the legislation would apply to many of his clients. He was one of over twenty accountants and businessmen who testified in favor of the amendment. These witnesses included Wallace M.

Jensen in his capacity as chairman of the AIA's subcommittee on current legislation of the committee on Federal taxation, as well as H. T. McAnly of Ernst & Ernst. Peloubet presented his argument for the allowance of the lower of cost or market method for taxpayers using the LIFO inventory method as a remedy for an inequity caused by the Treasury. Although the Revenue Act of 1939 made the LIFO election available to all taxpayers, companies whose inventory was comprised of heterogenous goods and therefore needed to use the dollar-value method of LIFO were being challenged by the Commissioner of the Internal Revenue. Because of the opposition from the BIR, many taxpayers that otherwise would have chosen to use it abandoned the use of LIFO in 1939. A few taxpayers challenged the Internal Revenue and received favorable decisions from the Tax Court. Two big cases were *Hutzler Brothers Company v. Commissioner* (8 T.C. 14 (January 1947)) and *Edgar A. Basse v. Commissioner* (10 T.C. 328 (February 1948)). Peloubet emphasized the inequity against the entities who would have chosen to use LIFO beginning in 1939 had the BIR allowed them.

> Such taxpayers have been paying taxes on inflated profits from 1939 to the present time because they were not permitted to exercise a right which it was later determined they had possessed since the passage of the 1939 legislation. What the taxpayer now asks for is not a retroactive election but merely the right to protect himself against future price drops if he elects the last-in, first-out method at the present time. (623)

Peloubet pointed out that the Wholesale Price Index was around 100 in 1939 and over 200 in 1947. He said past experience indicated that some recession or drop in prices was expected (621). If prices continued to decline and the taxpayer was not allowed to reduce their inventory to the lower of cost or market, then inventory was frozen at this high investment and profits would be overstated. If the lower of cost or market method were allowed for taxpayers using LIFO, then it took speculation out of the picture. Unfortunately, the amendment did not pass and the lower of cost or market is still not allowed for taxpayers using the LIFO inventory method.

Governmental Accounting

In 1950, Peloubet testified at the hearings for Senate Bill 2054 *To Improve Budgeting, Accounting, and Auditing Methods of the Federal Government.* This bill was one of the reorganization plans that came out of the Hoover Commission recommendations. Background information leading up to the bill is necessary to understand and appreciate Peloubet's testimony.

President Truman appointed the Hoover Commission, officially named the Commission on Organization of the Executive Branch of Government, in 1947. The Commission's objective was to recommend administrative changes in the federal government, as its structure had become cumbersome and inefficient. The Hoover Commission found that one of the major areas in need of reform was government accounting, and they looked to the AIA for experts. The AIA's Committee on Federal Government Accounting, on which Peloubet served, became the Accounting Policy Committee of the Hoover Commission. When the Hoover Commission submitted their final report to Congress in 1949, the Commission did not fully adopt the recommendation of the Accounting Policy Committee. The Accounting Policy Committee recommended that:

> The federal government should have an accountant general, an auditor general, a central accounting office, uniform terminology, proper fund accounting, and better personnel. (Andrews 1949, 192)

In their recommendations, the Accounting Policy Committee wanted to draw a hard line between accounting and auditing in the government. They wanted to create an independent central accounting office in the Executive Branch with an Accountant General who would establish and maintain an accounting system (Andrews 1949, 196). The Accountant General had to be a professional accountant and appointed to a 15-year term. The committee also sought to strengthen and increase the authority of the Office of the Comptroller General of the GAO in the

Legislative Branch. They believed the audit and investigative powers of the GAO were constrained with non-auditing duties and much minutiae, such as the detailed examinations of expenditure vouchers from the Executive Branch (Andrews 1949, 197-198). At the time, all expenditure vouchers from Executive Branch agencies were hauled to Washington, D. C. for individual examination in the GAO office (Andrews 1949, 193). This was a terribly inefficient use of manpower. The Hoover Commission's final recommendation did not draw this clear line between accounting and auditing. Their recommendations included that the Accountant General's position be established under the Secretary of the Treasury, and that all accounting methods and procedures be subject to the approval of the Comptroller General (Andrews 1949, 193-194). Seven members of the Hoover Commission, including Herbert Hoover, voted not to accept the Committee's recommendations (Andrews 1949, 192). T. Coleman Andrews, who was on the Accounting Policy Committee stated,

> The seriousness of this situation is suggested by the fact that this is the first time the Commission has split so widely on any of its proposals on reorganization of the executive branch of the government. (Andrews 1949, 192)

This fractious approach to the accounting changes needed in the federal government carried over when a reorganization plan to address the issues was introduced in 1950. By mid-1949, the Hoover Commission finished their assessment and reported their findings to Congress. After much debate between the House and Senate, President Truman signed H.R. 2361 into Public Law 81-109 on June 20, 1949. The "Reorganization Act of 1949," as it was known, limited Truman's reorganization powers to April 1, 1953. The Act was full of compromises, and no one was very happy with it. Between June 20, 1949 and April 1, 1953 several reorganization plans were submitted including the 1950 Senate Bill 2054 *To Improve Budgeting, Accounting, and Auditing Methods of the Federal Government.* Both T. Coleman Andrews and Maurice E.

Peloubet testified at the hearings for S. 2054. Andrews "appeared as a representative of the Citizens Committee for the Hoover Report, and in an individual and professional capacity" (Carey 1950, 534). Peloubet appeared as an individual certified public accountant.

On March 3, 1950, Peloubet testified before the Committee on Expenditures in the Executive Departments on Senate Bill 2054 (Committee on Expenditures in the Executive Department 1950). Peloubet proposed to do three things in his testimony: (1) discuss the distinguishing natures of the four different elements of accounting, (2) outline ways to strengthen the Office of the Comptroller General, and (3) examine the Army fiscal set-up to establish a pattern of government controllership.

Peloubet thought it wise to establish a background as to how accounting should function, so he started his testimony by outlining four elements of accounting: control, accounting, auditing, and systems. In regard to control, Peloubet said the overarching question was, "Can you do the thing that you intend to do?" (128). This was the first step, a preventive measure. The next step was the function of accounting, to make a record of what occurred. Then after there was a record, it needed to be audited. Here Peloubet differentiated between internal audit and an independent audit (129). He also made it clear that not every single transaction was audited. He thought the vast volumes of government transactions allowed the proper use of statistical sampling. He stressed the end product of an audit was the report "which determines whether the accounts can be accepted or cannot be accepted and what ought to be done about them" (129). In the case of the Government this report would be made to the operators of the department and to Congress. On his fourth element of systems management, Peloubet made it clear that this was management's responsibility but that they may seek outside advice. He went at length to say that the accountant and the auditor had no administrative responsibility over a system of accounts.

> The auditor definitely must not keep the books. The Securities and Exchange Commission forbids that and the general accounting ethics forbid it. The auditor must not act as director or comptroller. He cannot be more than one thing at once. That I think is a basic principle of accounting and a basic principle of control.
>
> I thought it was worth while to bring that out because it did not seem to be too clearly understood yesterday. It might be a good thing to have that plainly in the record. (130)

After establishing this foundation, Peloubet moved to ways to strengthen the Office of the Comptroller General and in turn increase the value of the audit work the office performed. Peloubet thought the Comptroller General should be required to audit all Government agencies and report on them. He also thought the Comptroller General's investigative powers should be increased, and that perhaps Congress should call on them more often. And lastly, Peloubet believed the Comptroller General should have the authority to withhold funds from agencies when an investigation reveals the accounts are inadequate or do not fully disclose the agency's operations.

Peloubet reiterated an item that T. Coleman Andrews discussed in his testimony the previous day. Peloubet pointed out that there was no legal requirement for agencies to keep accounts, let alone adequate accounts (133). He thought every agency should be required to submit reports to the Accountant General (once established) for administrative purposes and the Comptroller General for audit purposes. As to the establishment of an Accountant General in the Executive Branch, Peloubet worked within the guidelines submitted in the Hoover Commission report. He said the Accountant General could be located "possibly in the Treasury for administrative convenience" (134). The Accountant General would be responsible for overseeing that every agency had an accounting system. He would consolidate reports of the different agencies, issue the reports, and determine the uniform accounting methods. In essence he would be the Comptroller of the Government. Here, Peloubet pointed to the Comptroller of the

Department of Defense as an analogy for this Accountant General position. He thought if the Department of Defense, which was managing one-third of the federal budget, was effectively carrying out accounting requirements it served as a good example. Within the Department of Defense, Peloubet discussed the structure of the Office of the Comptroller of the Army. He thought it a “very good pattern” for Government controllership (134). This was a familiar area to Peloubet as he was on the advisory panel to the Army Comptroller at the time. The Army fiscal system included a comptroller, a deputy comptroller, and directors for the separate departments such as finance, budget, audit, etc. Peloubet pointed out that a law established these positions and a law gave the Army Comptroller authority. He thought the proposed bill was “a dead duck” and “useless,” as it wholly relied on three agencies, the Treasury, the Bureau of the Budget, and the General Accounting Office voluntarily cooperating (136).

Most of the witnesses from the hearings on S. 2054 thought the bill unsatisfactory and that extensive amendments were necessary (*Congressional Record* 1950, 12042). After the hearings, the Senate Committee on Expenditures in the Executive Departments worked with the GAO, the Bureau of the Budget, and the Department of the Treasury toward a revised bill. The outcome was S. 3850, which became H.R. 9038 (*Congressional Record* 1950, 12042). The bill incorporated all of the Hoover Commission recommendations on accounting changes, with the single exception of establishing an Accountant General within the Executive Branch. Congress thought this recommendation was

> Counter to the long-established policy of the Congress authorizing the Comptroller General, as an agent of the Congress, to prescribe accounting requirements for executive agencies under which proper audit reports may be submitted to the Congress as to the expenditure of Federal funds in accordance with appropriation authorizations. (*Congressional Record* 1950, 12042)

On September 12, 1950, H.R. 9038 became P.L. 81-784.

Depreciation Reform

and the Investment Tax Credit

Beginning in the late 1950s, Peloubet began to lobby for depreciation reform. At the time, many accountants, businessmen and tax attorneys called for depreciation methods that considered the effect of inflation. Peloubet and several others supported the reinvestment depreciation method, which they believed provided incentive for capital investment and a means to modernize production. The following is a concise description of the method in Peloubet's own words:

> When depreciable property is sold or retired, an index number representing the change in the value of the dollar is applied to the original cost of the property. The allowance for reinvestment depreciation cannot be greater than the difference between the cost and the current value, as determined by applying the index.
>
> But there is another requirement which must be met before the additional allowance is granted: an amount equal to the current value of the property must be spent, or reinvested, in depreciable property.
>
> If no reinvestment is made, no additional allowance is granted. If only a part of the current value is reinvested, the allowance is reduced proportionately, and if the rest of the amount representing the current value is not spent within a specified carryover period, the possible allowance is lost to the taxpayer.
>
> The amount of the additional allowance is deducted from the total cost of the new property and the remainder is depreciated over the life of the property. For example, a machine costing $1,000 has a current value of $1,500, which amount is reinvested. The reinvestment allowance is $500, and $1,000 is depreciated over, say, 10 years, the life of the property. (Select Committee on Small Business 1960, 15)

Peloubet testified for depreciation reform, and in particular the reinvestment depreciation method before the House Committee on Ways and Means on January 15, 1958 (Committee on Ways and Means 1958, 975-1013). Also appearing at the hearing in favor of reinvestment depreciation was Reverend William T. Hogan, professor of economics and director of the industrial economics program at Fordham University who was an expert on the iron and steel industry and Fred W. Peel, an attorney with Alvord & Alvord. Along with his testimony, Peloubet submitted a lengthy and thorough statement that included seven appendices. Appendix III outlined how 19 other countries had already dealt with the problem of inflation and abandoned rigid application of uniform rates on historical cost basis (983-987). Appendix V was a bibliography of 256 books and articles that discussed the current issues with the depreciation (994-1001). Peloubet began his statement by pointing out the gross inadequacy of the current tax depreciation system. He discussed inflation and the decline of the dollar value over the past 10 years.

> Depreciation is insufficient primarily because the Federal income-tax laws and regulation, so far as depreciation is concerned, are based on the demonstrably false assumption that the value of the dollar is the same yesterday, today, and forever. (976)

He discussed the reinvestment depreciation method in his statement (978-980), and he provided extensive examples of the method in Appendix VI (1002-1003). Peloubet noted that the method benefited all industries equally and that it would help prevent the extinction of small businesses (980). In his testimony he admitted that the only objection he could think of to the reinvestment depreciation method was that it did not go far enough, but he thought it was a good start (1012-1013). Wilbur Mills, Chairman of the House Committee on Ways and Means, acknowledged Peloubet's thorough statement, noting it had to have taken Peloubet much time and research, and stated that he wanted to take the time to "digest" it (1013).

Though Congress did not opt for the reinvestment depreciation method, they did take action in 1958 to accelerate depreciation. The Technical Amendments Act of 1958 enacted section 179 of the IRC, which allowed an additional write off of 20% of the cost of personal property purchased after 1957 that had a useful life of six years or more.

On July 24, 1959, two subcommittees of the Senate Select Committee on Small Business held a public hearing on the depreciation policies of capital assets (Subcommittees of the Select

Committee on Small Business 1959). The Senate committee had conducted studies in 1952 and 1957 in which numerous critical remarks were made about depreciation policies. It was often the members of the Subcommittee on Taxation and the Subcommittee on Government Procurement who heard these remarks from small defense contractors, so these two subcommittees were requested to jointly conduct the July 1959 hearing (Select Committee on Small Business 1960, 1-2). Peloubet was one of eight to testify before the subcommittees (Subcommittees of the Select Committee on Small Business 1959, 1-23). Peloubet pointed to the issue of obsolescence by highlighting a nationwide survey made by McGraw-Hill Publishing Co. earlier that year. It showed that “out of a total of $300 billion of capital assets in this country, $95 billion, almost a third, were considered by their owners to be obsolete” (3). Peloubet then discussed how much harder it was for a small business to borrow money to purchase capital assets than it was a larger company. But he said for both types of companies, “there is an erosion of capital assets” (3). Peloubet testified that depreciation rates were not high enough and that the depreciation methods did not sufficiently address inflation. Peloubet pointed to how well the more aggressive rates of the Canadian system worked (6). While on this topic, Senator George A. Smathers, chairman of the Subcommittee on Government Procurement, asked Peloubet if any country had a more restrictive depreciation policy on machinery than the U.S., to which Peloubet replied:

> I made quite a research into it, and I have never found one. We are without a doubt the most backward country in that respect. (7)

Peloubet referred him to his appendix that listed the depreciation policies in other countries (an updated version of Appendix III from his 1958 statement). Senator Smathers voiced that there was no way the U.S. could keep up with the rest of the world on commercial development if this were the situation. Peloubet’s point was made. As to a better method, again Peloubet pointed to reinvestment depreciation, which was currently proposed in H.R. 131, a bill introduced by

Representative Eugene J. Keogh from New York. Peloubet went on to discuss how there would be no revenue loss to the Treasury with the reinvestment depreciation method. The taxpayer only got the additional deduction if he actually purchased new machinery, which in turn would help generate revenue. Peloubet explained this to Senator Smathers,

> There would be no adverse revenue effect, because what you lose by the additional allowance you gain by the tax which is generated by the activity caused by buying the machinery. (9)

Peloubet noted that there had been no opposition to the method from the Treasury, but that the Treasury had yet to be convinced that the method would not cause a great loss in revenue (9-10). Along with his testimony, Peloubet submitted a statement with several appendices.

In their report on the hearings issued January 7, 1960, the Select Committee on Small Business stated the reinvestment depreciation method was so far the best proposed option to deal with inflation (Select Committee on Small Business 1960, 9-10). But they did point out that the methods' use of an index, even the Commerce's "Construction Cost Index" was a significant departure from previous depreciation practices in the U.S. (10). As a result of the hearings, the committee made several recommendations to the tax-writing committees and to Congress including that:

> Current depreciation policies should be reviewed and all of the practical proposals for (a) Shortening the period for depreciating property, (b) permitting greater depreciation in the years immediately after purchase of property, and (c) depreciating property on bases other than cost, to reflect the inflation factor, should be considered. (11)

Other recommendations included consideration of a "Canadian-type class system for determining depreciable asset lives (11). As an appendix, the report included a memorandum from Peloubet explaining the reinvestment depreciation method (15-16). In the 1960 annual report of the Select Committee on Small Business, Senator Andrew F. Schoepel highlighted the "sound economics" of the testimonies of Peloubet and tax attorney Joel Barlow from the July 24, 1959 hearing (Select Committee on Small Business 1961, 76-77). Schoepel referred to them as “eminent students of our depreciation problems” (77).

In late 1959, Peloubet was invited to present a five- or six-minute presentation at a panel discussion before the House Committee on Ways and Means (Committee on Ways and Means 1959a, 419-428). In his presentation on November 16, 1959, Peloubet isolated the two problems with depreciation as (1) declining value of the dollar and (2) the life of depreciable property should be based on an economic basis rather than a physical one. To deal with the first problem, he again proposed the reinvestment method. For the second problem he pointed to the Canadian system as an example for classifying the life of an asset on an economic basis. Peloubet also submitted a twenty-three-page paper with numerous appendices to the panel, the contents of which were very similar to his previous congressional submissions (Committee on Ways and Means 1959c, 891-919).

In March of 1960, the House Committee on Ways and Means held hearings on H.R. 10491 and H.R. 10492 that basically wanted to tax as ordinary income any gain on disposal of depreciable personal property due to depreciation (Committee on Ways and Means 1960). In anticipation of depreciation reform and shorter asset lives, the Secretary of the Treasury said this would make it easier for them to consider such measures (7). Since 1942, taxpayers had enjoyed capital gains rates on disposal of depreciable property. Peloubet testified at these hearings on March 2, 1960 (Committee on Ways and Means 1960, 91-108). It is a bit unclear as to why Peloubet testified, as he did not take issue with the bills other than they were poorly written and unclear in places (97). He used the opportunity to push for depreciation reform. He again referred to the Canadian depreciation system's use of shorter asset lives and discussed the reinvestment depreciation method.

In 1961, President John F. Kennedy proposed a nonrefundable investment tax credit (ITC) to help stimulate economic activity. The proposed credit was:

> Fifteen percent of all new plant and equipment investment expenditures in excess of current depreciation allowances;
> Six percent of such expenditures below this level but in excess of 50 percent of depreciation allowances; with
> Ten percent on the first $5,000 of new investment as a minimum credit.
> This credit would be taken as an offset against the firm's tax liability, up to an overall limitation of 30 percent in the reduction of that liability in any one year.
> (Committee on Ways and Means 1961b, 4)

Peloubet testified at the 1961 hearings on the President's tax recommendations before the House Committee on Ways and Means (Committee on Ways and Means 1961a, 1249-1279). Peloubet expressed that depreciation reform was the best way to stimulate the economy and discussed shorter depreciable asset lives and the reinvestment depreciation method. But, he went on to say that he thought the business community would appreciate a flat rate investment credit rather than no legislation at all (1251, 1277). Peloubet did not care for the credit in that it was a subsidy, but he believed the ITC could work if "technical procedural difficulties" were corrected (1251). Among other changes, Peloubet thought the credit should not be based off of depreciation, but instead should be a 7 or 8 percent flat rate (1252). He also thought the 30 percent limit should be dropped (1253).

The ITC was again the subject of Peloubet's testimony before the Senate Committee on Finance in April 1962 (Committee on Finance 1962, 803-823). At the hearings for H.R. 10650, Peloubet represented the National Small Business Association. The investment credit had many details, but it generally provided a credit against tax liability in the amount of 7% of investments in qualified tangible personal property, limited to 100% of the tax liability up to $25,000, plus

25% of any tax liability over $25,000. Peloubet began his testimony by agreeing with two points made earlier in the hearings by Douglas Dillon, Secretary of the Treasury. Peloubet agreed that the investment credit was a conceptually sound tax incentive (803). But he also agreed that an 8% credit with the limitation of $25,000, plus 50% of any tax liability over $25,000 was a much better plan that that proposed. Peloubet immediately moved onto his main agenda, which was to push for depreciation reform. He discussed the vast amount of outdated, obsolete equipment of U.S. manufacturers and supported his claim with the 1959 McGraw-Hill survey mentioned above. He compared the situation in the U.S. to the "modern and efficient productive capacity of Western Germany, Japan, and other countries" (804). Again, he pointed to the reinvestment depreciation method as a way to help the situation without revenue loss for the Treasury. Senator Vance Hartke was thoroughly interested in Peloubet's testimony and asked many questions about the reinvestment depreciation method (819-823). Senator Hartke thanked Peloubet for his time and "for what I consider to be a very worthwhile discussion" (823). H.R. 10650 was enacted on October 16, 1962 as Public Law 87-834, but not before the addition of an amendment that reduced an asset's depreciable basis by an amount equal to the potential ITC. The amendment was known as the Long Amendment, after the chairman of the Senate Finance Committee Senator Russell Long from Louisiana. This amendment caused much dissent and was repealed in 1964.

In 1963, Peloubet testified three times before Congress. He testified on March 12th before the House Committee on Ways and Means (Committee on Ways and Means 1963, 1907-1919), on April 29th before the Subcommittee on Taxes of the Senate Select Committee on Small Business (Subcommittee of the Select Committee on Small Business 1963, 76-97), and on

November 6th before the Senate Committee on Finance (Committee on Finance 1410-1422). This last testimony is discussed in a later section on the value-added tax.

During his 1963 House testimony, Peloubet discussed depreciation reform and depletion of natural resources (Committee on Ways and Means 1963, 1907-1919). For complete depreciation reform, Peloubet argued for two points. The first was that the shorter asset lives introduced in 1962 by the Treasury in Rev. Proc. 62-21, *Depreciation Guidelines and Rules,* needed to be made permanent with legislation. He argued that businessmen would not spend large amounts on depreciable assets unless they knew "that the rules that they are operating under are going to stay the same" (1916). The second thing Peloubet thought needed for complete depreciation reform was recognition of inflation, and here he mentioned reinvestment depreciation (1916). Peloubet went on to point out the extreme difficulty in administering Rev. Proc. 62-21, and he pointed specifically to the "incredibly complicated" reserve ratio (1916-1917). Peloubet also brought up his support of H.R. 4648, which would repeal the Long Amendment of the ITC (1917). The amendment necessitated extreme amounts of record keeping, and on the topic Peloubet said,

> I think the Long amendment probably has made more trouble than anything that has happened since Venus got the golden apple on top of Mount Ida. It has torn the accounting profession apart. It has caused dissension and disputes in corporations, and all of it for no result. It really is one of the most confusing, troublesome things that has ever happened. (1917)

The ITC was mandatory, and Peloubet thought if the Long Amendment were not repealed, the credit should be made elective (1918). This way if the cost of the record keeping required by the credit outweighed the tax benefit, the taxpayer would not have to take the credit. As to the proposed changes to depletion rules, Peloubet thought they were piecemeal and that an extensive study on depletion of natural resources was called for before any changes were made to the tax law (1917-1918). Peloubet made these same points before the Subcommittee on Taxes of the Senate's Select Committee on Small Business the following month (Subcommittee of the Select Committee on Small Business 1963, 76-97). The Long Amendment was repealed with the Revenue Act of 1964.

In 1966, President Lyndon B. Johnson was looking for ways to fight inflation and finance the Vietnam War. Among other methods, he proposed a sixteen-month suspension of the ITC and on the use of accelerated depreciation on buildings and structures (Committee on Ways and Means 1966b, 4-5). Acting as a consultant to the National Small Business Association, Peloubet testified against these temporary suspensions before the House Committee on Ways and Means (Committee on Ways and Means 1966b, 231-235), and he submitted a similar statement to the Senate Committee on Finance (Committee on Finance 1966, 400-403). Peloubet argued that most businessmen preferred an increase to the corporate and individual tax rates over the proposed suspensions. He stated,

> Such alternative would be clear, simple, and positive and could be turned on or off, at short notice, with a minimum of damage to the economy and without disturbing industry's plans and financing for a long time ahead. (Committee on Finance 1966, 401)

The President's proposal passed and became Public Law 89-800 on November 8, 1966, and these amendments were applied to taxable years ending after October 9, 1966.

The suspension was only for a little over five months. In March of 1967, H.R. 6950 proposed to restore the ITC and the allowance for accelerated depreciation on certain real property effective March 9, 1967. Peloubet submitted a statement to the public hearings on the bill before the House Committee on Ways and Means (Committee on Ways and Means 1967, 172-174), as well as to the hearings on the bill before the Senate Committee on Finance on (Committee on Finance 1967, 105-107). In both statements, Peloubet proposed that the restoration have a retroactive date of October 10, 1966 to eliminate the administrative difficulties inherent with a five-month suspension. It was to no avail. On June 13, 1967, H.R. 6950 became Public Law 90-26 with the suspension period ending March 9, 1967.

Value-Added Tax System

At the hearings before the Senate Finance Committee in November 1963, Peloubet was asked to discuss a value-added tax as a substitute for the corporate income tax (Committee on Finance 1410-1422). This was his first testimony as a partner at Price Waterhouse. The previous month, the Tax Institute of America held a symposium on alternatives to Federal taxes, at which Peloubet presented a paper on value-added taxes as an alternative to corporate income taxes (1411). This paper formed the base of his official statement submitted to the Senate Finance Committee, along with a statement on how a value-added tax would affect exports and foreign trade (1411). Peloubet thought the value-added tax a more "rational method of getting revenue from corporations" than the income tax (1412). There were many nuances to the value-added tax system, but it was basically a tax on sales. Peloubet thought the corporate income tax was essentially an excise tax for the privilege to operate in the corporate form and that it was levied on a widely fluctuating base. He also pointed out that loss corporations did not pay income tax, yet they received the same government services as those that did pay. Therefore, the corporate income tax acted as a subsidy for inefficient or badly managed loss corporations. Peloubet also discussed how a value-added tax system would put American manufacturers on a parity, taxwise, with most European countries (1413). In his submitted statement he discussed the value-added tax in France and that of West Germany. Peloubet noted that before legislation on a value-added tax could be put before Congress there was much research and statistical work that needed to be done, but that he had been asked by the committee to “put this on the table, put it up for consideration” (1415).

Peloubet testified again as to the merits of substituting a value-added tax for corporate income tax before the House Committee on Ways and Means on July 21, 1964 (Committee on Ways and Means 1964, 152-173). This time Peloubet represented the American Economic Foundation and the National Small Business Association (152). Others had testified before Peloubet describing the value-added tax system, so Peloubet’s testimony and submitted statement highlighted certain features of the system. Peloubet emphasized how a value-added tax system would simplify the tax structure and vastly reduce the cost of compliance. He estimated the current cost of compliance for the corporate income tax was around $1.5 billion a year, a cost that was more than 6% of the revenue received (152). Peloubet noted that much of this cost was hidden and included “preparation of returns, tax planning, controversy with the Internal Revenue Service, and litigation” (158). Among the many interesting points in Peloubet’s submitted statement is his statement that “The value-added tax would free accounting from tax pressures” (161). Here he discussed the difference in financial statements prepared for the public, SEC, and creditors and those prepared for the IRS. The financial statements prepared for this first group of users were meant to be accurate depictions of the company, so that the user could make an informed decision. Peloubet pointed out how tax ramifications sometimes precluded this,

> If there were no tax pressures, the problems of depreciation and inventory valuation, to name only two, would not be any less difficult as accounting problems but their solution would not be hampered by any irrelevant considerations of how the revenue authorities would use these figures for the collection of tax. Financial statements could be prepared on the basis best suited to the operations without having to consider other statements prepared for totally different purposes. (161)

Miscellaneous

In addition to the above described testimonies, Peloubet's opinion, in the form of an official statement or correspondence, was submitted as evidence at three congressional hearings. These include hearings in 1944 on the termination of war contracts before the War Contracts Subcommittee of the Senate Committee on Military Affairs (479-482), in 1945 on accounting for the mining industry before the Subcommittee on Mining and Minerals Industry of the Senate Special Committee to Study and Survey Problems of Small Business Enterprises (8452-8454), and in 1946 on renegotiation of war contracts before a Senate Special Committee Investing the National Defense Program (25944-25946). Peloubet was a man of wide-ranging knowledge. In 1959, he testified as a member of the Mining and Metallurgical Society of America on proposed legislation to change percentage depletion calculations for tax purposes (Committee on Ways and Means 1959b, 203-208). During the hearing Peloubet was asked if he was a geologist, as well as an accountant, by Representative Noah M. Mason from Illinois, to which Peloubet replied in the affirmative (207). It appears this was a self-appointed designation, as no formal training in geology came to light during the research for this paper.

Conclusion

> Impartial, accurate and condensed information is the only thing on which sound judgments of policy can be based and the only thing which can be used properly as a foundation for the statutes and regulation by which we all so largely live at the present time. (Peloubet 1941a, 20)

Though these words are from a speech Peloubet made in Spring 1941 as the accounting profession as well as the nation grappled with the effects of the imminent war, they apply to his congressional testimonies. Peloubet's congressional statements and testimonies were always thorough. He was an accountant with wide-ranging expertise, and he knew how to succinctly convey his knowledge.

CHAPTER VIII

SUMMARY AND CONCLUSIONS

Maurice E. Peloubet promoted and advanced the profession of accountancy throughout his fifty-three-year career. He began his career in 1911 in New York with Price Waterhouse. To help with the manpower shortage caused by WWI, he spent 1914-1919 based out of Price Waterhouse's London office. When he returned to the states in 1919, Peloubet went to work for his father's firm Pogson, Peloubet & Co. whose audit clients included the top mining companies Anaconda and Phelps Dodge. Peloubet became an expert in mining accounting and even considered himself a geologist. Peloubet passed the CPA exam in November 1919 and joined the AIA in 1920. His dedication to the AIA is evident in the numerous committees on which he served, including twelve years on the Committee on Accounting Procedure and two years on the Committee on Auditing Procedure. He also held the offices of auditor, treasurer, and vice president. Peloubet used his talent for writing to promote the profession and participate in the public debates on accountancy that took place in the AIA's publication, the *Journal of Accountancy*. Peloubet was also deeply involved in other professional organizations. He was a member of the NACA for decades, served as their national director in 1947, gave numerous talks to its members, and repeatedly published in the organization's journal. Over the course of his career Peloubet had over 200 academic publications including articles, papers, and books. He served two terms as the president of the Society of Certified Public Accountants in New Jersey 1927-1929 and one term as the president of the New York State Society of Certified Public

Accountants 1950-1951. Peloubet was also involved in the international accounting scene and spoke at the International Congress of Accountants and the Inter-American Conference on Accounting several times. From the late 1930s to the late 1960s Peloubet testified or submitted statements to twenty-two congressional hearings (plus three additional submissions for presentation by others). The bulk of his testimonies were before the Senate Committee on Finance and the House Ways and Means Committee. He was asked to discuss a variety of topics including the LIFO inventory method, depreciation reform, the investment tax credit, the governmental accounting system, and the value-added tax system. Peloubet pushed the profession forward on this variety of fronts and all the while helped build his accounting firm Pogson, Peloubet & Co. into a strong national firm. The firm merged with Price Waterhouse in 1963, and Peloubet was made a partner. And though he retired the following year, Peloubet continued to write and publish, as well as testify before Congress, for several more years. Peloubet suffered a severe stroke in 1971, which curtailed his professional activity until his passing in 1976.

From all accounts, Peloubet was a kind man. Wise (1962, 22) described Peloubet's manner as "benign and avuncular." And an appearance in 1956, as a contestant on the gameshow "Twenty-One," reveals a reticent and soft-spoken man. The televised episode provides a glimpse into Maurice the man, not Peloubet the accountant. It seemed rather fitting that he correctly answered the questions on science and literature but missed one on baseball. He knew Fahrenheit invented the mercury thermometer, and he knew the pseudonyms for William S. Porter, Amantine Dupin, and Charles L. Dodgson were O. Henry, George Sand, and Lewis Carroll. But he did not know who hit a ninth inning homerun to win the 1951 pennant for the New York

Giants. This feat came to be known as the “shot heard ‘round the world,” and most New Yorkers could have answered, “Bobby Thomson.”

Two important influences on Peloubet’s life were his father and his time in Europe during WWI. From his father, Peloubet inherited a love for the arts, as well as accountancy. Peloubet reminisced fondly of his father in his memoir, and he dedicated both of his books on auditing to his father. At twenty-two years old and with only three years of experience, Peloubet transferred to the London office of Price Waterhouse, where the profession was well-established compared to the U.S. The five years working in Europe broadened his worldview, and he continued to travel and remained involved in international accounting throughout his life. The manpower shortage in the London office presented opportunities for Peloubet to work on projects that stretched his abilities, which resulted in a confidence he carried through the rest of his career. His was not a flashy confidence but more of a can-do attitude. This was exemplified in the introduction to Peloubet’s memoir:

> It seemed to me I had just done one thing after another as clients requested, or as opportunities presented themselves, and I had not given much thought to any personal involvement or whether any of this would be of great general interest. (Peloubet 2000, viii)

This dissertation tracks the career and contributions of one of accountancy’s major players during the profession’s highly evolutionary period in the United States from before World War I to the Vietnam War. Maurice Peloubet boldly applied his variety of talents to the advancement of accountancy. His love and gift for writing created informative and thought-provoking literature for the profession. His ability to concisely present accounting concepts allowed him to effectively represent the profession before Congress and other regulatory bodies. His theoretical and practical view of accountancy coupled with his collected deportment enabled him to serve twelve consecutive years on the AIA’s authoritative accounting principles body. His personal interests in Latin America and travel were applied to international accounting relationships. It took the tireless dedication of accountants, such as Maurice Peloubet, to navigate the profession through the changes brought on by two World Wars, the resultant economic booms, and inflation. Without the herculean efforts of these leaders, the profession could not have kept pace with society. There was no one person who was the keystone for the profession during the era. Rather, it was the profession as a whole that stepped up to the challenge, and Peloubet was one of the profession's workhorses.

The evolution of accounting's terminology, principles, and applications over the course of Peloubet's career shows that accounting is a product of its environment. It also demonstrates that how events are accounted for change people's actions. Accounting data, the numbers that measure phenomena, have evolved and will continue to evolve according to the development of its environment. All accounting research can benefit from an in-depth knowledge as to accounting data's progression. The knowledge of accountancy's history is powerful in that it gives insight into methods that might or might not work in the future. And to quote Peloubet, "The background of the development of an accounting method or principle is often quite important in determining its scope or application" (Peloubet 1955, 9). Because accounting is a social science, it is also beneficial to look at *who* participated in its development. Peloubet championed so strongly for the LIFO inventory method and depreciation reform because he believed they were theoretically sound, but also because they greatly affected his clients and relations in the mining industry. What type of man was able to knowledgeably talk shop with coal miners, write poetry about meetings of the AIA's Committee on Auditing Procedure, and testify before Congress as to the economic ramifications of changes to the tax code? There is no doubt that Peloubet's multi-faceted personality made him effective in a variety of accounting contexts. The study of his life brings richness to and provokes thought on the current status of the profession of accountancy.

Due to the extent of Peloubet’s accomplishments on so many different fronts, there is ample room for future research into his contributions. Two possible avenues are a more in-depth look at his leadership role in the state CPA societies of New Jersey and New York and his contributions to the government and profession during WWII. The history of the AICPA provides several areas for future research. One is an examination into how the AICPA offered practical help to its members over the decades, such as how it aided its members through the depression of the 1930s. Another is an analysis of the Institute’s advisory role in the evolution of accounting and auditing in the federal government structure.

The intense examination of Peloubet’s career illustrates accountancy is a social science. Unraveling accounting’s history reveals it to be at the heart of the vast network of society, the economy, and politics. Documenting and understanding the dynamic relationship between accountancy and this network provides a better foundation from which to move forward.

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APPENDICES

APPENDIX A

PELOUBET'S WRITINGS: JOURNAL ARTICLES, PAPERS, AND SPEECHES

Title	*Publication Information*
Operation of the British Excess Profits Duty Law	*Journal of Accountancy*, Jan. 1919, p. 17-22.
Mechanical Difficulties in Consolidating Accounts	*Journal of Accountancy*, June 1923, p. 413-429.
Budget Making and Cost Analysis for Apartment Buildings	A paper read at the National association of building owners and managers, June 21, 1926. 21 typewritten pages
Profits of salvage department: correspondence	*Journal of Accountancy*, May 1926, p. 380-382.
Accounting in Plain Language	from *Journal of Accountancy*. *Australasian accountant and secretary*, Nov. 1927, p. 342-346.
Single Entry, the Business Man's Language	*Journal of Accountancy*, Sept. 1927, p. 180-187. *Pulp and Paper Profits*, Sept. 1927, p. 11-14.
Current Assets and the Going Concern	*Journal of Accountancy*, July 1928, p. 18-22. *Pulp and Paper Profits*, July, Aug. 1928, p. 15-16; 15-16.
Inventories and the Auditor	*Journal of Accountancy*, Dec. 1928, p. 416-425. *Paper Trade Journal*, Jan. 31, 1929, p. 73-76. *Accountants' Journal* (New Zealand), March 1929, p. 263-267.
Valuation of Normal Stocks at Fixed Prices	Paper presented at the International Congress on Accounting held at Hotel Commodore, New York, Sept. 9-14, 1929. 17p. (In International Congress on Accounting. *Proceedings*, 1929. p. 565-581.) *Accountant*, Nov. 23, 1929, p. 650-656.
Summary of Report of the National Institute of Public Administration in an Audit and Survey of the Affairs of the State of New Jersey	Address presented at the meeting of the Society of certified public accountants of the state of New Jersey, May 22, 1930. Newark, N.J., Society of Certified Public Accountants of the State of New Jersey, 1930. p. 2-10.
Consolidated Accounts	*Bulletin*, *New York State Society of Certified Public Accountants*, Jan. 1931, p. 31-37.

Title	*Publication Information*
Present Tendencies in Accountancy Legislation	*Journal of Accountancy*, Oct. 1931. p. 283-296. *Commercial and Financial Chronicle*, Oct. 10, 1931, p. 2371-2372, (extracts).
Depreciation Under the Revenue Act of 1934	A paper read before the New Jersey Society of Certified Public Accountants, July 25, 1934. *Journal of Accountancy*, Sept. 1934, p. 169-197.
Professional Ethics and the Student	*Accounting Review*, June 1934, p. 164-170. *Bulletin of the American Institute of Accountants*, Aug. 15, 1934, p. 18 (resume).
Practical Inventory Method for the Tanning Industry	Address delivered at Tanners council of America, Chicago, October 24, 25, 1935. 20 typewritten pages
Principles of Inventory Valuation	*Bulletin of the Taylor Society and of the Society of Industrial Engineers*, May 1935, p. 148-159. *New York Certified Public Accountant*, April 1935, p. 51-68. *Canadian Chartered Accountant*, June 1935, p. 383-406.
"Value" as an Accounting Concept	*Journal of Accountancy*, July 1935, p. 53-54.
Is Value an Accounting Concept?	*Journal of Accountancy*, March 1935, p. 201-209.
Candidates as Human Beings	*Journal of Accountancy*, Oct. 1935, p. 277-281.
Present-day Problems in Inventory Valuation	(In National Association of Cost Accountants. *Year book*, 1936. p. 164-187, discussion, p. 187-191.)
Jargon	*Journal of Accountancy*, Jan. 1936, p. 37-40. *Accountant Student and Accountants' Journal*, Sep. 1936, p. 139-143. *Accounting Forum*, Jan. 1936, p. 5-7.
Special Problems in Accounting for Capital Assets	*Journal of Accountancy*, March 1936, p. 185-198.
What Can We Do for the Student?	*New York Certified Public Accountant*, April 1936, p. 19-22.
Candidates as Human Beings	(from *Journal of Accountancy*) *Accountants' Journal*, April 1937, p. 322-324.
Inventory -- What is the lower of cost or market?	(Opening remarks of the chairman, round table discussion, at 50th anniversary celebration and annual meeting of AIA, Waldorf-Astoria Hotel, New York, October 18-22, 1937.) 5 mimeographed pages.
Natural Resource Assets -- Their Treatment in Accounts and Valuation	*Harvard Business Review*, Autumn number, 1937, p. 74-92. Reprinted. 19p.
Problems of Present-day Inventory Valuation.	New York, National Association of Cost Accountants, March 1, 1937. (*N.A.C.A. Bulletin*, v. 18, no. 13, section 1, p. 741-751.)

Title	*Publication Information*
Inventory Valuation -- Mr. Peloubet comments.	New York, National Association of Cost Accountants, Nov. 1, 1937. (*N.A.C.A. Bulletin*, v. 19, no. 5, section 2, p. 283-284.)
Is it Desirable to Distinguish Between Various Kinds of Surplus?	(comments in a symposium) *Journal of Accountancy*, April 1938, p. 289-290.
Enjoyment of Unpleasant Assignments	*Accounting Forum*, Oct. 1938, p. 5-9.
ACCOUNTANTS' testimony at hearings on federal tax bill	*Certified Public Accountant*, May 1938, p. 6-7.
Accountant and Inventory	*Accounting Forum*, May 1939, p. 15-17, 32.
Memorandum on Foreign Exchange Accounting as Affected by Present Conditions	*Accounting Ledger*, Dec. 1939. p. 8-9, 37.
Place of Theory in Accounting	*Accounting Ledger*, Feb. 1939, p. 13-17.
Accounting for Nonferrous Metal Mining Properties and Their Depletion	By Henry B. Fernald, Maurice E. Peloubet, and Lewis M. Norton. *Journal of Accountancy*, Aug. 1939, p. 105-116.
McKesson and Robbins Case and the Extension of U.S. Audit Procedure	*Chartered Accountant in Australia*, Dec. 1939, p. 392-395.
McKesson and Robbins Case; Effect on Accounting Practice in the U.S.A.	*Chartered Accountant in Australia*, May 1939, p. 722-733.
Acceptance by Congress of the "Last-In, First-Out" Method for Valuing Inventories	*In AIA. Papers on Auditing Procedure and Other Accounting Subjects. 1939. p. 73-77.*
Inventories	In Pennsylvania Institute of Certified Public Accountants -- Harrisburg chapter, and the AIA. Proceedings of the First Accounting Clinic. 1939. p.52-55.) New York Certified Public Accountant, Nov. 1939, p. 72-80.
Discussion of the report of the special committee on auditing procedure of the American Institute of Accountants	In Pennsylvania Institute of Certified Public Accountants -- Harrisburg chapter, and the AIA. Proceedings of the Second Accounting Clinic, October 20-21, 1939. 11p.
Inventories and the Auditor	*Journal of Accountancy*, July 1939, p. 8-16. *Philippine Accountants' Journal*, July, Aug. and Sept. 1939, p. 144-155.
System of Accounts for a Typical Small Mining Venture	(for *Engineering and Mining Journal*) June 26, 1940. 7 typewritten pages and 2 forms. *Chartered Accountant in Australia*, April 1941, p. 481-488.
Audit Reports for Management	(In Ohio State University. *Proceedings of the Third Annual Institute on Accounting*, May 17, 18, 1940. p. 52-59.)
Introduction to Round-Table Discussion on "*Audit Working Papers*."	In AIA. Experiences with Extensions of Auditing Procedure. 1940. p. 29-31.

Title	*Publication Information*
Last-In, First-Out Once More; a Discussion of Certain Points Raised by Professor Paton	*Journal of Accountancy*, June 1940, p. 446-450.
Have Our Professional Societies Met the Growing Need for Organization?	(Address before the Ohio Society of Certified Public Accountants, Oct. 1941.) 10 typewritten pages. Peloubet lists Bulletin of Ohio State Society of CPAs, Sept. 1941.
Your Own Cost System and National Defense.	(Address delivered to the Pittsburgh chapter of National Association of Cost Accountants, at Pittsburgh, Penn., December 17, 1941.) 19 typewritten pages.
Accountant and National Defense	(Delivered to the Grand Rapids chapter of the National Association of Cost Accountants, at Muskegon, Michigan, November 4, 1941.) 19 mimeo. pages.
New Concepts of Accounting Responsibilities	(In American Management Association. *Problems of Accounting Responsibility*. c1941.p. 16-23.) *New York Certified Public Accountant*, March 1941, p. 349-355. *Controller*, April 1941, p. 137-139, 142.
Crossroads and Cross-Purposes	(Presented at dinners in Springfield, Mass., April 17, 1941, and Hartford, Conn., April 18, 1941.) 31 p.
Cooperation with Younger Men in the Profession	(Presented at the meeting of the Advisory Council of State Society Presidents, Detroit, Mich., Sept. 15, 1941.) 2p.
McKesson and Robbins Case; Report of the Securities and Exchange Commission	*Chartered Accountant in Australia*, Feb. 1941, p. 383-388.
What to Do Now About Last-In, First-Out Inventory Method	*Controller*, March 1941, p. 86-88.
A Sporting Tax	*Journal of Accountancy*, Jun. 1941, 568. (From an address entitled "Cross Roads and Cross Purposes" presented by Peloubet before the Connecticut Society of CPAs, April 18, 1941.)
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Title	*Publication Information*
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The Accountant's Contribution to Defense	*Journal of Accountancy*, Jan. 1942, p.6. (From an address, "Your Own Cost System and National Defense," delivered by Peloubet before the Pittsburgh Chapter, NACA, on Dec. 17, 1941.)
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Renegotiation -- Some Points in Case Histories.	*(In AIA. Accounting Problems in War Contract Termination . . . 1943. p. 33-38.)*
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Advantages in the Historical Income Statement	(In AIA *Termination and Taxes and Papers on Other Current Accounting Problems, 1944. p. 148-152) (In AIA Historical vs. Earning Power Concept of the Income Statement, 1944. p. 148-152)*
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Problems in Property Accounting Created by War Financing	In National Association of Cost Accountants. *Anniversary Papers . . . 1944*. p. 45-54.
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Title	*Publication Information*
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Title	*Publication Information*
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Accounting for Military Contracts	Editor, *Journal of Accountancy*, Apr. 1949, p.341-342.
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Title	*Publication Information*
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Accounting for Military Contracts	Editor, *Journal of Accountancy*, Mar. 1949, p.238.
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Title	*Publication Information*
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Inventory Control and Valuation	N.A.C.A. bulletin, v. 37, section 3, Sept. 1955, p. 170-173. (1955 Conference Proceedings).
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Title	*Publication Information*
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Title	*Publication Information*
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Struggle for LIFO	*Price Waterhouse Review*, v. 16, Spring 1971, p. 54-61.

APPENDIX B

PELOUBET'S WRITINGS: BOOKS

Title	*Publication Information*
Audit Working Papers, Their Function, Preparation and Content	New York, American Institute Pub. Co. Inc., 1937. 412p.
Explanation of Principles for Determination of Costs under Government Contracts	Booklet prepared by Eric A. Camman, chief, and Peloubet, assistant chief, of the Accounting Advisory Branch of the W.P.B. 1942; reprinted in JAC June 1942 p. 516-529.
Audit Working Papers	New York, McGraw-Hill Book Co., Inc., 1949. 508p.
Federal Taxation and Unreasonable Compensation; co-authored with Crawford Halsey	New York, Ronald Press Co., 1964, 180p.
Financial Executive and the New Accounting	New York, Ronald Press Co., 1967. 227p.
The Story of a Fortunate Man: Reminiscences and Recollections of Fifty-Three Years of Professional Accounting	Alfred R. Roberts, editor. New York: Elsevier Science, Inc., 2000. 132p.

APPENDIX C

PELOUBET'S WRITINGS: BOOK CHAPTERS

Title	*Publication Information*
Audit Programs and Working Papers	In AIA *Contemporary Accounting* c.1945. Chapter 13
New Auditing Techniques	In AIA *Contemporary Accounting* c.1945. Chapter 12
General Survey of Cost Accounting, Its Problems and Setting	In Lasser, J. K. , ed. *Handbook of Cost Accounting Methods*. 1949. p. 1-14.
Difference Between Tax Accounting and Commercial Accounting	Peloubet, Maurice and Lasser, J. K. Lasser, J. K., editor. In Lasser's *Handbook of Tax Accounting Methods*. 1951. p. 21-30.
How to Run an Accounting System	In Lasser, J. K. , ed. *Business Management Handbook*. c1952. p. 407-431.
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Copper and Brass Mills	In Lasser, J. K. , ed. *Handbook of Auditing Methods*. 1953. p. 228-239.
Inventory Values and Profit Measurement	In Fiske, Wyman P., and Beckett, John A., editors, *Industrial Accountant's Handbook*. 1954. p. 505-529.
Historical Background of Accounting	In Backer, Morton, ed. *Handbook of Modern Accounting Theory*. 1955. p. 7-39.
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Tanning and Processing of Leather	In Williams, Robert I. and Doris, Lillian, ed. *Encyclopedia of Accounting Systems*. v. 5. 1957. p. 1767-1792.
Accounting for the Extractive Industries	In Robie, Edward H., ed. *Economics of the Mineral Industries*. 1959. p. 393-433.
How to Run an Accounting System	In Prerau, Sydney, ed. *J. K. Lasser's Business Management Handbook*. ed. 2. 1960. p. 407-431.
Accounting for the Extractive Industries	In Robie, Edward H., ed. *Economics of the Mineral Industries*. Ed. 2. c1964. p. 403-450.
Historical Development of Accounting	In Backer, Morton, editor. *Modern Accounting Theory*. 1966. p. 5-27.

APPENDIX D

PELOUBET'S WRITINGS: BOOK REVIEWS

Title	*Publication Information*
Holding Companies and their Published Accounts, by Gilbert Garnsey	*Journal of Accountancy*, Sep. 1924, p. 229-230.
Specialized Accounting, by George Hillis Newlove and Lester Amos Pratt	*Journal of Accountancy*, Apr. 1925, p. 351-352.
Financial Handbook, by R. H. Montgomery	*Journal of Accountancy*, Jan. 1926, p. 73-74.
The Financial Policy of Corporations, by Arthur Stone Dewing	*Journal of Accountancy*, Feb. 1927, p. 149-152.
The Building and Loan Association, by Robert Riegel and J. Russell Doubman	*Journal of Accountancy*, Jan. 1928, p. 71-72.
Finance, by Charles L. Jamison	*Journal of Accountancy*, Jul. 1928, p. 72-73.
The Financing of Business Enterprises, by Avard L. Bishop	*Journal of Accountancy*, Oct. 1929, p.305-308.
Applied Business Finance, by Edmond E. Lincoln	*Journal of Accountancy*, July 1930, p.65-67.
Life Expectancy of Physical Property Based on Mortality Laws, by Edwin B. Kurtz	*Journal of Accountancy*, Oct. 1930, p.312-313.
Accounting - Principles and Procedure with Laboratory Manual, by Walter J. Goggin and James V. Toner	*Journal of Accountancy*, Feb. 1931, p.146-147.
Department Store Accounting, by DeWitt Carl Eggleston	*Journal of Accountancy*, Apr. 1932, p.308.
Problems in Cost Accounting, by Howard C. Greer and Russell S. Willcox	*Journal of Accountancy*, Mar. 1932, p.227-228.
Financial Handbook, second edition, by Robert H. Montgomery	*Journal of Accountancy*, Mar. 1934, p.227-228.
The Financial Policy of Corporations, by Arthur Stone Dewing	*Journal of Accountancy*, Jan. 1935, p.66-68.
New York Stock Exchange, Committee on Public Relations, NYSE; Stock Exchange Procedure, by Birl E. Shultz	*Journal of Accountancy*, Aug. 1936, p. 155.
Analysis of Financial Statements, by Harry G. Guthmann	*Journal of Accountancy*, Feb. 1936, p. 151-152.
Analyzing Financial Statements, by Stephen Gilman	*Journal of Accountancy*, Mar. 1936, p. 236.

Title	*Publication Information*
The Herwood Library of Accountancy (A Catalogue of Books Printed between 1494 and 1900)	*Journal of Accountancy*, Jan. 1939, p.62-63.
Do You Want to Become an Accountant, by Thomas W. Byrnes and K. Lanneau Baker	*Journal of Accountancy*, Dec. 1940, p.561
Accountancy as a Career, Lawrence W. Scudder	*Journal of Accountancy*, Feb. 1940, p.154-155
Financial Security in a Changing World, by Merryle Stanley Rukeyser	*Journal of Accountancy*, Jul. 1940, p.86
Controllership: Its Functions and Technique, by John H. MacDonald	*Journal of Accountancy*, Feb. 1941, p.188-190.
Financial Policy of Corporations, by Arthur Stone Dewing	*Journal of Accountancy*, Jan. 1942, p.92-93
Business Reserves for Postwar Survival, by Mark S. Massel	*Journal of Accountancy*, Jul. 1943, p.81-83.
Auditing Developments During the Present Century; by Walter A. Staub	*Journal of Accountancy*, Mar. 1943, p.275-276.
Accounts Receivable Financing, by Raymond J. Saulnier and Neil H. Jacoby	*Journal of Accountancy*, May 1943, p.459.
Government and Business, by Vernon A. Mund	*The Accounting Review* 26, no. 1, Jan. 1951, 133-134.
Shirtsleeve Economics, A Common Sense Survey, by William A. Paton	*The Accounting Review* 27, No.4, Oct. 1952, p.576-577.
English Commission Reports	*Article Review, *Journal of Accountancy*, Sep. 1955, p.75-76.
The Big Business Executive - The Factors That Made Him - 1900-1950, by Mabel Newcomer	*The Accounting Review* 31, No.3, Jul. 1956, p.545-546.
"Contrasts in Mining Accounting;" A Review of "Mining Accounting and Taxation in the Union of South Africa," by Edward F. Jeal in *The Accountant* July 7, 1956	*Article Review, *Journal of Accountancy*, Nov. 1956, p.93.
"'Replacement Cost' Comment;" A Review of "Shipping Companies' Accounts," by H. M. Grace in *The Accountant* August 11, 1956	*Article Review, *Journal of Accountancy*, Nov. 1956, p.95.
A Guide to Auditing, by W. T. Dent	*Journal of Accountancy*, Sep. 1959, 93-94.
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Title	*Publication Information*
The Measurement of Property, Plant, and Equipment in Financial Statements; Harvard Business School Accounting Round Table, Summary of Proceedings	*Journal of Accountancy*, Dec. 1964, p.88.
Significant Accounting Essays, by Maurice Moonitz and A. C. Littleton	*The Accounting Review* 41, no. 3, Jul. 1966, 614-615.
An Inquiry Into the Nature of Accounting, by Louis Goldberg	*Journal of Accountancy*, Apr. 1967, p.90-92

APPENDIX E

PELOUBET'S WRITINGS: LETTERS TO THE EDITOR

Title	*Publication Information*
Accountancy Education	*Journal of Accountancy*, Dec. 1914, p. 488
Restrictive Legislation	*Journal of Accountancy*, May 1931, p. 390-391.
Classification of Assets	*Journal of Accountancy*, Oct. 1932, p. 309-310.
Depletion of Mineral Deposits	*Journal of Accountancy*, Feb. 1934, p. 150-154.
C.P.A. Examinations	*Journal of Accountancy*, Sept. 1937, p. 214-215.
Vocabulary Building	*Journal of Accountancy*, Sept. 1938, p. 183.
New York Letter - Revenue Act of 1939	*Chartered Accountant in Australia*, Oct. 1939, p. 290-292.
New York Letter, September 14, 1940	*Chartered Accountant in Australia*, Oct. 1940, p. 195-199.
Regarding Mr. Renner's Article	New York, National Association of Cost Accountants, Dec. 1, 1940. (*N.A.C.A. Bulletin*, v. 22, no. 7, section 2, p. 365-367.)
Praise for Professor Jones	*Journal of Accountancy*, v. 87, March 1949, p. A-10.
Can Statistical Sampling Techniques Serve the Auditor?	*Journal of Accountancy*, v. 89, March 1950, p. A-16.
H. T. McAnly Deserves Great Credit for Popularizing Dollar Value Method of Calculating Inventories	*Journal of Accountancy*, v. 91, April 1951, p. 527-528.
Any Business Without Some Kind of Cost System is in Dangerous Situation in Dealing with the Government	*Journal of Accountancy*, v. 91, March 1951, p. 369-370.
Cash Discount: Challenge, by S. Clark Pyfer; - And Reply, by Maurice E. Peloubet.	Journal of Accountancy, v. 102, Nov. 1956, p. 23-24.
Robinson-Patman Act	*Journal of Accountancy*, v. 102, Sept. 1956, p. 25-26, 28, 30.
"Canons" of Accountancy?	*Journal of Accountancy*, v. 107, March 1959, p. 24-25.
Disagreement on Price-Level Depreciation	Journal of Accountancy, v. 107, May 1959, p. 20, 22.

Replacement Value Theory	*Journal of Accountancy*, v. 110, Aug. 1960, p. 27-28.

APPENDIX F

PELOUBET'S WRITINGS: POETRY

Title	*Publication Information*
Ballads, Songs & Snatches	Book; Concord, New Hampshire: The Rumford Press. 1938. 68p.
Comma Comes After Hereafter, or McKesson's Ghost (A Supplementary Report on the Committee on Accounting Procedure)	In *Fiftieth Anniversary of the Founding of the New York State Society of Certified Public Accountants, 1897-1947.* 1947. p. 89*; The Story of a Fortunate Man.* 2000. p. 100-103
Jack Jouett's Famous Ride from Cuckoo Tavern to Monticello and Charlottesville on the Night of June the Third, 1781	Mount Vernon, N.Y.: Golden Eagle Press. Christmas Card from Louis and Maurice Peloubet. 1951
Some Random Thoughts of Abraham De Peyster	Christmas Card from Louis and Maurice Peloubet. Illustrated by Robert J. Leydenfrost. 1961.
Christmas - 1962	Christmas Card from Louis and Maurice Peloubet. 1962.
The Eternal Kinship	In *The Golden Year: The Poetry Society of America Anthology (1910-1960).* 1969. p. 215-216
Butte, Montana	In *The Story of a Fortunate Man*. 2000. p. 81-82
Prospect Holes	In *The Story of a Fortunate Man*. 2000. p. 83
Old Angus	In *The Story of a Fortunate Man*. 2000. p. 84-87
Electric Furnace	In *The Story of a Fortunate Man*. 2000. p. 88-90
Recte Numerare	In *The Story of a Fortunate Man*. 2000. p. 91-92
The Dancers	In *The Story of a Fortunate Man*. 2000. p. 93-94
Jim Bridger	In *The Story of a Fortunate Man*. 2000. p. 94-97

APPENDIX G

CONGRESSIONAL TESTIMONIES

Topic	*Hearing*
Base Stock Inventory Method; Testimony	Committee on Finance. 1936. *Revenue Act, 1936: Hearings Before the S. Comm. on Finance on H.R. 12395 An Act to Provide Revenue, Equalize Taxation and for Other Purposes.* 74th Cong. (Apr. 30 to May 12, 1936). p. 717-719.
LIFO Inventory Method; Testimony	Committee on Ways and Means. 1938. *Revision of Revenue Laws 1938: Hearings Before the H. Comm. on Ways and Means on Revenue Revision 1938 H.R. 9682*. 75th Cong. (Jan. 14, 15, 17-22, 24, 25, 1938). p. 1181-1184.
LIFO Inventory Method; Testimony and Statement	Committee on Finance. 1938. *Revenue Act of 1938: Hearings Before the S. Comm. on Finance on H.R. 9682 An Act to Provide Revenue, Equalize Taxation and for Other Purposes.* 75th Cong. (Mar. 17-19, 21, 22, 1938). p. 143-167
Termination of War Contracts; Statement	Subcommittee of the Committee on Military Affairs. 1944. *Problems of Contract Termination: Hearings Before a Subcomm. of the S. Comm. on Military Affairs on S. 1268 a Bill to Facilitate the Termination of War Contracts, S. 1280 a Bill to Provide Authority to the Secretary of War to Use Funds Now or Hereafter Appropriated for Adjustment of Contracts, and for Other Purposes, and S. 1470 a Bill to Provide for Mandatory Loans to Small Business Concerns Upon Termination of Their War Contracts. Part 6.* 78th Cong. p. 479-482
Mining Accounting; Correspondence Submitted for the Record	Subcommittee on Mining and Minerals Industry. 1945. *Problems of American Small Business: Hearings Before the Subcomm. on Mining and Minerals Industry of the S. Special Comm. to Study and Survey Problems of Small Business Enterprises on S. Res. 28 a Resolution to Appoint a Special Committee to Study and Survey Problems of American Small Business Enterprises. Part 71.* 79th Cong. (Aug. 7 and 8, 1945). p. 8452-8454.

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Renegotiation of War Contracts; Correspondence Submitted for the Record	Special Committee Investigating the National Defense Program. 1946 and 1947. *Investigation of the National Defense Program: Hearings Before a S. Special Comm. Investigating the National Defense Program on S. Res. 46 A Resolution Authorizing and Directing an Investigation of the National Defense Program. Part 42.* 80th Cong. (April 5, Aug. 14, Sept. 26, Nov. 18, 1946; Oct. 21-24, 1947) p. 25944-25946.
Governmental Accounting; Testimony	Committee on Expenditures in the Executive Department. 1950. *To Improve Budgeting, Accounting, and Auditing Methods of the Federal Government: Hearings on S. 2054 (and Amendments) Before the Senate Comm. on Expenditures in the Exec. Dep'ts*, 81st Cong. (Feb. 27, 28, Mar. 2, 3, 6, 7, 1950). p.127-139.
Lower of Cost or Market for LIFO Inventory Method; Testimony	Committee on Ways and Means. 1953. *General Revenue Revision: Hearings Before the H. Comm. on Ways and Means. Part I (Topics 1-19).* 83rd Cong. (June 16-18, 23; July 8,9,14-16, 21, 1953). p. 615-626.
Depreciation Reform; Testimony and Statement	Committee on Ways and Means. 1958. *General Revenue Revision: Hearings Before the H. Comm. on Ways and Means. Part I.* 85th Cong. (Jan. 7-10, 13-16, 20, 1958). p. 975-1013.
Percentage Depletion; Testimony	Committee on Ways and Means. 1959. *Mineral Treatment Processes for Percentage Depletion Purposes: Hearings Before the H. Comm. on Ways and Means on the Legislative Proposal of the Treasury Department Specifying the Treatment Processes Which Shall Be Considered Mining for the Purpose of Computing Percentage Depletion in the Case of Mineral Products.* 86th Cong. (March 5, 6, 9-11, 1959). p. 203-208
Depreciation Reform; Testimony and Statement	Subcommittees of the Select Committee on Small Business. 1959. *Tax Depreciation Allowances on Capital Equipment: The Effects of Current Federal Tax Depreciation Policies on Small Business*. 86th Cong. (July 24, 1959). p. 2-23.

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Depreciation Reform; Paper	Committee on Ways and Means. 1959. *Tax Revision Compendium. Compendium of Papers on Broadening the Tax Base Submitted to the H. Comm. on Ways and Means. Panel Discussions to be conducted beginning November 16, 1959*. p. 891-919.
Depreciation Reform; Testimony and Statement	Committee on Ways and Means. 1959. *Income Tax Revision: Panel Discussions Before the H. Comm. on Ways and Means.* 86th Cong. (Nov. 16-20, 23, 24, 30, Dec. 1-4, 7-11, 14-18, 1959). p. 419-428.
Depreciation Reform; Statement	Select Committee on Small Business. 1960. *Tax Depreciation Allowances on Capital Equipment: Report of the Select Committee on Small Business on the Effects of Current Federal Tax Depreciation Policies on Small Business.* Report No. 1917. 86th Cong. p. 15-16
Tax Gain on Sale of Depreciable Personal Property and Depreciation Reform; Testimony and Statement	Committee on Ways and Means. 1960. *Revising Tax on Gains from Sales of Depreciable Personal Property: Hearings before the H. Comm. on Ways and Means on H.R. 10491 and H.R. 10492, Bills to Provide for the Treatment of Gain from the Sale or Exchange of Tangible Personal Property Used in the Trade or Business.* 86th Cong. (Mar. 2 and 3, 1960). p. 91-108.
Investment Tax Credit; Testimony and Statement	Committee on Ways and Means. 1961. *President's 1961 Tax Recommendations: Hearings before the H. Comm. on Ways and Means on the Tax Recommendations of the President Contained in His Message Transmitted to the Congress, April 20, 1961. Vol. 2*. 87th Cong. (May 12, 15-19, 1961). p. 1249-1279.
Investment Tax Credit; Testimony and Statement	Committee on Finance. 1962. *Revenue Act of 1962: Hearings Before the S. Comm. on Finance on H.R. 10650 an Act to Amend the Revenue Act of 1954 to Provide a Credit for Investment in Certain Depreciable Property, to Eliminate Certain Defects and Inequities, and for Other Purposes.* (April 3-5, 1962). p. 803-823.
Depreciation Reform, Investment Tax Credit, and Depletion Testimony and Statement	Committee on Ways and Means. 1963. *President's 1963 Tax Message: Hearings Before the H. Comm. on Ways and Means. Part 3.* 88th Cong. (Feb. 26, Mar. 4-8, 11-12, 1963). p. 1904-1919.

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Depreciation Reform and Investment Tax Credit; Testimony and Statement	Subcommittee of the Select Committee on Small Business. 1963. *Impact of Current Tax Proposals on Small Business*. 88th Cong. (April 29 and 30, 1963). p. 76-85;88-97.
Value-Added Tax System; Testimony and Statement	Committee on Finance. 1963. *Revenue Act of 1963: Hearings Before the S. Comm. on Finance on H.R. 8363 an Act to Amend the Revenue Code of 1954 to Reduce Individual and Corporate Income Taxes, to Make Certain Structural Changes with Respect to the Income Tax, and for Other Purposes.* (Oct. 28-31, Nov. 1, 4-8, 1963). p. 1410-1422.
Value-Added Tax System; Testimony and Statement	Committee on Ways and Means. 1964. *Federal Excise Tax Structure: Hearings Before the H. Comm. on Ways and Means. Part 3*. 88th Cong. (July 21-24, 27-31, Aug. 3, 1964). p. 152-173.
Investment Tax Credit Statement	Committee on Ways and Means. 1966. *President's Proposal on Suspension of the Investment Credit and Application of Accelerated Depreciation.* 89th Cong. (Sept. 12-16, 1966). p. 231-235.
Investment Tax Credit Statement	Committee on Finance. 1966. *Suspensions of Investment Credit and Accelerated Depreciation: Hearings Before the S. Comm. on Finance on H.R. 17607 an Act to Suspend the Investment Credit and the Allowance of Accelerated Depreciation in the Case of Certain Real Property*. (Oct. 3, 5, and 6, 1966). p. 400-403.
Investment Tax Credit Statement	Committee on Ways and Means. 1967. *Restoration of Investment Credit and Rapid Depreciation: Public Hearing with Secretary of the Treasury and Written Statements Submitted by Interested Individuals and Organizations on H.R. 6950, to Restore the Investment Credit and the Allowance of Accelerated Depreciation in the Case of Certain Real Property*. 90th Cong. (March 14, 1967). p. 172-174.
Investment Tax Credit Statement	Committee on Finance. 1967. *Restoration of Investment Credit and Rapid Depreciation: Hearings Before the S. Comm. on Finance on H.R. 6950, an Act to Restore the Investment Credit and the Allowance of Accelerated Depreciation in the Case of Certain Real Property*. 90th Cong. (March 20 and 21, 1967). p. 105-107.

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EDUCATION AND CERTIFICATION

The University of Mississippi — May 2020 (anticipated)
Ph.D. in Accountancy – Taxation Minor

The University of Mississippi — August 2015
Master of Taxation

The University of Mississippi — August 2007
Bachelor of Arts, Summa Cum Laude
Art History Major; Accounting Minor

CPA License, State of Mississippi, 2009 – Present

RESEARCH

Interest: Accounting History

Journal Publications:
"A Serendipitous Discovery in the Deloitte Digital Collection: *A Land-Lover and His Land.*" *Accounting Historians Journal*, *Vol. 44(1):* 103-104 (June 2017)

Working Papers & Works in Process:
Dissertation: "Maurice E. Peloubet: A Life of Impact on Accountancy and Society"
Committee: Dale L. Flesher (chair), Tonya K. Flesher, J Riley Shaw, and Royce Kurtz of The University of Mississippi

"The Townsend Journal: Accounting for the Maritime Trade in 1840s Boston Based on B.F. Foster's Approach," with Dale L. Flesher, October 2018 (Revise and Resubmit at *Accounting Historians Journal*)
  Accepted paper; *AAA Annual Meeting*; 2017
  Accepted paper; *AAA SE Regional Meeting*; Miami, Florida; April 29, 2017

"Arthur Lowes Dickinson: Lasting Contributions of the British Invasion on the American Accountancy Profession."
  Accepted paper; *AAA Annual Meeting*; 2017

CONFERENCE PARTICIPATION

AAA American Taxation Association Mid-Year Meeting and Doctoral Consortium, Phoenix, AZ, February 2017

TEACHING

Interests: Tax, Financial Accounting, Managerial Accounting, Government and Nonprofit Accounting

Experience: The University of Mississippi

- **Introduction to Accounting Principles I**
  - *Spring 2019 – 2 sections (33 and 59 students)*
  - *Fall 2018 – 2 sections (60 and 56 students)*
  - *Spring 2018 – 2 sections (54 and 59 students)*
  - *Fall 2017 – 2 sections (53 and 56 students)*
  - *Spring 2017 – 1 section (59 students)*
  - *Fall 2016 – 2 sections (60 and 58 students)*
  - *Summer 2016 – 1 section (60 students)*
  - *Spring 2016 – 1 section (58 students)*
- **Introduction to Accounting Principles II**
  - *Summer 2019 – 1 section (19 students)*
  - *Summer 2018 – 1 section (22 students)*
  - *Summer 2017 – 1 section (31 students)*

PROFESSIONAL EXPERIENCE

KraftCPAs, PLLC, *Nashville, TN* — August 2013 – April 2014
Staff Accountant

Croft Institute for International Studies — September 2011 – August 2013
The University of Mississippi
Operations Manager

DeVoe Carr, PLLC, *Oxford, MS* — January 2005 – September 2011
Senior Staff Accountant

AWARDS, GRANTS, AND HONORS

The University of Mississippi Graduate School Dissertation Fellowship, Spring 2020
Alfred R. Roberts Memorial Research Award, Academy of Accounting Historians, 2019
The University of Mississippi Graduate School Dissertation Fellowship, Fall 2019
The University of Mississippi Graduate School Graduate Research Assistantship, Summer 2019
Patterson School of Accountancy Doctoral Teaching Award, 2019
Graduate Achievement Award, Patterson School of Accountancy, 2018

Harper, Rains, Knight Fellowship, Patterson School of Accountancy, 2014
Silver medal (CPA exam), 2009. Awarded by Mississippi Society of Certified Public Accountants for second highest score on the CPA exam
Phi Kappa Phi Honor Society

PROFESSIONAL ORGANIZATIONS

American Accounting Association, 2016 – Present
Member, American Institute of Certified Public Accountants, 2009 – 2017
Member, Mississippi Society of Certified Public Accountants, 2009 – 2011