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SAMUEL J. BROAD'S CONTRIBUTIONS TO THE ACCOUNTING PROFESSION

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

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

INTRODUCTION

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

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

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

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

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

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

BACKGROUND

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

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

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

Revision of the Federal Reserve Pamphlet

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

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

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

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

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

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

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

The McKesson & Robbins Fraud

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

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

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

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

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

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

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

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

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

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

Authority for "auditing" procedures, however, still remained the judgmental discretion of each individual auditor who served as an expert. This was consistent with a governmental regulation model in the United States dating back to early state regulatory commissions, which recognized the role of an impartial expert as authoritative in a particular field.

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

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

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

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

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

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

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

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

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

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

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

CONTRIBUTIONS TO ACCOUNTING PRINCIPLES

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

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

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

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

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

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

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

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

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

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

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

CONTRIBUTIONS TO AUDITING PROCEDURE

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

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

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

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

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

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

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

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

THE RHETORICAL USE OF ANALOGY

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

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

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

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

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

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

And, with regard to auditing programs he observed:

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

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

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

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

Concerning the exercise of due care, he stated:

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

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

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

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

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

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

CONCLUSION

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

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

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

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

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

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

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