

1987

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Robert Newton Anthony

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Recommended Citation

Burns, Thomas Jr. and Anthony, Robert Newton (1987) "1986 Accounting Hall of Fame induction: Robert N. Anthony," *Accounting Historians Journal*: Vol. 14 : Iss. 1 , Article 11.

Available at: https://egrove.olemiss.edu/aah_journal/vol14/iss1/11

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1986 Accounting Hall of Fame Induction

Robert N. Anthony

CITATION

Presented by: Robert M. Trueblood Professor Yuji Ijiri
Carnegie-Mellon University

Written by: Professor Thomas J. Burns
The Ohio State University

Born into a close family that might have been painted by a Rockwell, a family directly descended from those who came over on the Mayflower, he is a private person-possibly because he skipped several grades while his brothers did not, although close to him in age.

He is remembered as a boy not so much for playing the saxophone or even as the owner of a \$20 Model-T who could change drivers at full throttle, but as a boy scout who developed a lifelong passion for mountain climbing and skiing, and as an avid reader of books with one forefinger turning the pages and the other scooped peanut butter out of a jar.

A New Englander of steadfast integrity, he is a friend of greatest loyalty to many, including a number of institutions such as his New Hampshire hometown, Waterville Valley, where he has been the town auditor for a decade; the U.S. Defense Department for which he served in two wars, the last one as Comptroller; his alma maters, Colby College and the Harvard Business School, each of which he has served with the utmost distinction for 50 years; the National Association of Accountants for whom he is a guru; and the American Accounting Association for whom he has been president.

A student who has burnished bright the memory of his mentor, Ross Graham Walker, he is now truly memorable to his own students even if he could never remember their names. But how could students forget a teacher who explained the elusive concept of depreciation by burning a candle?

His considerable competency in word processing has led to publications which stem, he claims, from being a poor boy required to take touch typing.

A prolific scholar who has had both success and failure in developing accounting framework, perhaps his greatest success has been in developing an accounting framework for the management of both private and public sector enterprises, which at Harvard is called "control" but to the rest of the world is called "management accounting."

Although he hasn't succeeded yet with the FASB's conceptual framework, don't count him out. After 13 years, he still persists.

As a professor who has helped found a school, the European IMEDE, he is internationally renowned for his stimulating lectures and his popular casebooks. He has led the accounting world in using case methodology in education and in research in managerial accounting, and he is elected as the 46th member of The Accounting Hall of Fame: Robert Newton Anthony.

RESPONSE

by

ROBERT NEWTON ANTHONY

This award caused me to reminisce about my experiences since I started teaching accounting 46 years ago. I won't take long, and I want to make only one point. It seems to me that management accounting has made relatively much more progress than financial accounting in this period, and that progress in financial accounting is urgently needed.

In 1940, there was no text in management accounting. The closest was cost accounting, and most cost accounting texts focused on the collection of costs for the purpose of valuing manufacturing inventories. Now there are many texts. They deal with topics that were not known, or at least not written about, before World War II: the behavioral aspects of accounting, present value, net present value, economic order quantity, linear programming, residual income, recognition of interest as a cost, responsibility centers, profit centers, investment centers, discretionary costs, transfer pricing, make-or-buy, mix variances, product pricing, and to repeat for emphasis, the behavioral aspects.

Financial accounting is another matter. In 1940 there were a number of texts, as well as the landmark monograph by Paton and Littleton. Financial accounting principles today are not a whole lot different from those described in that monograph.

There have been good developments in a few basic subjects: leases, deferred taxes, pensions, foreign currency. But most of the efforts of the standards-setting bodies have been focused on developing standards for types of transactions that didn't exist in 1940, that is, on fire fighting. We still don't have a standard on depreciation, on inventory costing, on revenue recognition and measurement, on the line between capitalization and expense. We have what is purported to be a conceptual framework, but it is vague, internally inconsistent, and incomplete, and therefore not helpful.

That is the situation in corporate accounting. Non-profit accounting is in even worse shape. In 1978 the FASB accepted responsibility for this area. At that time there were five separate and inconsistent sets of standards for five nonprofit "industries". Today eight years later, FASB has not even issued an Exposure Draft to remedy what is obviously an intolerable situation.

The financial accounting system prescribed for state and local governments dates from the 19th century, and is by far the most antiquated system that any authoritative body currently blesses.

Why has there been much more progress in management accounting than in financial accounting? I think the basic reason is that selling a new idea is much easier in management accounting than in financial accounting.

If a company develops a new idea, as Standare Oil of New Jersey did with profit centers, or duPont did with return on investment, or if an academic writes about an idea that seems promising, companies that decide that the idea will help management will adopt it. The ideas must of course be sold, but the number of influential people in the company who must be sold is small.

Obtaining acceptance of a new idea in financial accounting is also a selling job, but a much more difficult one. The companies who prepare financial statement in general don't want to change what they are doing, and their auditors tend to support them. Most of the financial analysts and lending officers, who are the principal users of financial statements, don't understand accounting well enough to be comfortable about analyzing proposed changes.

In many professions, academics are a main force for change. But this isn't so in accounting. The American Accounting Association is the only accounting organization that lacks a committee which is authorized to speak for the Association. The rationale is that individual members should make known their individual

views. But very few academics write to the FASB or the GASB or testify at its hearings. They are welcome to do so, and the standards boards do pay attention to individual views. There are 10,000 accounting professors. If even one percent of them responded to an Exposure Draft, the number would about equal that of the responses on most issues.

One easy way of getting ideas for a response is to assign it as a student project. In any event, I think the academic community should be much more active in improving financial accounting than it has been.

So there is a thought for the day. And with it, again I thank all who were involved in my selection.