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WANDERING INTO ACCOUNTING—NOTES ON WRITING CAREER

Abstract: After urgent invitations by the editors, W. A. Paton has sent us some recollections of the circumstances leading to his interest in accounting, and of his experience as a writer in this field. The editors have added a bibliography of his major accounting works, but the list doesn't include data regarding some of the translations mentioned in these reminiscences. Additional information is invited from readers who may be familiar with Paton's writing.

I should perhaps confess, to start with, that I've been interested in writing from boyhood days on, and when I finally undertook college work seriously I still cherished the notion that I might make a success as a short-story writer, stressing the mystic and morbid, in the Poe tradition. This ambition was strengthened, temporarily, when I took a course labeled "the short story" at the University of Michigan in the summer of 1913. This course was given in what was called the "Rhetoric" department in those days, a department stressing advanced English composition. A major requirement of the course was preparation of an original short story, and I still recall how worried I was about this assignment—an anxiety due in part to the fact that I was still an undergraduate and most members of the class (a group of more than 60) were graduate students, including a sprinkling of writers who had already had stories published. Imagine my astonishment when the professor selected my mystic yarn as the best submitted, and read it aloud to the assembled class a few days before the final exam. I was of course elated by this triumph, and walked on air for a day or two. I might add that this old tale appeared in 1976 in the fall issue of *Dividend*, the quarterly magazine of the Graduate School of Business Administration, The University of Michigan.

Fortunately, as I saw it later, my idea of becoming a successful story teller was abandoned shortly. In the fall term (school year, 1913-1914) I happened to elect an advanced course in economic theory taught by Fred M. Taylor. I can say without exaggeration that Professor Taylor was basically responsible for the shift of my

own interest to the field of economics, and I also attribute what success I have achieved as a teacher largely to his influence. A rigorous logician, a master of neoclassical economics, a great teacher—he brought me down to earth, and set my feet on a path which I was happy to follow. Beginning in the fall of 1914, I was one of his group of instructors for the next two years—a great experience.

Accounting Education at Michigan in the 1910's

In those days the program of courses in “business” subjects, with a limited offering in accounting, was included in the “Department of Economics”. (The “School of Business Administration” at Michigan was not launched until 1924.) The accounting courses had been passed around, without leadership, and for several years the one-semester beginning course had been taught by a part-time man, who knew a little something about elementary bookkeeping procedure but had no conception of the problems of analysis and valuation involved in financial reporting for managers and investors.

At this point (1912 or 1913, if I recall correctly) Professor David Friday, a very successful teacher in the Department, was put in charge of the work in accounting. He knew little about the subject but was scholarly and capable. If this change had not been made, I doubt if I would ever have developed a strong interest in accounting. Discussing my program with a student friend I was strongly urged to elect Friday’s beginning course in accounting, and I finally decided to follow this advice, though with no great enthusiasm. Professor Friday’s popularity was such that enrollment in this first course had increased sharply. He lectured to the entire group twice a week, and there were one-hour “quiz” sections as well as afternoon “lab” periods. With the increase in enrollment there was a keen demand for assistants to man the sections. Russell A. Stevenson, my coauthor for several years, was one of Friday’s staff.

The textbook hastily selected for the beginning course when Professor Friday took charge was “Accounting and Auditing”, by William Morse Cole, and published by Cree Publishing Co. of Minneapolis¹. It was a bulky volume, as a result of the use of exceptionally thick paper in printing, but aside from size it was not impressive. The arrangement was confusing and the writing uninspiring. The only thing I found of interest was a discussion of “cash discounts”, relegated to an appendix, which was not assigned and probably read by very few of us. I should add, in fairness to Professor Cole,

a member of the Harvard faculty, that his later books were much improved over this early effort.

The lab “set” we struggled with was even less satisfactory than the textbook. I believe it was published by “Rowe”, a Baltimore firm. The emphasis was on repetitive routine, including—as I learned later—trivial procedures no longer considered good practice. Minimal attention was given to periodic statement preparation. Students were specifically instructed to charge estimated depreciation to “surplus”, and we all had a feeling that this was an absurdity. Only old-timers will remember that 1913 was back in the days when courts and commissions were often skeptical of the validity of a regular accrual of depreciation as a charge to operating expense. Opposition to recognition of depreciation as a cost, with the total accrual to date treated as a deduction from property value, was particularly strong among appraisers and influential engineering groups, and accountants were wobbly on the subject.

The bright spot in Professor Friday’s course was his lectures. Although in the process of learning something about accounting himself he was well prepared in economic theory, he was interested in business activity (was already becoming known as a consultant), and he realized that day-to-day recording was only the first step in accounting. He ignored the textbook and gave us something to chew on. But I don’t believe I would ever have gone further in accounting if it hadn’t been for a specific incident that occurred late in the semester. One day our professor came striding onto the platform (he was a short man, and always stood on the platform, in his Prince Albert), with two small volumes in his hand. He was beaming, and held the books aloft. “At last”, he said, “I have found some fairly recent writing on accounting worth reading”. He then gave us the titles: “The Philosophy of Accounts”, by Charles Ezra Sprague, and “Modern Accounting”, by Henry Rand Hatfield. Both these books were published in the early 1900s, at about the same time. I might add that Sprague’s excellent book, now a classic, has been recently republished by Scholars Book Co. and I was glad to be drafted to write the introduction for this reprinting. A later book by Hatfield has also been republished by this firm.

To get back to my story. Professor Friday had these two books put “on reserve” in the library, and I read them both before the end of the school year. (I’m not sure that any of my classmates did, as the books were always available when I applied.) It was this supplementary reading that stimulated my interest in accounting. Moreover, reading these books made me keenly aware—as time

went on—of the limitations of the textbooks currently available, and thus was one of the prods that encouraged me to try my hand at writing a book for beginning college courses.

The First Paton Text

In the late spring of 1916 I happened to run into my friend Russell Stevenson on the corner of Hill and Oxford streets in Ann Arbor. It was a pleasant day and we stopped to chat. I opened up the subject of the paucity of good textbooks currently available in the field of accounting principles. He agreed, heartily. On the spur of the moment I said: "I've a notion to try my hand at writing a beginning book". "That's a good idea", he replied, "and I'll help you". We pitched in, and in three months had dashed off a considerable stack of manuscript. I worked mostly on the elementary theory side, while Russell dug into the actuarial math (which we both thought budding accountants should know something about), and some of the special topics such as depreciation. We also prepared our first problem book, including a lengthy exercise as a practice set. This first edition of our "Principles of Accounting" was published by Ann Arbor Press in the early fall of 1916. It was a neat, cloth-bound book, well printed on good paper but a hasty job, not without limitations (including lack of an index). Under the circumstances, however, I feel we did well, and this first effort set a pattern for the more substantial editions that followed.

A second edition of this text was published by George Wahr in Ann Arbor in 1917.² One feature of this expanded book was the addition of extensive interest tables.

In 1918 our revised principles was published by Macmillan, in impressive red and gold binding, but our sales were modest. Roy Kester's book came out at about the same time. He got most of the sales but we got the good reviews. "Principles" went through several printings, with corrections and minor changes. We prepared accompanying problem books, with guides and solutions for teachers, printed by an Ann Arbor firm, under Macmillan auspices. I worked very hard on these problem materials and I still think they were the best available in those days. In our "sets" and problems we minimized the routine of initial recording and stressed periodic analysis, valuation, and reporting. And we didn't use the corner grocery store as the major example of business enterprise. We focused attention on the corporate form of organization, with examples of problems from mining, manufacturing, construction, and

other fields of activity. I'm still rather proud of the problems, cases, and sets that we developed, though it was hard to find time to do the polishing that is always needed.

In 1923 the Paton and Stevenson team broke up and we went our separate ways. In 1924 Macmillan published my first book with-out a coauthor, under the title "Accounting".

I should interpolate here that I completed my doctoral dissertation and was awarded the Ph.D. at Michigan in 1917. My subject was "Accounting Theory—with special reference to the corporate form of organization". I leaned heavily on Sprague as a starting point. I might also mention that my first article on accounting appeared in the January 1917 issue of the *Journal of Accountancy*.

"Accounting Theory" and "Essentials"

In 1922 Ronald Press published my "Accounting Theory", a revision of my dissertation plus material based on a half-dozen of my articles on special topics. This 500-page book was republished in 1962 by Accounting Studies Press, Ltd., with a lengthy introduction by my former student, and long-time friend and colleague, Herb Taggart. More recently another reprinting has appeared, issued by Scholars Book Co. I might add that I have in my files a tattered copy of an early Chinese translation of this book, printed on very flimsy paper.

According to my files the first edition of "Essentials of Accounting" was published in 1938 (Macmillan). This was substantially a new book, and—in my judgment—much superior to "Principles of Accounting". One feature of this book was the inclusion of reproductions of many business forms, but I'm not sure this was worthwhile. Skeleton entries and T accounts, plus statements and schedules, remain a good means of providing students with illustrative material. There were a number of printings of this book without substantial changes, but the edition of 1949 was a rigorous revision.

My publisher achieved a small triumph in the early 1940's when it sold a special printing of the "Essentials" (75,000 copies or more, I believe), for use by the "armed forces". This was a paperbound book, delivered at a bargain price, and I waived my right to royalties on this printing. Talking with a prominent CPA recently, not a student of mine but a good friend and supporter, I was surprised to learn that his favorable opinion of my work began with reading a copy of this printing while he was in the U.S. Navy.

“Essentials” has had a longer history than any of my other textbooks. In 1958 the book was again revised, with R. L. Dixon listed as coauthor. This edition achieved the distinction of being translated into Turkish (I’m not sure this is the right word). I have a copy of this impressive book, appearing in 1964. On the title page I find the following: MUHASEBENIN TEMELLERİ (Essentials of Accounting). In the last edition (1968), now reported to be out of print, I withdrew my name as author although I did prepare the problems at chapter ends, and the solutions for these problems. The listed authors for this edition, and the accompanying problem book, are Dixon, Hepworth and Paton (my son and namesake).

Accountant’s Handbook

Back in the early 1930s I allowed my missionary zeal to induce me to tackle the job of redoing the “Accountant’s Handbook” for Ronald Press. This proved to be a much bigger chore than I anticipated. After a quick scanning, I never even opened the original book, but went ahead on my own, following an entirely new outline. As a result I found myself doing about 60% of the actual writing, including selecting and adapting hundreds of references (after obtaining consent of authors and publishers). I also found it necessary to rewrite much of the material submitted by assistants (especially sections done by people recommended by the publisher).

Despite this strenuous experience I accepted the task of editing the next (1943) edition. This was a less burdensome chore, but still required a lot of time and energy. These “Handbook” jobs did give me an opportunity to spread the Paton gospel more widely, and I was pleased when a Spanish translation, done by my good friend Roberto Casas Alatríste, was published. But if I had my life to live again I would devote the time spent on the “Handbook” to less tiring and more profitable activities.

Advanced Accounting and Successor Books

In 1941 Macmillan published my “Advanced Accounting”, with accompanying problem book and manual of solutions for teachers. Again my sales were rather small, although there were some adoptions. Somewhat later I began pondering the possibility of writing two books for the advanced field, one stressing “Assets” and the other dealing with problems relating especially to the “Equities” side of the balance sheet (“statement of financial position” was the term I had adopted by then). I wrote two books, had them printed

in preliminary form, and used them for a year or two in my classes. I haven't saved copies, and can't recall the exact titles, dates and other details.

On my office shelves is a set of four large volumes I had almost forgotten. They were printed in Spanish in Buenos Aires in 1962. The first two are a translation of "Essentials of Accounting" and the other two are a translation of my "Advanced Accounting", published back in 1941. I don't recall the circumstances under which these books were published, and am not sure I ever had any information on the subject.

After considerable consultation with Macmillan management in the late 1940s I started work on two substantially new books, "Asset Accounting", and "Corporations Accounts and Statements". The first was published in 1952 and the second in 1955. My son assisted me with these projects, especially in connection with the accompanying problem books and manuals for teachers, and is listed as coauthor. Many years later we rewrote "Asset Accounting" completely, and published this revised book with the title "Assets—Accounting and Administration", but the 1955 book has never been materially changed. In 1969 an abridged paperback of *Corporation Accounts and Statements* was published, consisting of sixteen selected chapters of the old book.

Comments on Other Writing

I find that my files of problem books prepared over the years to accompany my textbooks are far from complete, and I won't attempt to give details regarding these materials. I should note, however, that in some cases I received substantial help from younger colleagues, including R. P. Briggs, L. L. Laing, Rufus Wixon, R. H. Cojeen.

Aside from many articles and monographs my writing that might be classed as in accounting has not been confined to textbooks. I'll mention three special publications. In 1934 I made a study for the "National Bureau of Economic Research", with the cooperation of several major accounting firms, and the results were published in 1935 under the title "Corporate Profits as Shown by Audit Reports", a hard-cover volume of 150 pages. In 1940 "An Introduction to Corporate Accounting Standards" (Paton and Littleton) was published by the American Accounting Association, and is still in print. In 1965 my "Corporate Profits—Measurement, Reporting, Distribution, Taxation" appeared, a slender volume of 124 pages published

by Irwin (in the Dow-Irwin series). This book is now out of print in this country, but a Japanese translation has recently appeared.

I have done considerable writing on economics over the years but won't attempt to discuss this material in these recollections. I have been accused of including too much of my thinking on economics and finance in my books and articles ostensibly written for the accounting field. Occasionally I've dabbled with subjects outside my major fields. My 1962 article "On Going Underground", a pioneer study of this subject, brought me more attention and acclaim, in major newspapers, than all my other writing put together.

Advice for Young Authors

I'll conclude these reminiscences with some tips for today's writers of textbooks on accounting. In the first place, don't overlook the importance of becoming acquainted with business problems and what is going on in accounting practice. Especially when one is expressing views that are at odds with prevailing concepts and procedures, you will find that students and other readers are more favorably impressed when it is evident that the writer is broadly informed, and up-to-date. Don't neglect opportunities for practical experience in the vacation periods available to college teachers. I have been very fortunate in this respect. In the summer of 1914 I assisted Professor Friday in making the accounting studies of the operations of several electric power companies, as part of a valuation proceeding, work that required close examination of company records. And from about 1920 on, for more than 50 years, I had many consulting engagements dealing with income determination, valuation of intangibles, joint-cost allocation, impact of inflation on depreciation and other financial measurements, and other special topics. This experience has been invaluable to me as a writer and teacher.

Second, don't be satisfied with compiling published rules and regulations issued by governmental or professional bodies. Don't bend the knee to the rule makers, who seem bent on putting us into a strait jacket. If accounting is to remain an interesting and vital field it must be left open for the exercise of judgment and unhindered analysis, in the light of the real problems of managers and investors (including the creditors, who are also capital suppliers). And don't fret unduly about that elusive "public interest" we hear so much about. The "public" doesn't engage the accountant, or pay his salary or fee.

Finally, I think a word of warning is needed with regard to the preoccupation of some writers and teachers these days with fine-spun mathematical models and hair-splitting analyses. I am not an antimath crusader—far from it. But at times it seems as if these “experts” are indulging in wheel-spinning antics, off in outer space, with no recognizable bearing on practical business management and decision-making.

FOOTNOTES

¹A 1915 edition of Cole's book was published by Homestudy Publishing Co. of Chicago.

²A long-time close friend of mine, Williard Stone, has an odd hobby: collecting my books on accounting. What started him on this quest I can't say, but I do know that he has been persistent, and recently ran down a copy of the 1917 edition of “Principles of Accounting” (Paton and Stevenson), published by George Wahr of Ann Arbor. And when he learned that I didn't have a copy of this early edition in my files he generously insisted on giving his find to me.

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