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PROFILES

HENRY WHITCOMB SWEENEY

By A. N. Mosich
University of Southern California

Henry Whitcomb Sweeney made significant contributions to both the academic and professional segments of accounting. Although his most famous work is in price-level accounting, his writings also embraced accounting theory, taxation, cost accounting, government contract accounting and auditing. His achievements as an accountant, professor, author, lawyer, and public servant have been an inspiration to many. Sweeney's distinguished career included service as Pentagon aide in 1951-53 and Deputy Assistant Secretary of Defense in 1964-65.

Sweeney was born in Springfield, Massachusetts on September 12, 1898, and died on September 1, 1967. He attended Amherst College and received B.A. (1919), B.S. (1920), M.S. (1921), M.A. (1924), Ph.D. (1936) and LL.M. (1960) degrees from Columbia University. He also earned the LL.B. degree from Georgetown University in 1940.

In 1924, at the age of 26, he chose accounting valuation for his doctoral dissertation topic under the guidance of Professor Roy B. Kester. The requirements for his dissertation would cause many current doctoral students to wince—the dissertation had to be an original contribution to knowledge, be published, and prove practical in application.

In 1925 he accepted a position on the audit staff of Price Waterhouse & Co. in New York City where he worked until 1935. Prior to this time he was learning and teaching. He became a CPA and while teaching at the University of Wisconsin had written *Bookkeeping and Introductory Accounting*, published by McGraw-Hill Book Company in 1924.

In May 1927, he submitted the first draft of *Stabilized Accounting*, about 400 typewritten pages, in a nation-wide Economics Contest and won the \$500 prize. A condition of the award was that it had to be ready for publication within two years. Sweeney let the prize lapse so he could continue to improve his work. Early in 1933 he

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passed an oral defense of his third voluminous draft of *Stabilized Accounting* but was unable to find a publisher.

In 1934 he married Mae Edith Fichter, and then in the spring of 1935 he withdrew from business for two and one-half months to revise and shorten *Stabilized Accounting* for publication. The plan he developed was to publish lengthy explanations as journal articles and refer to them by footnote so that the exposition of the book would thereby be complete. In 1936, one thousand copies of the book were printed by Harper.

In 1935 Sweeney commenced government service—as a supervisory bank examiner and then as Chief Accountant for the Navy Contract Appeals Board. In 1943 he accepted a Washington partnership in a New York City law firm, but quickly learned that 22 years of accounting experience was not readily transferred to the practice of law. He therefore opened a CPA office and in 1944 resigned from the law firm to specialize in government contracts and income taxation in order to utilize his knowledge of both law and accounting.

From 1936 to 1944, Sweeney was a professor of accounting at Georgetown, and he was also a professor of law at Georgetown Law School from 1941-58. He taught accounting as adjunct professor in the Graduate School of Business at Columbia from 1956 to his death in 1967.

Stabilized Accounting was a new and complete treatment of accounting for gains and losses from changes in purchasing power. Today accountants and businessmen are fully aware of the deficiencies in accounting for dollars representing various price levels. But at the time Sweeney wrote it was necessary to painfully explain how historical cost accounting failed to provide for maintenance of purchasing power through maintenance of capital. Sweeney believed that a monthly cost-of-living index was the ideal deflator, because men hold money for its ultimate purchasing power of general goods and services.

Accounting Research Study No. 6: Reporting the Financial Effects of Price-Level Changes, published by the AICPA in 1963, essentially adopts the scheme worked out by Sweeney. In Sweeney's review of ARS No. 6 in the October 1964 issue of *The Accounting Review* he stated: "To review the Study's main concepts, therefore, places this reviewer in the anomalous position of practically reviewing his own work." Unfortunately Sweeney did not live to witness adoption in 1969 of *APB Statement No. 3: Financial Statements Restated for General Price-Level Changes*, which included guidelines for preparing financial statements adjusted for changes in the general price levels.

At the meeting of the American Accounting Association in 1937, Sweeney was told that he was fifty years ahead of his time. The time has come for us to catch up with Henry Whitcomb Sweeney.

(Vol. 1, No. 1, p. 4, 1974)

DR SCOTT

By James R. Morton
The University of Alabama

A profile of DR Scott is especially appropriate in these times of increasing awareness of and concern over the social importance of our traditional institutions. As one of the early interdisciplinary contributors to the accounting literature, Scott is regarded by many present day readers to have been far ahead of his time in this regard. Indeed, his most famous work, *The Cultural Significance of Accounts*, is as contemporary today as it was at the time of its publication in 1931.

DR Scott was born October 24, 1887 near Montecello, Missouri and died February 8, 1954. The anterior initials, DR, in Scott's name are not, as one might first believe, his first and middle initials. Rather, the capital letters DR, without periods and without a space between them, were taken from the initials of his father's name, David Roland Scott, to comprise his entire first name.

Scott attended the University of Missouri from 1907 to 1910 earning the degrees of Bachelor of Arts and Bachelor of Science in journalism. He was a Fellow in Economics at the University of Missouri during 1910-1911, and was Austin Scholar at Harvard University during 1916-1917. It was from Harvard University that Scott received his Doctor of Philosophy degree in 1930.

Scott spent most of his life in Missouri, and most of his working years at the University of Missouri. He began his teaching career, however, in 1911 as an instructor at the University of Michigan. In 1914, after two years as a reporter for the *Detroit Times*, he returned to the University of Missouri as an instructor. With the exception of a brief period in 1918 and 1919, while he served as a statistician with the U.S. Army in Tours, France, Scott remained on the University of Missouri faculty until he died. Scott was promoted to assistant professor of economics in 1917, to associate professor two years later, and to professor of economics the following year, 1920. In 1930, he became chairman of the newly formed department of ac-

counting and statistics and his title was changed to professor of accounting and statistics.

Scott was married on April 28, 1920, to Miss Carrie Lind Pancoast, and had one son, Wallace Pancoast Scott. Professor Scott's academic and professional affiliations included: the American Accounting Association, of which he was vice-president in 1941; vice-president of the American Association of University Professors; several professional economics organizations; and various local and national honorary and social organizations.

In addition to *The Cultural Significance of Accounts*, Scott authored another book, *Theory of Accounts*, both of which were published by Henry Holt and Company. He also authored 26 articles which have been reproduced in *Collected Writings of DR Scott*, Robert L. Kvam, Editor, in connection with the 50th Anniversary celebration of the School of Business and Public Administration which Scott was so instrumental in forming.

In his classic work, *The Cultural Significance of Accounts*, Professor Scott describes the objective of his book as follows:

In making an attempt to formulate an orientation for accounts, the writer does not undertake to relate them to a static standard or ideal. His purpose is rather to show their place in a process of social development. What is aimed at . . . is the presentation of a series of snap shots, as it were, upon which the reader is expected to exercise his imagination in constructing the outlines of an organizing process of contemporary cultural evolution. (pp. 3-4)

Having thus set the stage, Scott proceeds to relate the concept of economic market control to a shifting of cultural orientation from a subjective to an objective outlook. It was, according to Scott, the prevalence of an individualistic, subjective philosophy which characterized the cultural period that was dominated by market control; and the importance of market control had begun to wane as the subjective philosophy gave way to a more “. . . matter-of-fact, impersonal, objective viewpoint. . . .”

Thus, Scott saw the competitive market becoming less and less applicable to current economic affairs. Accounting theory, on the other hand, had become more and more independent in its viewpoint until it was becoming a source of guidance to legal and administrative authorities in making decisions affecting social and economic phenomena. As a result, Scott contended, “. . . they [accounts] control such phenomena as well as interpret them to the

extent that they control the actions of men which constitute social phenomena." (p. 283)

In an article, "The Basis for Accounting Principles," appearing in *The Accounting Review* (December, 1941), pp. 341-349, Scott proposed three basic "principles" which testify to the intensity of his conviction regarding the destiny and responsibility of accounting in society. The cornerstone of accounting, Scott said, is *justice*; the remaining principles, *truth* and *fairness*, were supplemental, yet subordinate, to that principle.

When contemplating our current status, one's attention is called to the enormous amount of time and effort the accounting profession has committed in recent years to the construction of a complex, often arbitrary, and sometimes conflicting maze of rules and objectives merely to keep abreast of a changing socio-economic scene prophesied decades ago in the writings of a man who had only initials for a first name, and who seldom ventured from the University of Missouri campus.

(Vol. 1, No. 2, p. 5, 1974)

JOHN BENNETT CANNING

By William Robert Smith
University of Southern California

In 1929, Canning wrote *The Economics of Accountancy*. The book was destined to have a significant effect on the development of accounting theory. Canning, then Professor of Economics at Stanford University, undertook the task for the purpose of making the work of the professional accountant intelligible to economists. He went far beyond his objective out of frustration with the quality of contemporary writings on accounting and the procedural emphasis of texts. He constructed what he perceived to be the existing state of accounting theory based on his observation of practice. Most important, he did this critically. Assuming an audience of professional economists and accountants, he sought to bridge the conceptual and communications gaps that separated the two disciplines.

Canning's influence on accounting thought, apparently slight in the early days following publication of his book, has grown with the passage of time. His book has become required reading for generations of graduate students. His writings appear to have heavily influenced the thought of many current writers.

Canning was born in Huron, Michigan, in 1884. He received a Bachelor of Philosophy degree in political economy in 1913 and a

Doctor of Philosophy degree in economics in 1929, both from the University of Chicago. Between 1915 and 1917, he was an instructor in political economy at the University of Chicago. After military service in World War I, he went to Stanford University as Assistant Professor of Economics where he remained until 1941. During World War II, he was with the War Food Administration of the U. S. Department of Agriculture. Following his retirement from Stanford in 1946, he served as the U. S. representative on the Quadripartite Council in Berlin examining problems of food and agriculture in the occupied areas.

The Economics of Accountancy was Canning's Ph.D. dissertation. It was the culmination of a decade of study into the unexplored areas of convergence between accounting and economics. He was ideally suited to the task. He was primarily a statistical economist and was attracted to accounting by the wealth of empirical data it provided. Canning's accounting credentials were excellent. At Stanford, he built up the curriculum in accounting and headed the division of accountancy within the department of economics. His program marked a sharp divergence from other accounting curricula of his era. It explored the relationships between accounting and economic theory. His programs attracted a distinguished group of graduate students. He was an active member of the American Association of University Instructors in Accounting, predecessor of the American Accounting Association. In addition, although not a CPA, he served as a member of the Board of Examiners of the California State Board of Accountancy from 1921 to 1929.

Canning was not a prolific writer. Also, he was an individual of shifting interests. *The Economics of Accountancy* was his only book. He wrote on accounting up to 1933. In the early 1930s, he became engrossed in problems of fiscal policy and early in the depression era advocated deficit spending as a primary stimulant to recovery. Subsequently, he became involved in areas of social concern such as social security and unemployment insurance. Also during the 1930s, he was advocating health insurance programs and was a member of the Advisory Board of the California Medical Association. In the late 1930s, his interests shifted to problems of agricultural policy and food distribution. He left Stanford in 1941 and served in the area of food distribution with the Federal Government until his retirement in 1948. He died in 1962.

Canning's contemporaries provide us with a composite picture of him as a rugged individualist of strong personal and professional integrity who held strong views and was always ready to break new ground regardless of consequences. In today's environment, he

might be described as an avowed liberal and somewhat of a political activist. He supported the New Deal, social programs, teachers' unions and Harry Bridges. His espousal of causes unpopular with the business community resulted in threats to cut off financial support to Stanford University.

Canning was the first to synthesize the underlying concepts of accounting in terms of economic concepts of valuation and income. He developed a system of rigorous definitions and examined closely the nature and valuation of assets, liabilities and proprietorship and the measurement of income. His numerous criticisms of the state of the art were spiced with proposals for reform. Canning's work was truly pioneering. He drew heavily on the writings of Irving Fisher, and particularly on Fisher's *Nature of Capital and Income*. Speaking before the Symposium on Appreciation at the University of Illinois in late 1929, Fisher referred to his *Nature of Capital and Income* as the first attempt to bridge the gap between economics and accounting but described Canning's work as "a much better book for this purpose."

The Economics of Accountancy is an insightful and penetrating analysis of accounting theory and practice. It is a popular cliché among book reviewers to state that the book under discussion should be part of the library of all graduate students, teachers and practitioners. Canning's book belongs there to be sure, but not as an historical curiosity, but rather as a current guide providing a basis for solutions to a large number of today's unresolved problems in accounting measurements and analysis. It is vital, alive, and relevant to the 1970s.

(Vol. 1, No. 3, p. 6, 1974)

F. R. M. de PAULA

By Stephen A. Zeff
Tulane University

Frederic Rudolf Mackley de Paula was a man in advance of his time. Almost five decades prior to the publication of the Solomons Report, which is now being studied by the accounting profession in the United Kingdom and Ireland, de Paula argued for a partnership between the universities and the accountancy bodies. In the 1930s, still a period in which secrecy dominated the disclosure practices of U.K. companies, de Paula, as financial controller of a large British company, popularized the use of consolidated financial

statements and pioneered in more informative reporting. In testimony before the Cohen Committee on Company Law Amendment in 1944, and as a member and chairman of an influential committee of the Institute of Chartered Accountants in England and Wales in the 1940s, de Paula played an important role in the implementation of several notable reforms in corporate financial reporting.

F. R. M. de Paula was born in 1882. Upon completing his articles and passing the intermediate and final examinations of the English Institute with honors, he was admitted as an Associate in February, 1906. He became a Fellow of the Institute in 1915. From 1909 until the outbreak of the World War, he was engaged in the practice of public accounting. During the War, he occupied a succession of administrative posts in Government service, concluding with a tour of duty in France. He resumed the practice of public accounting following the war, and joined the staff of the London School of Economics. In 1924, he was named Reader in Accounting and Business Organization, and in 1926, upon the retirement of Professor L. R. Dicksee, de Paula succeeded to the Sir Ernest Cassel Chair of Accountancy and Business Methods. He continued in the practice of public accounting and as occupant of the Chair until the end of 1929, when he was appointed Controller of Finance of Dunlop Rubber Company, Limited. Shortly before World War II, he took leave from Dunlop for a period of service in the War Office. He left Dunlop in December, 1941, to become vice chairman and joint managing director of Harding, Tilton & Hartley Ltd., from which he retired in March, 1945. He served as a director of a number of companies and was an officer of the Federation of British Industries (today part of the Confederation of British Industry) and of the British Institute of Management. During the 1930s and 1940s de Paula contributed articles to *The Accountant*, *The Economist*, and other journals, and gave frequent lectures to professional societies. A collection of his most important writings and addresses were published in *Developments in Accounting* (Pitman, 1948), which has become a standard work on the subject, now in its thirteenth edition.

De Paula began to take an interest in reform in the 1920s. In a pair of letters to *The Accountant* in 1926 and 1928, de Paula regretted that the accounting profession had taken so little interest in the academic study of accountancy. His proposal that the five years of training of an articled clerk be divided evenly between practical experience and whole-time university study might well have shocked the conservative leaders of the English accountancy profession, who seemed to look upon the universities as an altogether alien force. De Paula fashioned an eloquent argument for

the importance of academic study and research to the future of the profession, yet almost 50 years later it would appear that the English profession had not accepted de Paula's thesis.

During the 1920s, his time divided between accounting practice and university lecturing, de Paula began to read widely in the American literature on new ideas in the presentation of accounts. "These attracted me greatly," he later wrote, "and I grafted many of them into my teaching, and in the year 1929 I persuaded the board of a public company, of which I was the auditor, to present its accounts in accordance with these new ideas." As chief accounting officer of Dunlop Rubber, he continued his crusade. In Dunlop's 1929 accounts, issued in 1930, assets and liabilities were grouped into current and noncurrent categories, rather than in the legalistic mode adopted by virtually all other companies. Proposed dividends were incorporated in the balance sheet, and dividends were shown net of income tax. It has been the almost universal practice for companies not to reflect in the balance sheet the dividends which the directors had proposed and were to be acted upon at the annual general meeting. In order that shareholders could appreciate the effect of their ratification of the directors' action, de Paula believed that the proposed dividends should be shown in the balance sheet submitted at the annual meeting. In the 1931 annual report, Dunlop expanded its directors' report to include a review and explanation of the year's accounting results—a commentary not then provided by British companies. The 1931 year-end balance sheet contained, perhaps for the first time in Britain, comparative figures for 1930, and all the amounts in the financial statements were shown in even pounds, omitting the shillings and pence. Dunlop's 1933 accounts attracted the greatest attention. In that year, the company issued both consolidated and parent-company financial statements. No law required the publication of consolidated accounts, and few companies had ever done so in Britain. Through his company's 1933 accounts, de Paula launched a campaign to gain acceptance for this form of reporting. This series of innovations in the Dunlop accounts was acclaimed in the pages of *The Economist* and *The Accountant*, both of which had been criticizing companies for their uninformative reports to shareholders.

In 1941, members employed in industry and commerce ("non-practicing members") of the English Institute sought representation on the Institute's General Council, which had until then been composed solely of members in practice. The following year, compromise was reached by which the General Council created a Taxation and Financial Relations Committee made up of practicing and non-

practicing members. It was the first English Institute committee with non-practicing representatives. The Committee promptly requested authority from the General Council to draft Recommendations on Accounting Principles, and the permission was shortly given. De Paula was the Committee's first Vice-Chairman and was Chairman between 1943 and 1945. During the Committee's first three years, a time when a new Companies Act was in the making, the Committee, with de Paula as a leader, prepared several drafts of recommendations which, once approved by the General Council, were favorably received by the Cohen Committee on Company Law Amendment. A number of the Recommendations dealt with subjects on which de Paula had been advocating improvement for several years. Although no Recommendation appeared on the subject of consolidated accounts, de Paula ably argued for this reform in his testimony before the Cohen Committee. Others, including the London Stock Exchange, had joined in support of consolidated statements, but de Paula had been one of the staunchest proponents. In the end, the Cohen Committee reported in favor of group accounts, and they were required for the first time in the Companies Act, 1947.

In 1943, de Paula was selected as the first non-practicing representative on the Institute's General Council, reflecting the esteem in which he was held by the practicing and non-practicing members alike. He remained on the General Council until his retirement in January, 1950.

De Paula was a forward-thinking member of the profession who rendered valuable service in private practice, government, industry, higher education, in the councils of the Institute, and as an author. Any assessment of his career must conclude with the judgment that de Paula had a considerable impact on the pace and scope of the transition of published accounts from mere legal documents to informative reports to shareholders.

(Vol. 1, No. 4, p. 6, 1974)