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1992 Accounting Hall of Fame induction : David Solomons; Accounting Hall of Fame membership [1992]

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1992 ACCOUNTING HALL OF FAME INDUCTION: DAVID SOLOMONS

INTRODUCTION

by
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David Solomons has brought a kind of sanity to the accounting literature and to policy deliberations.

While always faithful to his principles, which he expounds with admirable clarity and persuasiveness, he has consistently had regard for their operational feasibility.

The historical evolution of ideas, policies and practices has always occupied an important place in David's writings. Moreover, few authors can match the ease with which he draws out the essence of ideas and experiences from different national cultures.

He is a master craftsman of the English language, with a penchant for argument by metaphor. "Accounting is financial map-making" has been his metaphor of choice.

David provides the reader with a broad perspective for whatever he is discussing, and the reader is invited to follow his inexorable logic in full knowledge of all that he considers relevant to the debate. In his writings, he is, above all, a scholar and a teacher. Even if one does not accept his conclusions and recommendations, he/she nonetheless acquires a precious insight into the issues, the arguments, and the forces driving the controversy. There is always wisdom in what David writes.

David's academic career has been at three universities: the London School of Economics (LSE), from 1946 to 1955; the University of Bristol, from 1955 to 1959; and the Wharton School of the University of Pennsylvania from 1959 to his retirement in 1983.

His earliest work dealt with management accounting, accounting theory, and accounting education. He was much influenced by Ronald S. Edwards, a LSE industrial economist who had a large interest in accounting. In the late 1930s, Edwards had written a series of memorable articles in *The Accountant*, in which he dealt with costing history and, in a 13-part article written in 1938, produced perhaps the first treatise on asset valuation and income determination in the British literature, in which he defended the increased-net-worth concept of income, taking into account Bonbright's notion of "value to the owner." David has called Edwards "one of my principal mentors during my LSE period."

David's first major article, in 1953, was a pioneering essay on costing history, and during the 1950s he revised Sidney Alexander's famous tract, "Income Measurement in a Dynamic Economy," which, like Edwards's work, was an argument for the increased-net-worth concept of income. However, David's pivotal works, in my view, came after his move to the U.S. in 1959.

In 1961, David concluded, ruefully, that it was not operationally feasible to isolate changes in expectations from Alexander's "economic income," thus rendering it of little use as a satisfactory measure of enterprise performance. He thereupon issued his famous prediction that "so far as the history of accounting is concerned, the next twenty-five years may subsequently be seen to have been the twilight of income measurement." Twenty-five years later, he acknowledged that his prediction had not been fulfilled, and that perhaps his forte was not as a seer, In 1966, he published a major paper on Bonbright's "value to the owner" formulation for valuing property, and gave it impetus in the debates over current value accounting by restating it in an inequality notation. David's paper, which was published in the second edition of Morton Backer's *Modern Accounting Theory*, directly or indirectly influenced the Sandilands Committee, the FASB, and the standard-setting bodies in Australia and New Zealand, all of which, in one form or another, embraced "value to the owner" (also known as "value to the business" or "deprival value") in their dicta on current cost accounting issued during the 1970s.

In 1965, at the request of the Financial Executives Research Foundation, David wrote his first book, *Divisional Performance: Measurement and Control*, in which he reported on a survey of 25 major companies and presented his own recommendations on how best to evaluate and control decentralized operations. It was a path-breaking study, and it earned him the AICPA's Notable Contribution to Accounting Literature Award.

On accounting education, David argued in his inaugural address at the University of Bristol, in 1955, that all entrants into the accounting profession should be required to take three years of university study in accounting, economics and law—a radical view in an era when most entrants came straight into the profession from high school, and took evening courses in correspondence schools! He has always championed a large role for universities in the preparation of entrants into the profession. When, in 1961, the Parker Committee on Education and Training reported to the English Institute that the *status quo*, with only minor changes, should be preserved in preparing prospective Chartered Accountants, he wrote a scathing criticism of the report in the Institute's journal, which the late Eddie Stamp has called "one of the most critical [articles] ever to appear in the literature of the British profession".

However, in the 1970s, David emerged from the academic literature to become an architect of change. In the waning days of the Accounting Principles Board, during the fractious debate over business combinations and intangibles, AAA President Don Edwards invited David to chair a blue-ribbon committee to recommend whether a change in the standard-setting system was needed, and if so, how to go about it. The very existence of such a committee caused consternation within the AICPA, which saw itself as the sole guardian of accounting principles, and once David's committee had reported, Don was asked to nominate an AAA representative on the newly formed Wheat Study, which had been charged by the Institute to conduct a full-scale enquiry into standard setting. Don nominated David, and David eventually became an influential member of the Wheat Study and, in fact, was given the task of writing the first draft of its report. As we know, that report led to the establishment of the FASB. Then, in 1978, he was a consultant to the special Institute committee looking into a restructuring of the Auditing Standards Executive Committee, which led to the formation of the Auditing Standards Board.

As is well known, David was the principal draftsman of the FASB's *Concepts Statement No. 2* on qualitative characteristics, which was adopted or adapted by standard setters in Canada (both the CICA and the CGA), the UK, Australia and New Zealand in the formulation of their own conceptual frameworks.

In 1986, David wrote his valedictory on standard setting and the conceptual framework, a 261-page book entitled *Making Accounting Policy: The Quest for Credibility in Financial Reporting*, which is a model of thoroughness, careful scholarship, and persuasive writing in a field that has been marked by intemperate advocacy and bombast. He argued in favor of Current Cost Constant Purchasing Power Accounting with financial capital maintenance. Finally, in 1989, at the request of the Research Board of the English Institute, he drafted a concise conceptual framework for consideration by the UK's Accounting Standards Committee.

In accounting education, David was invited by the six accountancy bodies in the British Isles to do a major long-range study of accounting education and training, which he completed in 1974. That some of its far-reaching recommendations are only now seeming to find favor in the UK has given "long-range" a new meaning. In the 1970s and 1980s, he also advised the Canadians on their Uniform Final Examination for accounting entrants.

In sum, David has left a large and salutary mark on the literature, but he has been equally active as a highly sought-after consultant to policy makers. Few academics can be said to have played both roles so well.

INDUCTION CITATION

by
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An exemplary model of a global professor, he has published and taught in numerous countries, and has former students everywhere. His research and writing have had a major impact on the profession in several countries. Truly one of a kind, he is an international professor of accounting.

His career can be dichotomized into two stages, one English and the other American. Born to a man who ran a London pub, he was one of four children in a family that never was poor, perhaps because his father was something of an entrepreneur—later running a bus company and still later a dirt track (for motorcycle races). The son attended a boy's school, Hackney Downs, for eight years, and at age 16 he received advanced placement at the London School of Economics. Taking an optional extra year, he received a University degree, the only one of his family to do so. Following graduation, he was articled to a Dickensian firm (to which his father paid a fee of three hundred guineas) in order to become a Chartered Accountant, a three year ordeal which he barely survived.

He became a CA (1936) and practiced in a firm until the War started (1939). He immediately enlisted in the Royal Army Service Corps as a private, and was commissioned the following year. He served in the North Africa campaign. At the fall of Tobruk (in June 1942), he was taken prisoner together with 30,000 other Allied soldiers, and was interned first in Italy and then in Germany. To relieve the monotony of camp, he began to teach accounting and economics to his fellow prisoners. Finally liberated (1945), he left the Army as a Captain and returned to his London firm, and the following year he became a part-time lecturer at his alma mater, the London School of Economics (where he subsequently earned his doctorate). Thanks to his experience during almost three years as a POW, he had become an academic. At the London School, he was assigned to assist the only full-time accounting faculty member, who suddenly took ill and died at the beginning of the fall term,[1] leaving his assistant as the only accounting teacher at the school for the rest of his first year (1946-47). (In 1946, there were no full-time professors in accounting in all of the British Isles). In 1949, he was promoted to reader, two years after W. T. Baxter was appointed professor of accounting at the LSE. In 1955, he left to become the inaugural professor of accounting at the University of Bristol, becoming the third full-time accounting professor in all of Britain.[2]

Love conquered him at the first dance he attended. In six weeks he was engaged, and he was married six weeks later. Now, nearly fifty years later, he and his wife, Miriam, still like to dance. They have a son and daughter and three grandchildren. Fond of Mozart, opera, theatre and films, he once rowed for the Thames Rowing Club, but never at Henley. His favorite quotation is from a comedian, Sam Levenson, a one-time high school teacher. "It was on my fifth birthday," Levenson said, "that my father put his hand on my shoulder and said, 'Remember, my son, if you ever need a helping hand, you'll find one at the end of your arm.' "

He is the only professor ever to have headed the two leading academic accounting organizations on both sides of the Atlantic, the one in the U.K. and the one in the U.S. He served as chairman of the Association of University Teachers of Accounting between 1955 and 1958, the forerunner of the British Accounting Association. He crossed the Atlantic in 1959 to accept a professorship at the Wharton School, and he was designated as the Arthur Young Professor in 1974. He became an American citizen in 1976, and the next year he served as president of The American Accounting Association.[3]

A frequent author of professional books and articles, he is widely known for his classic *Divisional Performance: Measurement and Control*.[4] He also was the principal draftsman of the Wheat Report which proposed the establishment of the Finan-

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[1]Stanley Rowlands was a partner and F.C.A. with Sellars, Dicksee & Co. who died in 1946. For many years, a lecturer in accounting at the London School, he was the author or editor of ten textbooks.

[2]Donald Cousins at Birmingham was the second.

[3]He had been Director of Research for the AAA in 1968-70. He was president in 1977-78. He was also the AUTA's secretary from its inception in 1947 until 1950.

[4]He received the AICPA's Notable Contribution to the Accounting Literature Award for this book in 1969.

cial Accounting Standards Board (FASB), and of the FASB's *Concepts Statement No. 2* on the qualitative characteristics of accounting information.

He has been a consultant to the FASB, the SEC, the IASC, the CICA, the AICPA, numerous companies and the accountancy bodies in the U.K.[5] His visiting university appointments have been extensive (fourteen in ten countries).[6] He holds two honorary doctorates, the AAA chose him as an Outstanding Accounting Educator (1980), and the Institute of Chartered Accountants in England and Wales gave him its International Award (1989).

A world leader of accounting research and education, he is the 52nd Accounting Hall of Fame inductee, **DAVID SOLOMONS.**

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[5]In the UK, he directed the "Long Range Enquiry into Education and Training for the Accountancy Profession" in 1972-74.

[6]Including service as the Lee Kuan Yew Distinguished Visitor in Singapore in 1986.

RESPONSE

by
David Solomons
Ernst & Young Professor Emeritus
The Wharton School, University of Pennsylvania
1992 Accounting Hall of Fame Inductee

As those who have preceded me into the Accounting Hall of Fame in recent years will know, one's first intimation of the conferment of this high honor comes in the form of a telephone call from Tom Burns. As I have told him, I rank that call with only two others in my professional career. The first was a telephone call from Bob Anthony early in 1963, inviting me to spend the year 1963-64 in Switzerland with my family, teaching at IMEDE. It turned out to be a fabulous year. The other was a call from Charlie Zlatkovich in 1976, saying that I had been nominated as president-elect of the American Accounting Association. Other nice things have happened over the years by mail, or by cable (as in the case of the invitation in 1959 to join the Wharton faculty). But by telephone, these are the three occasions I shall remember.

First, let me acknowledge some debts. It is true, as Chuck Horngren recognized two years ago on a similar occasion, that in naming specific individuals one runs the risk of omitting some deserving names. But I am going to accept that risk.

My greatest debt, of course, is to my wife, Miriam. She has been by my side now for almost 50 years, and no other influence can compare with hers.

However, there have been other influences. One was a certain teacher of English in my London secondary school, so many years ago, who almost brutally instilled some rules that have helped me to write better English than I might otherwise have done. He had a number of "forbidden words," the use of which automatically earned you a zero for an essay. His forbidden words included "very," "extremely," "former" and "latter"; and there were others. During the intervening 65 years, I have often broken his rules, but always to the detriment of my writing.

Another debt of the same kind that I acknowledge is to Reed Storey, whose editing of my drafts when we were working together on the FASB's *Concepts Statement No. 2 on Qualitative Characteristics* greatly improved that document and my writing generally. I am much more sensitive to dangling participles, the common misuse of "this" when one means "that," the misuse of "which" instead of "that," and other linguistic blunders than I was previously.

My main debt, of an academic nature, is undoubtedly to the faculty of the London School of Economics, both in the classroom when I was a student, and later as colleagues when I went back to teach there for almost a decade after World War II. To have rubbed shoulders with men like Arnold Plant and Ronnie Edwards (both later knighted), Lionel Robbins (later Lord Robbins), my immediate colleagues William Baxter and Harold Edey, Basil Yamey (that fine accounting historian for whom I accepted the Hourglass award here on Sunday evening), and no fewer than four Nobel prize winners in economics (John Hicks, James Meade, Friedrick Hayek, and Ronald Coase), was a rare privilege. This must sound like name-dropping; but these men really have exerted a lasting influence on me. Life at LSE during my years there was life in an intellectual powerhouse.

Most American academics start their careers by writing a dissertation for their Ph.D., mining one or two papers out of it, and then going on from there. My start was different, and I was reminded of it recently when my wife and I were in London, riding down Oxford Street in a bus, past D. H. Evans, a department store. D. H. Evans, in 1947 or thereabouts, gave me the idea for my first serious paper. I was having lunch there one day and I noticed that the dining room was divided into two sections by moveable screens. On one side of the screens, the space was devoted to a self-service cafeteria, while the other side was devoted to waitress service. This led me to think how I would position the screens if I were the restaurant manager. Cost allocation was clearly not the answer. Cost allocation would have to follow the space allocation decision, not precede it. The result was a paper entitled "Cost Accounting and the Use of Space and Equipment," which gave me my start. Of course, I had not heard of linear programming in those days.

Perhaps it was the heady atmosphere of LSE that gave me a somewhat lofty view of the nature of accounting, but also kept my estimate of its importance within reasonable bounds. During my year as president of the American Accounting Association, a committee of the Association produced a report that was published, entitled *Accounting Education and the Third World*. I was asked to write a forward to that report, and I should like to quote from it here, because it expresses my assessment of accounting as well as I know how, and it is as relevant now as it was in 1978.

> In any ranking of the needs of the developing countries of the world to help them improve the quality of life of their peoples, there are undoubtedly some that would rank ahead of improved accounting and accounting education. The eradication of disease, the elimination of hunger . . ., improved standards of literacy, the spread of political freedom and the rule of law—these are the foremost advances that must be made before the distinction between "developing" and "developed" nations can be discarded.
>
> The report that I am introducing does not deal with these great themes. Accounting itself cannot feed the hungry or cure the sick or bring enlightenment to the illiterate. Yet, it has a part to play in all these advances. Wherever scarce resources need to be economized, there is work for the accountant to do; and the scarcer the resources are, the more important it is that they should not be misdirected or misappropriated.

Accountants can take a good deal of satisfaction in the role that they play in making our free enterprise system work. But we have no reason to be complacent. As I look back over more than 50 years in the profession and compare the progress we have made with the progress made in fields like medicine, electronics, physics and chemistry, transportation, and even economics, our showing is not impressive. Bob Elliott, of KPMG Peat Marwick, had something of interest to say on this subject in a paper recently. He first quotes the complaint of a CEO of a successful software company, who told him that:

> trying to run my organization with the output of our accounting department is like trying to fly an airplane that has only one dial—a dial that shows the sum of airspeed and altitude. If it's low, I'm in trouble, but I don't even know why.[1]

Then turning later to financial reporting, Elliott says:

> One of the few things that financial statement preparers agree upon is that the scoring rules should

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[1]Robert K. Elliott, "The Third Wave Breaks on the Shores of Accounting," *Accounting Horizons* (June, 1992): 69.

> not be changed in the middle of the game. Thus, there is a powerful constituency in favor of the *status quo*. Add the attesters—who are dissuaded from change by unknown, but probably unbearable, legal liabilities—and you have an implacably conservative environment. The same managements that complain that they can't run the business with today's accounting information are the ones who make pilgrimages to Norwalk to lobby *against* changes.[2]

I do not find Elliott's "implacably conservative environment" at all congenial. It is not peculiar to the United States. One finds it throughout the English-speaking world and beyond. I wish that I could have been more persuasive in my own writing and more successful in helping to change that environment. It is a task that my generation must leave to our successors.

[2]*Ibid*, p. 75.

THE ACCOUNTING HALL OF FAME MEMBERSHIP

Year	*Member*
1950	George Oliver May*
	Robert Hiester Montgomery*
	William Andrew Paton*
1951	Arthur Lowes Dickinson*
	Henry Rand Hatfield*
1952	Elijah Watt Sells*
	Victor Hermann Stempf*
1953	Arthur Edward Andersen*
	Thomas Coleman Andrews*
	Charles Ezra Sprague*
	Joseph Edmund Sterett*
1954	Carman George Blough*
	Samuel John Broad*
	Thomas Henry Sanders*
	Hiram Thompson Scovill*
1955	Percival Flack Brundage*
1956	Ananias Charles Littleton*
1957	Roy Bernard Kester*
	Hermann Clinton Miller*
1958	Harry Anson Finney*
	Arthur Bevins Foye*
	Donald Putman Perry*
1959	Marquis George Eaton*
1960	Maurice Hubert Stans
1961	Eric Louis Kohler*
1963	Andrew Barr
	Lloyd Morey*
1964	Paul Franklin Grady*
	Perry Empey Mason*
1965	James Loring Peirce
1968	George Davis Bailey*
	John Lansing Carey*
	William Welling Werntz*
1974	Robert Martin Trueblood*
1975	Leonard Paul Spacek
1976	John William Queenan*
1977	Howard Irwin Ross*

*Deceased

1979	Maurice Moonitz
1980	Marshall Smith Armstrong
1981	Elmer Boyd Staats
1982	Herbert Elmer Miller
1983	Sidney Davidson
1984	Henry Alexander Benson
1985	Oscar Strand Gellein
1986	Robert Newton Anthony
1987	Philip Leroy Defliese
1988	Norton Moore Bedford
1989	Yuri Ijiri
1990	Charles Thomas Horngren
1991	Raymond John Chambers
1992	David Solomons