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Robert T. Rutherford

Daniel L. Jensen

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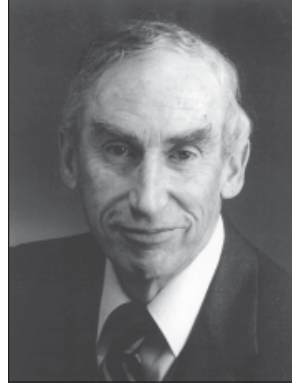
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ACCOUNTING HALL OF FAME 2000 INDUCTION

August 14, 2000
Philadelphia, Pennsylvania

Remarks, Citation, and Response

ROSS M. SKINNER



REMARKS

by

Robert T. Rutherford, FCA
The Canadian Institute of Chartered Accountants

It is indeed an immense honour for me to be here today, to have been given the opportunity to recognize the outstanding contribution of Ross Skinner to the accounting world and our community and to be amongst such an august body.

Even today, I'm sure Ross does not realize the significant impact he has had on the accounting profession and the business community. His first major accounting book "Accounting Principles: A Canadian Viewpoint", published in 1972, was highly influential in shaping accounting frameworks and providing substantial guidance to accountants, lawyers, educators and judges. Many legal cases were resolved on the strength of insight found in this publication.

The book has been republished over the years and just recently the latest edition "Accounting Standards in Evolution" has been published with co-author Dr. Alex Milburn. The book continues to contain important insights into the need for accounting, starting with a look back into history right up to the present day.

All of these things may not have happened, because the

accounting profession almost lost Ross several times. Once, while riding on a friend's motorcycle, Ross got into a bit of an accident and nearly went over a hill into the St. Lawrence River. On another occasion Ross, who was looking for new challenges, was offered a position with the Ontario Jockey Club. On the other hand, a partnership with Clarkson Gordon (now Ernst & Young) was also offered.

So horseracing went on to have Northern Dancer and Clarkson Gordon got Ross. Which seems only fair. After all, why should the Ontario Jockey Club gain two bright stars in one decade?

So here we are today paying tribute to the accounting star, who is accompanied by his wife, partner and best friend, Helen, and other supporters from Canada. It now gives me great pleasure to read the citation prepared by Dan Jensen.

CITATION

prepared by

Daniel L. Jensen

The Ohio State University

read by

Robert T. Rutherford

The Canadian Institute of Chartered Accountants

The scholarly approach of this distinguished Canadian accountant, brought new solutions to problems of both accounting and auditing. Born in 1923 in Saskatoon of parents who immigrated from Scotland, he was the son of a Presbyterian minister and a mother who valued education and took a firm hand in securing the best schooling for her son. The family moved to Oneonta, New York shortly after his birth but returned to Toronto four years later where he spent the remainder of his youth. At University of Toronto Schools, to which he gained entry by highly competitive examination, he was one of the top students in his class and also took a keen interest in sports. He developed a life-long involvement in tennis and, despite weighing less than 100 pounds, he played goalie on both Toronto Hockey League and UTS hockey teams.

Following graduation from UTS in 1940, he applied for admission to the University of Toronto. After seven days of scholarship examinations, he won highest marks in Greek and Latin and a University College scholarship for general proficiency. Knowing that he wanted to pursue a business career, he enrolled in the Commerce and Finance Honours Course at the

University of Toronto. At that time, the business curriculum was under the Department of Political Economy and fully half of the C&F subjects were shared with students in political science and economics. Although he found the economics courses very satisfying, he later noted "the accounting and auditing courses were trivial and the statistics course mechanical rather than insightful. The most practically useful courses to my later career proved to be actuarial science, particularly the theory of interest, and commercial law." He played intra-mural soccer and hockey during all four years of university and was goalie on the hockey team that won the university championship for his college for the first time in 22 years. A friend convinced him to join the debate team during his senior year, whereupon he found himself struggling with the need to argue in favor of the proposition, "A woman's place is in the home," and he volunteered for work in the fields of Saskatchewan during the perilously late grain harvest of 1941, which was desperately needed to stem the food shortage in Britain.

Two years younger than most of his class mates, he was not recruited for military service until after his fourth year of university at which time he joined the Royal Canadian Air Force as a meteorologist. Following a summer of study in meteorology, he was stationed at the Air Navigation School outside Charlottetown, P.E.I. Initially he was assigned teaching duty—26 classroom hours per week—but was soon assigned the challenging job of forecasting weather conditions for the school's training flights. When the war ended, he was discharged and returned to Toronto.

Then 22 years of age, he decided to work for a Chartered Accountant designation with the ultimate goal of securing a position in industry. Although he considered an academic career and was accepted for graduate study at the University of Chicago, financial responsibility for his parents led him to choose a business career. On October 1, 1945, he joined the firm of Clarkson Gordon (then Clarkson, Gordon, Dilworth and Nash), the largest Canadian firm. Winning the top prize for auditing in his final CA examination, he received the CA designation in spring 1949. Before he could implement his plan to secure a position in industry, he was promoted to partner and in 1954 became the thirty-second signature on the firm's partnership agreement.

Professional research projects became central to his role in the firm. Well before his promotion to partner, he assisted senior partner J. R. M. Wilson and other partners in various

projects including a 1947 project that led to his becoming the firm's specialist in public utility rate regulation. Upon joining the partnership, he assumed responsibility for the internal memoranda on technical accounting and auditing issues. In 1956, he argued for the development of a new approach to auditing that integrated a review of internal controls and systematic sampling procedures as the basis for an audit opinion and recommendations for system improvements, which was one of the earliest efforts to articulate an integrated approach to auditing. In 1962, he was appointed National Director of Accounting Standards and the innovation in audit procedures, which had been developed and tested on his own audit clients, was gradually extended throughout the firm. In 1966 it was published in the pathbreaking book, *Analytical Auditing*, coauthored with R. J. Anderson.

In the years that followed, he turned his attention to accounting and financial reporting, publishing five additional books and monographs and contributing many chapters and articles to the literature of accounting and auditing. His influential 1972 book, *Accounting Principles: A Canadian Viewpoint*, led to the development of a framework for Canadian accounting standards. In 1975, health considerations caused him to leave his position as National Director of Accounting Standards, but he continued to research and write on a wide range of topics that included inflation accounting, government accounting, accounting for pension costs and liabilities, and the evolution of accounting standards. He retired from Clarkson Gordon in 1983. In 1987 he joined the University of Toronto as adjunct professor and director of its Centre for Accounting Studies, positions he held until 1990.

His contributions to the Canadian accounting profession include extensive committee service for professional, governmental, and academic organizations. Among his numerous committee posts in the Canadian Institute of Chartered Accountants were 5 years of service on its Committee on Accounting and Auditing Research (1959-64) including a term as its chair and 5 years on its Standards Advisory Board (1990-95). He chaired the Auditor General's Independent Committee on Government Accounting and Auditing (1975-78) and in the same period was influential in the CICA's decision to form its Public Sector Accounting Board. He served two five-year terms on the Financial Disclosure Advisory Board of the Ontario Securities Commission (1974-79 and 1990-95) including three years as its chair. He was a consultant to the Commission to Study the

Public's Expectations of Audits (the Macdonald Commission, 1987-88) and, working closely with the Commission, was the principal author of its report. He also served as a vice-president of the American Accounting Association, on the Board of Governors of Havergal College (Toronto), and on the editorial boards of *Contemporary Accounting Research*, *Accounting Horizons*, and the *Accounting Historians Journal*.

In 1962, he was elected a fellow of the Institute of Chartered Accountants of Ontario and, in 1984, he was one of the first five recipients of the Institute's Award of Outstanding Merit. His many honors and awards also include an honorary doctorate of laws from Brock University, the Canadian Institute of Chartered Accountants' Distinguished Service Award, and the Canadian Academic Accounting Association's Haim Falk Award for Distinguished Contribution to Accounting Thought.

In 1958, he married Helen B. Storms, a well-known author and speaker on gardening and floriculture, and they have two daughters, Anne and Jane. He and his wife live in Toronto and spend summers in northern Ontario. He is the 66th member of the Accounting Hall of Fame, Ross Macgregor Skinner.

RESPONSE

by

Ross M. Skinner
Clarkson Gordon

I want, first, to thank Bob Rutherford for being here to read this citation. As has been mentioned, Bob is the Vice-President of the CICA responsible for leading its Standards activities and had originally planned to spend considerable time at the AAA conference. Unfortunately, he now has to return to Toronto almost immediately after this ceremony. I am doubly grateful, therefore, that he is here, in spite of considerable personal inconvenience.

I thank, also, the unknown person or persons who put forward my name for this signal honour and, indeed, all members of the Board of Nominations, who must put in much effort in narrowing down the names of those deemed worthy of entrance into the Hall of Fame. Where I come from, Professor Jensen will be gratified to know, the Hall of Fame is an extremely well-known institution. Sad to relate, it is the Hockey Hall of Fame that is well-known in Toronto. This fact accounts, I am (almost) sure, for the flashes of incredulity my wife and I saw in the eyes of friends when we told them that I was to be inducted

into the Hall of Fame this summer. How does one decide that a worthwhile career can lie in accounting? Often it is because a relative or family friend provides a role model. For some it is the influence of an admired teacher. Neither of these applied to me. I attribute my satisfying career mostly to sheer blind luck. I went into the profession simply because I thought it would give me an insight into the business world and provide a useful skill. Barry Coutts, a good friend with a dry sense of humour, put his decision this way: "After a four-year Honours course in Philosophy I concluded that no-one knew the answer, so I decided to become a Chartered Accountant." Neither Barry nor I thought we would make a lifetime career in accounting, but both of us did.

I have benefited, I think, from three kinds of good fortune: (1) luck of place, (2) luck in timing and (3) luck with people.

I was in the right place on a Friday afternoon in late September, 1945, the right place being on the doorstep of Clarkson, Gordon. At that time, right after the end of World War II, employers were required by law to offer their old jobs back to former employees who had left their position to join the services. I had obtained a list of thirteen CA firms to approach. Unfortunately (or fortunately as it turned out), as I visited them I found every firm fearful of being inundated by returning employees and, therefore, most reluctant to hire a completely new student-in-accounts. Clarkson Gordon, the thirteenth firm on my list, was also reluctant to hire, but owing to my hitting it off with the interviewer, I was accepted.

My choice of accounting in 1945 represented luck in timing. The profession was beginning a long period of growth both in numbers and in public recognition. Chartered Accountants, in general, were building a reputation based, in part, on an arduous educational preparation course and stringent pass rates. Public trust also resulted from the professional obligation to provide objective and independent opinions, and recognition of the worth of those opinions in corporations and securities regulation. As a result, we were asked to undertake many "special" investigatory or advisory assignments by both governments and private interests. My time in accounting was made considerably more interesting by the opportunity to participate in a wide spectrum of such assignments, an opportunity less likely to exist for audit partners today because of the existence of so many specialists.

My luck with people began on the day I first walked into Clarkson's office. The partner who normally conducted hiring

interviews was absent on that day and in his place, I was interviewed by a relatively new partner, one J.R.M. Wilson. Jack Wilson simply bubbled over with enthusiasm for the firm and the opportunities in the profession, and we experienced an immediate rapport. In my first few years in the firm I was a member of his staff, and, then and later, he could justly be called my mentor.

In 1945 Jack was taking on more and more responsibility for overseeing the firm's standards in technical matters. This, of course, became an ever more demanding task, to which he brought a determination that the firm should be the equal of any firm in the world in the quality of its practice. Not only must we conform to best practice, we must also always be aware that innovation was necessary to meet changing conditions. As his own administrative responsibilities increased (he became senior partner in the mid-60s) he devolved more and more of the research and standards responsibility upon me and an ever-growing group of partners and managers in a dedicated Standards department. It was this, together with Jack's pressure to develop and publish improvements in our audit philosophy, and my own interest in the articulation of accounting standards, that has brought me here today.

Having acknowledged my debt to Jack Wilson, I must not forget to mention the many able associates and staff who shared our work in research and standards. I will mention just two of these by name. Rodney Anderson was and is a brilliant polymath, who played a major role in the development of the systems-based audit approach we called Analytical Auditing, and who later went on to make a considerable mark in computer auditing and scientific sampling. Alex Milburn was an essential colleague in the Standards department from the day it was setup as a separate organizational unit. He was also kind enough to undertake a revised version of my 1987 book on Accounting Standards, which has just been published under our joint names. I am delighted that Alex is here this morning.

Now for a few words on my major research interest, namely the development of accounting standards. The main thrust of my writing in accounting has always been to try to connect up recognized accounting standards with a conceptual framework. This is consistent with major academic works written by, say, Chambers or Sterling or Edwards and Bell, except that those authors first built their frameworks and then deduced the accounting actions that must flow from the framework. In contrast, especially in my 1972 book, I examined ac-

counting procedures critically and tried to deduce a framework that must exist to explain the existence of such procedures. A possible advantage of this approach is that logical inconsistencies between current concepts and practice are inevitably revealed and, where this occurs, direction is given to revisions in standards or framework that can be made little by little, rather than attempting the revolutionary change which is so rarely politically possible.

Having said that, I must admit it is quite difficult to make incremental or partial changes in an accepted framework (although the change from the old "Matching" concept to the "Asset and Liability" point of view perhaps represents one example). Nevertheless we need to keep reminding ourselves that financial reporting is intended as a means of communication of useful information. Successful communication has two conditions. There must be real information content to the message sent, and it must be communicated in a form that the recipient can readily understand. These challenges, both as to information content and understandable communication, are constantly renewed as the economic environment changes.

Bob Sterling once wrote: "Accountants are the world's greatest conservationists. We don't solve problems; we recycle them." There is much truth in this wry comment. Nevertheless, one cannot look back over the past fifty years without recognizing great progress. New standards have not always been perfect--in fact, they are often second-best solutions because of political pressures. But mostly they have been progressive.

There have been some failures. The inability to make significant progress on the impact of changing prices on the information content of accounting numbers is the most notable example. It may be instructive to note that, in this case, changes proposed to information content ranged from a major patch (General Price Level Accounting) to the existing "historical cost" accounting model, to more than one completely new accounting model based on variants of Current Value Accounting. When the range of possible choice is so wide, human resistance to change (especially when the resistance is organized) will be reinforced by the divisions among supporters of change, with the result that nothing is accomplished. In such situations, incremental change and second-best solutions may be the only route to improved information content. In effect, accounting standards become the art of the possible.

Challenges to informative financial reporting are no less present today. Consider, for example, the problem of conveying

information about the creation and consumption of intangible values, a problem that has become much more important in a knowledge economy than once it was. Consider the tension created in the statement of financial position and statements of changes in financial position if we choose to report significant amounts of financial instruments on a fair value basis, while reporting other assets and liabilities on some other bases. Research may answer these and other problems not mentioned. Supplementary disclosure will help, as it has done so often in the past. Even so, we may still be forced to contemplate changes in the way information is conveyed. I could visualize, for example, abandonment of tightly-knit statements of financial position and income in favour of a more disaggregated set of statements, each focusing on a separate aspect of entity activity. To be comprehended, however, such ideas need to be spelled out at considerable length, and this is not the time or place to do that.

I will simply close with a story that may be new to some of you. Around the end of the 18th. century the English humorist, Sydney Smith, and a friend were visiting one of those old medieval towns where the second stories of houses project beyond the first over the narrow streets. As they were walking along, they observed two women leaning out of their second-story windows across from each other and engaged in a fierce argument. Said Smith to his friend: "Those two women will never agree. They are arguing from different premises." There is a moral there for us argumentative accountants.