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## **CORPORATISM AND UNAVOIDABLE IMPERATIVES: RECOMMENDATIONS ON ACCOUNTING PRINCIPLES AND THE ICAEW MEMORANDUM TO THE COHEN COMMITTEE**

*Abstract:* This paper re-examines the conclusion reached by Bircher [1991], and other researchers, that the Institute of Chartered Accountants in England and Wales (ICAEW), through the content of the series of Recommendations on Accounting Principles (RoAPs) that it developed and then incorporated into its memorandum submitted to the Cohen Committee on Company Law Amendment, molded the radical accounting provisions contained in the Companies Act, 1948 (CA48) "in the form of its own programme" [Bircher, 1991, p.293]. It is argued that (1) the Board of Trade (BoT), through the formation of the Cohen Committee, prompted the qualitative change in the content of the second five RoAPs, which were drafted to accord with the content of its submission to the Cohen Committee, and (2) before the ICAEW memorandum was submitted to the Cohen Committee in February 1944, a corporatist structure is discernable in the relationship between the BoT and the ICAEW causing the leaders of the ICAEW to align its interests with the BoT's priorities for the amendment of company law.

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*The publication of the Report of the Cohen Committee on Company Law Amendment is one of those outstanding events that is certain to leave its mark indelibly on the history of company law . . . [The Accountant, 28 July 1945, p.42].*

## INTRODUCTION

The British limited liability company, formed by registration under the companies acts, was created in 1855. Although the decades around the middle of the 19th century saw “the high tide of *laissez-faire*” [Taylor, 1972, p.16], they also saw a marked increase in state intervention in certain areas. Whereas the “industrial sphere” was broadly left to “the will of the manufacturers and the abstract laws of political economy” [Fay, 1937, p.368], a measure of paternalistic control by the state was increasingly considered desirable in certain areas, particularly social administration. Spheres that were the subject of regulation include provision for the poor, safety at work, employment practices, policing, public health and education [Conway, 1990, p.71]. It was also a period that saw steps taken to require statutory accountability from many entities where, in today’s parlance, there existed “a legitimate demand for the information that its financial statements would provide” [Accounting Standards Board, 1999, p.113]. These included: companies formed to run railways, public utilities and financial institutions [Parker, 1990]; local government bodies such as municipal corporations and county and district councils [Coombs and Edwards, 1996]; and mutual associations in the form of friendly societies, building societies and industrial and provident societies [Edwards and Chandler, 2001].

The limited liability company remained substantially free from corresponding statutory intervention. Whereas the newly-created “registered” joint stock company had been subjected to the requirement to publish an audited balance sheet in 1844, these provisions were swept away twelve years later for reasons that remain unclear. While it is true that the obligation to present an audited balance sheet to the annual general meeting was revived in 1900, there persisted, for almost a century, “the liberal ideologies which had generated the formative companies legislation of the 1850s” [Walker, 1996, p.320; also Stewart, 1991, p.49]. The enduring nature of that philosophy is revealed in the following extract taken from the Report of the Company Law Amendment Committee, 1926:

The system of company law and practice in force in England and Scotland has been gradually evolved to meet the needs of the community at large and the commercial community in particular. . . . It is a system well understood by those who have to deal with it, it has stood the test of years, and in our opinion *should not be altered in any matter of principle* except where alteration is imperatively demanded [*emphasis added*, quoted in Edwards, 1980, p.79].

The ensuing Companies Act, 1929 (CA29) was consistent with these sentiments, and it was therefore at a time when statutory accounting requirements were minimal – the early 1940s – that the accounting profession began to assume a degree of formal responsibility for corporate financial reporting practices. The largest British accountancy body at that time, the Institute of Chartered Accountants in England and Wales (ICAEW), had traditionally taken the view that the form and content of accounts were matters for shareholders and directors, with any intervention from auditors prompted by professional judgment rather than as the consequence of ICAEW fiat [Bircher, 1991, p.233]. From 1942, however, the Council of the ICAEW began to issue the famous series of Recommendations on Accounting Principles (RoAPs) (forerunners of Statements of Standard Accounting Practice) to serve as practical guidelines on financial reporting “for the information of members” [*The Accountant*, 12 December 1942, p.354]. According to a leading accountant of the day, RoAPs, which were based on procedures that were widely deemed to represent best practice, “met with a remarkable degree of acceptance not only from members of the profession but, what was even more striking, from directors of companies and their advisers. The consequent impact on the standards of accounting in the country was little short of tremendous” [quoted in Zeff, 1972, p.23]. Twenty-nine RoAPs were issued between 1942 and 1969 (Appendix 1). The substantive provisions of those issued early were incorporated by the state in the Companies Act, 1947.

This paper employs the concept of corporatism to improve our understanding of how the relationship between the ICAEW and the state affected the content of RoAPs issued by the ICAEW and subsequently enshrined in Companies Act, 1947. The paper therefore aims to add to a literature that has employed a corporatist framework to study accounting regulation in different countries [Puxty et al, 1987; Willmott et al, 1992] and, more germane to our own work, to achieve a better under-

standing of the relationship between the profession and the state in a particular geographic locale [Cooper *et al.*, 1989; Richardson, 1989; Chua and Poullaos, 1993; Walker and Shackleton, 1995 and 1998; Stoddard, 2000; Rodrigues *et al.*, 2003].

#### PRIOR LITERATURE

The Companies Act, 1947 (CA47) represented a break with prior liberal ideology. It significantly expanded statutory disclosure requirements by introducing provisions for filing with the Registrar of Companies and presenting to shareholders an audited balance sheet and profit and loss account containing fairly detailed accounting information. The reforms of CA47 have thus been interpreted as significant in achieving the disclosure of relevant and effective information for investor decision-making [Board of Trade, 1945, pp.7-8; Edey, 1950, p.308; Ryan, 1967, pp.95-97; Baxt, 1968, pp.301-306]. The new Act was founded on reforms recommended by the Company Law Amendment Committee, chaired by Mr. Justice Cohen (the Cohen Committee),<sup>1</sup> that were submitted to the President of the Board of Trade (BoT) in June 1945.<sup>2</sup> The Bill drafted by the BoT was presented to Parliament in June 1947 and passed comparatively non-controversially into law in August 1947 [*The Accountant*, 4 October 1947, p.209].<sup>3</sup> British company law was consolidated in June of the following year as the Companies Act, 1948 (CA48).

The leading professional accounting journal of the day commented as follows on the relationship between the accounting recommendations contained in the Cohen Committee's report and the memorandum of evidence submitted in February 1944

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<sup>1</sup>The "Introductory" section sets out, in paragraph 5, the Committee's basic philosophy: "[t]he Companies Acts have been amended from time to time to bring them into accord with changing conditions, but if there is to be any flexibility opportunities for abuse will inevitably exist. We consider that the *fullest practicable disclosure* of information concerning the activities of companies will lessen such opportunities and accord with a wakening social consciousness . . . We have included a number of proposals to ensure that as much information as is reasonably required shall be made available both to the shareholders and creditors of the companies concerned and to the general public" [Board of Trade, 1945, pp.7-8, *emphasis added*].

<sup>2</sup>A chronology of key events is contained in Appendix 2.

<sup>3</sup>Some features of the new Companies Bill were amended by the House of Lords [Bircher, 1991, p.267]. The changes were principally designed to simplify the planned regulations relating to group accounts, and the outcome was to produce a statutory requirement more closely aligned to the content of RoAP 7.

by the Council of the ICAEW: "chartered accountants had every reason to congratulate themselves on the detailed terms of the [Cohen Committee's] Report because throughout its very extended length it adopted time and time again the substance of the ICAEW evidence" [*The Accountant*, 28 July 1945, p.42]. Further, "the specific recommendations made as to the contents of published accounts [by the Cohen Committee] conformed with remarkable closeness to the points put forward by the representatives of the ICAEW" [*The Accountant*, 18 August 1945, p.78].

The idea that the ICAEW was instrumental in bringing about the radical accounting content of CA48 has been accepted by accounting historians. For example, Bircher [1991, p.293] concludes that "[t]he form and content of CA48 owes much to the ICAEW's development of its reform programme and the exercise of its influence to *mould the legislation in the form of its own programme*" (*emphasis added*). Maltby [2000, p.35] interprets the legislation as "a successful attempt by the accounting profession to retain jurisdiction over accounting disclosure". The important prior event consistent with these inferences is the advance publication by the ICAEW (starting December 1942) of its series of RoAPs. According to Bircher, RoAPs established the ICAEW, in the eyes of government, as the only accountancy association with direct practical experience of accounting regulation [Bircher, 1991, pp.231-232, also p.260]. The memorandum submitted to Cohen, drawing on the content of RoAPs, was considered by the BoT and by Parliament as a professionally well-informed review of what was feasible in regulatory terms [Bircher, 1991, p.281]. This linkage between RoAPs, the ICAEW memorandum to Cohen and subsequent legislation is accepted by other writers:

Much of the contents of the first eight Recommendations [published from December 1942 to July 1944] eventually found expression in the 1945 Report of the Cohen Committee and in the revised Companies Act itself [Zeff, 1972, p.16].

Indeed, in framing its recommendations, the [Cohen] committee drew heavily on the ICAEW's submission which was, in turn, based on the Recommendations issued through its Taxation and Financial Relations Committee, beginning in 1942. The [Cohen] committee's recognition of the prime position of the ICAEW in bringing about improvements in financial reporting procedures, and its willingness to provide a back-up system in the form of statutory support for Recommen-

dations which had proved successful, undoubtedly improved the status of each of these [Edwards, 1989, p.209].

The early recommendations of the ICAEW formed the basis of the sweeping reforms in the accounting requirements which were recommended by the Cohen Committee on Company Law Amendment [Stewart, 1991, p.43].

The purpose of this study is to re-examine the view that the ICAEW, through the content of the series of Recommendations that it developed and then incorporated into its memorandum submitted to the Cohen Committee, molded the radical accounting provisions contained in CA48 in the form of its own programme. It is argued that

(1) the BoT, through the formation of the Cohen Committee, prompted the qualitative change that occurred in the content of RoAPs 6-10, issued by the ICAEW, that were drafted to accord with the content of its submission to the Cohen Committee, and

(2) before the ICAEW memorandum was submitted to the Cohen Committee in February 1944, a corporatist structure is discernible in the relationship between the BoT and the ICAEW causing the leaders of the ICAEW to align its interests with the BoT's priorities for the amendment of company law.

The remainder of this study proceeds as follows. First, we explore aspects of corporatist theory to provide an analytical framework for understanding the relationship between the ICAEW and the BoT. The attitude of the ICAEW's Council towards corporate accounting disclosure pre-Cohen is next considered, and the reason for the emergence of the BoT's specific and autonomous interest in the amendment of company law is then clarified. Then follows our analysis of the emergence of a corporatist structure coloring the relationship between the BoT and the ICAEW; a relationship that caused the latter to align the memorandum submitted to the Cohen Committee with the state's priorities for the reform of company law. The significance of the hierarchical structure that existed between the Council of the ICAEW and the district societies, in preparing the ICAEW memorandum for submission to the Cohen Committee, is next demonstrated. The process of drafting RoAPs is reviewed, in light of the above findings, to show that the content of the second five RoAPs was purposely designed to accord with the content of the ICAEW memorandum to Cohen.



## CORPORATISM

We have noted above the fact that Britain's governments largely abstained from intervention in industry and commerce during the nineteenth century. This changed dramatically during the first half of the twentieth century [Tolliday, 1987, pp. 285-293; Wilson, 1995, p. 168; Hobsbawm, 1968, p. 242], and this transformation is partly reflected in the fact that government expenditure as a proportion of gross national product rose more than three-fold, from 12.7% to 39%, between 1910 and 1950. To help explain the relationship between the state and organized interests, where there is a high level of state intervention, corporatist theory applicable to liberal democracies, or neo-corporatism, began to be developed in the mid-1970s. The first serious attempt to develop a substantial model of corporatism as an institutional structure, and to reveal its theoretical relevance, was Schmitter's well-known essay of 1974 which defines corporatism as:

a system of interest representation in which the constituent units are organized into a limited number of singular, compulsory, non-competitive, hierarchically ordered and functionally differentiated categories, recognized or licensed (if not created) by the state and granted a deliberate representational monopoly within their respective categories in exchange for observing certain controls on their selection of leaders and articulation of demands and supports [reproduced in Schmitter, 1979, p.13].

Schmitter saw corporatism as an institutionally structured system of interest representation which operates in a manner that restricts competition and openness among organized interests. Central to the corporatist model is its recognition of "the *state*, as opposed to *government*, as the key public actor in interest group politics" [Williamson, 1989, p.121, *emphasis in original*]. This means that:

the wider state institutions such as the bureaucracy, public enterprises and law enforcement agencies, are not guided solely, if effectively at all, by the decisions of democratically elected governments...This view assigns major importance to the increasing institutional size and complexity of the modern liberal state, such that it is argued that it has become an organizationally powerful entity able to free itself of popular preferences or class power, and thereby pursue its own autonomous



institutional interests as determined by state elites [Williamson, 1989, p.123].

Under corporatism, the state is thus seen as a powerful entity able to pursue its own autonomous interests through its size, complexity and bureaucratic processes.

If the behavior of organized groups poses a fundamental challenge to the interests of the state, it seeks to change their behavior. According to Cawson [1983, p. 179], where targets of intervention are 'interests constituted on the basis of their socio-economic function', as seen in the domain of economic management or industrial policy, 'the intervention has to be purposive-rational, this is justified in terms of effective results rather than legitimate procedures'. If the state has difficulty in securing such results by means of authoritative regulation, the intervention into the socio-economic function requires the co-operation of functional groups. Groups called 'producers', representing sectoral business interests including professional and management interests, have fundamentally different resources of influence to wield from those of consumers or others; producers can wield a range of sanctions (e. g., strikes, non-cooperation and refusal of essential information) and specialized skills and knowledge which raise serious obstacles to intervention by the state [Cawson, 1985, p. 12]. The state, therefore, has to enter into negotiations with producers in policy formulation, and to reconcile tension and contradiction with such groups, to ensure effective intervention [Williamson, 1989, p. 125].

A key feature of corporatism is, therefore, the switch from the individualistic to the organizational level in negotiations for the ordering of society, in which sectoral associations of business interests, called "producer associations", play a decisive part in deciding individual producers' interests [Williamson, 1989, p.76]. Consequently, the individual producers' priorities are susceptible to redefinition and molding, in a possibly distorted form, by such associations.

Corporatist writers point to the fact that corporatism causes producer associations to exhibit certain inter-related features amongst which the following are of relevance to this study: a dependence upon the state, founded on the attribution of public status [Offe, 1981, pp.136-137]; and, a bureaucratically hierarchical structure "under the dominant influence of the leadership rather than responsive to membership demands" [Williamson, 1989, p.75].

In exchange for some form of state recognition, producer

associations necessarily surrender a degree of autonomy with the consequential risk of being less able to respond to the interests of their members. As Williamson [1989, p.207] puts it: “[t]here is an exchange whereby the state supports the organization in various ways in exchange for some constraint upon its articulation of demands” on the state, which has a distorting effect on the representational function of producer associations.

The role that producer associations need to play within corporatism therefore has implications for the way in which they are structured: “[t]he permanent staff . . . of such associations have to have specialist knowledge, exercise particular skills and hold considerable information to be able to effectively negotiate” with the state [Williamson, 1989, p.80]. Streeck [1983, pp.268-269, 281] adds that, to fulfill these roles, producer associations must acquire internal features that resemble the state’s bureaucratically hierarchical structure.

A corporatist relationship with the state requires that an association’s members are excluded from direct involvement in negotiations and decision-making, which means that decisions reached may not command widespread support from the membership. For negotiated arrangements to work, however, the leadership of producer associations must have some means of ensuring members’ compliance where their decisions do not command widespread support [Williamson, 1989, pp.81-82]. Corporatist writers refer to the way in which events can be manipulated by the leadership [Schmitter, 1982, p.260; Crouch, 1983, p.458; Grant, 1985, pp.20-21], with Williamson [1989, p.208] attaching particular emphasis to “the delimitation of the opportunities for the members to oppose decisions taken by the leadership” by controlling the flow of information within the organization. As a result, leaders can make the decisions *appear* to be in the self-interest of individual members [Sabel, 1981, p.213].

Relevant to this study is the fact that professional associations possess, in many respects, the kind of institutional traits that are identifiable within a corporatist structure. First, they generally achieve an effective monopolistic position “in respect of their right to exercise particular skills” based on a body of specialist knowledge [Williamson, 1989, p.171]. Second, “members of a profession are licensed to carry out their occupation by relevant professional associations” which are recognized in some way by the state [Williamson, 1989, p. 172]. Third, the associations “have to defend their position” and to maintain necessary regulation over the behavior of members [Williamson,

1989, p.172]. Finally, they claim to “act in an altruistic or public-regarding manner” in exchange for having a monopolistic position [Williamson, 1989, p.172].

The ICAEW was granted, on formation in 1880, exalted public status through the award of a Royal Charter, which is the most prestigious method of incorporation for a professional association because a Charter has “symbols or badges of honour that allegedly signify exceptional virtues and trustworthiness in the provision of specialist expertise” [Willmott, 1985, p.47]. In the petition for a Charter, the ICAEW claimed that its formation would serve the public benefit and, for that purpose, set forth strict rules of conduct of members and relevant disciplinary procedure in the Bye-laws. As the result of licensing by Royal Charter, members were placed in a dominant position<sup>4</sup> in the accountancy labor market in England and Wales. In 1941, the ICAEW was the largest professional accounting association in Britain. With 13,694 members, it accounted for 38.4% of the total membership of the seven senior accounting bodies at that time [Matthews et al, 1998, p.62]. In 1921, Ernest Cooper, a former president of the ICAEW, stated that members of the ICAEW “possess no monopoly, but . . . have charge of about 95% of the auditing business of substantial concerns” [Ms. 28432/19]. In 1943, Lord Plender, President 1910-12 and 1929-30, boasted that “I doubt if any material change in the percentage has taken place since [1921]; if so, I fancy it would be favourable to us . . . the Institute should show how great is its influence compared with other bodies, quoting the percentage” [Ms. 28432/19]. Indeed, the first paragraph of the ICAEW memorandum to Cohen stated that “[i]ts members are auditors of the large majority (estimated at over 90%) of the public companies of which particulars are given in the Stock Exchange Official Yearbook” [Ms. 28432/19].

These conditions suggest that the corporatist framework could be a useful way of analyzing the dialectical relationships between the state authorities and the ICAEW, given its position as the leading producer association within the accountancy profession.<sup>5</sup> In the next but one section, we will further explore this

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<sup>4</sup>This situation persisted despite the fact that the growing market for accountancy labor promoted the formation of organizations for excluded practitioners. As at February 1930, for example, at least 17 accountancy bodies existed [Stacey, 1954, p.138].

<sup>5</sup>As revealed in the next but one section, there is no evidence to suggest that the BoT, when selecting a suitable accountant for appointment to the Cohen Committee, seriously considered choosing someone from outside the member-

possibility through tracing the emergence of the state's specific and autonomous interests in the amendment of company law. First, we consider the stance of the ICAEW's Council on the improvement of corporate financial reporting procedures prior to the appointment of the Cohen Committee.

#### THE ICAEW AND CORPORATE ACCOUNTING DISCLOSURE PRE-COHEN

The Council of the ICAEW had traditionally insisted that the form and content of corporate published accounts were matters for agreement between shareholders and directors. Council maintained that excessive disclosure in accounts was harmful to the business interests of British firms as it entailed making available valuable information to competitors. In 1925, when the ICAEW, as a society representing professional accountants, made its first submission to a BoT's Company Law Amendment Committee, it argued that "to attempt to prescribe either a statutory form of Balance Sheet or what a Balance Sheet must disclose or that there should be in addition a Profit and Loss Account is considered to do more harm than good". Their overall conclusion was unsympathetic and uncompromising: "[i]t is impossible by legislation to protect fools from their own folly" [quoted in Edwards (ed.), 1980, p.120].

It is clear from comments made by its leaders in the aftermath of the Royal Mail case of 1931 [Edwards, 1976, p.299] that the ICAEW had become more sympathetic to the need for improved corporate accountability, but it believed that the achievement of this objective did not require statutory intervention.<sup>6</sup> In 1934, the ICAEW's Council acknowledged the need for action by

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ship of the chartered institutes, and the signs are that they expected the appointee to be a member of the ICAEW [BT58/356]. CA47 and CA48 nevertheless introduced the so-called "auditor provision" which allowed auditors to be members of the ICAEW, the Society of Incorporated Accountants and Auditors, the Association of Certified and Corporate Accountants, or the Scottish chartered bodies or persons who were recognized as eligible by the BoT. Members of all these bodies were therefore recognized under CA48, and the BoT established, in October 1947, a consultative committee reflecting the interests of all these bodies, namely the Accountancy Advisory Committee [BT58/446, pp.116-118].

<sup>6</sup>A persuasive explanation for the ICAEW's antipathy towards legislative regulation is contained in the following comment made by H. L. H. Hill, President 1931-32 and 1933-34: "I am thankful to believe that the time will never come when legislation can be so definite and comprehensive that auditors will be reduced to mere automata, to obey audit programmes laid down by statute. The whole value of our work is dependent upon our proper exercise of judgement" [*The Accountant*, 9 January 1932, p.46].

the business community to bring about a *voluntary* improvement in disclosure practices. A. E. Cutforth, President 1934-36, voiced the following appeal to members attending the 1934 autumnal meeting of the ICAEW: "it is better that any desirable reforms should come about voluntarily by an improvement in general practice than that an attempt should be made to enforce them by legislation" [*The Accountant*, 20 October 1934, p.545]. On 23rd January 1935, the Parliamentary and Law (P&L) Committee of the Council formed "a sub-committee to make preparations for future possible amendment of company law" (SCCLR) [Ms. 28420/3, p.88].<sup>7</sup> Cutforth advised the 55th annual meeting of the ICAEW, held in May 1936, that:

it is within our knowledge that the [government] department concerned is watching the situation closely. Sooner or later, no doubt, a Committee or Commission will be set up to deal with company law amendment; and bearing this in mind the Council has for some considerable time been collecting data and sifting opinions through the medium of a special Committee in order that when the occasion arises the Institute may be ready with concrete and well-considered recommendations [*The Accountant*, 9 May 1936, p.722].

The fundamental stance that emphasized *voluntary* improvement of disclosure practices was retained, however, as demonstrated in the address made by R. N. Carter, President 1936-37, to the 56th annual meeting in May 1937:

the Council have continued to collect information and opinions on balance sheets and the audit of the accounts of limited companies in order that they may be ready, when the time is ripe, to submit views on any amendments to the Companies Act which may be considered necessary . . . the profession itself is directing attention to more information being afforded both in the balance sheet and in the profit and loss account. It is probable that this can be *better* achieved in that way than by legislation [*The Accountant*, 8 May 1937, pp.663-664, *emphasis added*].

A report from the SCCLR was submitted to the P&L Committee on 25th July 1938, and its extensive proposals for greater disclosure in published accounts are detailed by Bircher [1991,

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<sup>7</sup>Members of the SCCLR were: the Chairman of the P&L Committee (Sir Henry McAuliffe); President (Cutforth); Vice-President (R. N. Carter); H. M. Barton; W. Cash; H. L. H. Hill; and Sir Harold Howitt [Ms. 28420/3, p.88].

pp.147-155]. Having reviewed its contents, Bircher [1991, p.156] considers it “surprising that the ICAEW chose not to publish it or even to express more favourable views on the possibility of company law reform”. Elsewhere, however, we find Bircher [1991, p.152] making observations that are consistent with our interpretation of ICAEW’s actions in the 1940s and its developing relationship with the state:

this report is rather at odds with public statements by ICAEW representatives that reform of accounting practice by legislation was not feasible. However, it is clear from the report that by the middle of the 1930s there was a private recognition by the ICAEW that reform by legislation was possible (although not necessarily desirable).

The decision of the ICAEW’s Council to issue RoAPs, commencing in December 1942, may be interpreted as public recognition of the fact that it was possible for disclosure practices to be prescribed in detail, and, by implication, that statutory regulation was a feasible proposition which would no longer “do more harm than good” [ICAEW submission to the Company Law Amendment Committee in 1925, quoted in Edwards, 1980, p.120]. Even the RoAP programme did not, however, appear to signify, at the outset, Council’s conversion to the need for legislative intervention. As revealed in the preamble to the first two recommendations issued on 12th December 1942, RoAPs were merely expected to “be helpful to members in advising directors as to what is regarded as the best practice” [*The Accountant*, 12 December 1942, p. 354]. A transformation of the ICAEW’s traditional stance was made public soon afterwards, however, following the appointment of the Cohen Committee. As will be shown in this paper, the Council of the ICAEW, through the submission of its memorandum to the Cohen Committee, now recognized that reform by legislation had become necessary, or at least inevitable.

#### THE BOARD OF TRADE AND COMPANY LAW REFORM

The desire of the state to institute “a broad inquiry into the basic principles underlying the company law” originated with the bureaucrat, Sir Edward Hodgson, Second Secretary of the BoT<sup>8</sup> who submitted his ideas to Hugh Dalton, President of the BoT 1942-45, on 22 December 1942:

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<sup>8</sup> Relevant government officials and their position are given in Appendix 3.

The experience of the Department . . . strongly suggests that the law should be strengthened to provide greater publicity in regard to the formation and affairs of a limited liability company and of better safeguards for investors and shareholders. It may be doubted whether existing company law sufficiently recognises modern social trends in investments. The small investor, whose numbers are now legion, is virtually a sleeping partner with neither the wish nor the opportunity to undertake any of the management responsibilities which underlie the present legal conception of a shareholder, and he therefore needs special protection [BT58/356].

In the 1930s, the BoT had been exposed to pressures to reform company law from certain quarters, such as A. M. Samuel, M. P., and Henry Morgan, President of the Society of Incorporated Accountants and Auditors (SIAA) 1929-32 [BT146/17]. The BoT had resisted such pressures, up until the end of 1942, for reasons that included: the lack of unanimity within the accounting profession concerning the need for legislation [Edwards, 1976, p.299];<sup>9</sup> the observation that “it cannot yet be considered that experience of the working of the present Act is sufficient to ensure that amendment is necessary”; and because “it is almost a truism that the practice of many companies and auditors goes beyond the requirements of the law”.<sup>10</sup> The radical change of BoT policy in favor of company law reform, as revealed in Hodgson’s communication to Dalton, is, in Bircher’s view [1988, p.117], best understood “as a reflection of the changes in social attitudes stimulated” by World War II, which brought about unprecedented mobilization and control over resources used by the state. According to Hancock and Gowing [1949, p.541]:

There existed, so to speak, an implied contract between Government and people; the people refused none of the sacrifices that the Government demanded from them for the winning of the war; in return, they expected that the Government should show imagination and seriousness in preparing for the restoration and improvement of the nation’s well-being when the war had been won. The plans for reconstruction were, therefore, a real part of the war effort.

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<sup>9</sup>Lord Plender was a particularly vociferous opponent of change in a series of speeches made in 1932 [Bircher, 1991, pp.112-113].

<sup>10</sup>Memorandum prepared by J. G. Henderson, Principal of the Companies Department of the BoT [quoted in Bircher, 1988, p.113].



In this atmosphere, Dalton prepared a memorandum, dated 15 February 1943, that urged enhanced transparency in the affairs of limited liability companies. The document expressed concern that “the interests both of the public and of the [large number of] small shareholder may be insufficiently safeguarded”. Dalton continued:

I am not satisfied that the existing framework of the Company Law is altogether suited to modern needs . . . Much will depend after the war, both for the nation and for the individual, on ordered development and responsible conduct of limited liabilities companies . . . The provisions with regard to private companies have, in the experience of the Department, been gravely abused and here again the question of reform needs urgent consideration. There are other questions such as . . . holding companies, subsidiaries companies, and the requirements in regard to the accounts of companies, which call for enquiry. I propose, therefore, to set up at once a small Committee under a strong independent Chairman, to examine the principles of the Company Law and to consider whether any major reforms are necessary to provide better safeguards for the investor, the shareholder and the public interest, and greater publicity in regard to the formation and affairs of a limited liability company; and, if so, to suggest what they should be, so that a measure may be prepared for introduction at the appropriate moment [BT58/356].

Dalton circulated his memorandum to Sir William Jowitt, Minister for Reconstruction (1942-44), and Sir Kingsley Wood, Chancellor of the Exchequer (1940-43), requesting support for his initiative and suggesting that they collaborate to fix the membership of the proposed committee [BT58/356]. Jowitt and Wood responded enthusiastically, and the “autonomous” interest of the state in amending company law was firmly instituted. The BoT’s departmental Committee on Company Law Amendment was appointed on 26th June 1943 with Mr. Justice Cohen at the helm in response to Hodgson’s plea for “a strong chairman who would command universal confidence” (BT58/356).

In arranging the remaining membership of the Cohen Committee, the BoT “took care to include people who were likely to be sympathetic to new ideas” [Edwards, 1989, p.207]. According to Bircher [1988, p.117], “the principal battle for change in accounting practice had been won in the establishment of the committee of inquiry”. As to the ideal qualifications for a suitable accountant to serve on the committee, a letter from Sir

Arnold Overton, Permanent Secretary of the BoT, to Arthur F. B. fforde, Deputy Director of Contracts at the Ministry of Supply, dated 2 February 1943, listed the following attributes: “a really first-class man . . . of the younger school . . . while not generally known (necessarily) as a first-class man, regarded as such by those best able to judge” [BT58/356]. In a reply dated 4 February 1943, fforde mentioned several names.<sup>11</sup> Apart from Dowling and Burleigh (both Scots), those listed were all members of the ICAEW [BT58/356]. Two letters addressed to senior BoT officials favoring the appointment of Russell Kettle, of Deloitte, proved decisive. One from a Treasury official to Dalton’s colleague, Hodgson, dated 29 January 1943, stated that:

Thinking over your request the other day for any Treasury suggestions of names of accountants who might serve on your Advisory Committee on Company Law, I find it a little difficult not to put Mr. Kettle first. It is not very long since he was appointed our accountant adviser, to help us on accountancy questions arising, amongst other things, out of our war expenditure [BT58/356].

Another letter, this time from Kingsley Wood to Dalton dated 15 April 1943, stated that:

as regards an accountant, would you care to consider Kettle of Deloitte’s, who is, of course, well known to your Department. I gather that he was partly instrumental in starting up an unofficial committee of the Institute to examine the question of the amendment of the Company Law,<sup>12</sup> and this might be a useful link. Of his personal qualifications I need hardly speak [BT58/356].

Kettle became heavily involved with drafting the accounting recommendations of the report of the Cohen Committee and, afterwards, the corresponding provisions to be incorporated in the Companies Bill, 1946. Indeed, Kettle, together with T. B. Robson, were described as the BoT’s “advisers in the drafting and during the passage of the Companies Bill” [BT58/446,

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<sup>11</sup> Those named were: Sir Harold Howitt, H. M. Barton, H. A. Benson, T. B. Robson, J. T. Dowling, J. C. Burleigh and G. D. Shepherd.

<sup>12</sup> The reconstituted SCCLR, as described below.

<sup>13</sup> Kettle received a knighthood in 1947 in recognition of his work as a member of the Cohen Committee and for advising the government when drafting the consequential legislation [Kettle, 1957, p.138]. At approximately 56 years of age, Kettle was hardly a young man, but it is perhaps the case that reference

p.117].<sup>13</sup> In the next two sections, we consider the extent to which corporatist structures were utilized by the leaders of the ICAEW in formulating its submission to the Cohen Committee.

#### BUILDING A CORPORATIST STRUCTURE: THE ROLE OF THE RECONSTITUTED SCLLR

From the 1880s onwards there were recurring attempts to achieve state recognition for some or all qualified accountants as monopoly suppliers of accounting services. Walker and Shackleton [1995] employ a corporatist framework to analyze initiatives in the period 1930-1957, and show that a key episode was the formation, in 1942, of a Co-ordinating Committee, comprising delegates from the councils of the major accounting bodies. The object was to secure, through licensing, “a legal monopoly of public practice” for their members [Walker and Shackleton, 1995, p.467]. The initial approach to the Minister for Reconstruction, Sir William Jowitt, was made by R. W. Bankes, Secretary of the ICAEW, on 7th July 1942, to discuss the general question of post-war reconstruction. The first meeting of the Co-ordinating Committee was held on 7 August 1942. This was followed, in September of that year, by a meeting between the minister and representatives of the ICAEW. At the next meeting of the Co-ordinating Committee held on 5th October 1942, C. J. G. Palmour, President of the ICAEW 1938-44, reported that Jowitt had stated that “the Accountancy bodies should get together and form some scheme for the co-ordination of the profession” [Ms. 28428, p.3]. The ICAEW delegates continued to play the leading role in this ultimately flawed initiative [Walker and Shackleton, 1995, pp.486-496], starting work on drafting a Public Accountants’ Bill on 24th October 1942. We conclude that the decision to mount the co-ordination initiative, at the same time that the BoT was revealing its determination to achieve a radical reform of company law, may have been a factor that encouraged the leaders of the ICAEW, in their submission to Cohen, to align the ICAEW’s interests with those of the state.<sup>14</sup> This is consistent with one of the central features of a

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to “younger school” was intended to rule out leading accountants such as Kettle’s senior colleague, Lord Plender (81 years old when the Cohen Committee was appointed), who had steadfastly favored a policy of non-intervention.

<sup>14</sup>We acknowledge the difference between the nature of the producer association seeking a corporate relationship with the state in relation to the co-ordination initiative and that seeking one in relation to the reform of company law. Whereas the relevant producer association, in the latter case, was the

corporatist structure, by revealing a producer association's dependence upon the state based on the attribution of public status.

The preparation of the ICAEW's submission to the Cohen Committee was the responsibility of the P&L Committee whose key role within the ICAEW's organizational structure, at this time, can be inferred from its membership profile. This included, besides the current President, all five past Presidents remaining on Council as at 29th March 1943 (Appendix 4). No other committee had so many past Presidents. A further characteristic of the P&L Committee was that members were partners in leading London accountancy firms.<sup>15</sup> It was likely to be the case that partners in the large London firms were best known throughout commerce and industry. It was certainly the case that they were the accountants well known to government departments. The relationship between the state and accountants had accelerated during World War I when many accountants were called upon to supply their specialist expertise in support of the war effort. It blossomed during the inter-war period when numerous accountants were engaged to help reconstruct and reorganize British industry [Matthews et al, 1998, pp.151-159]. The participation of accountants in government affairs achieved further impetus during World War II with their recruitment to the many new and expanded departments that resulted from renewed wartime intervention in industry [Howitt, 1966, pp.253-256; Garrett, 1961, pp.210-214; Parker, 1980].

To help prepare a memorandum for submission to Cohen, the P&L Committee reconstituted the SCCLR at a meeting held

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ICAEW, it was the Co-ordinating Committee comprising the major accountancy bodies who sought state preferment as the monopolistic supplier of accounting services. However, as noted above, the ICAEW was the leading professional accounting body and its delegates played the dominant role on the Co-ordinating Committee. Indeed, it is likely that the ICAEW's leaders included other accountancy societies in the discussions, because, as implied by the comment attributed to Jowitt, it would otherwise have been impossible to obtain state approval for the desired monopoly position.

<sup>15</sup>From the Companies Act, 1862 through to the Companies Act, 1967, there existed a provision prohibiting partnerships of more than 20 members. The number of qualified accountants employed in accountancy firms, rather than the number of partners, is considered to be a better indication of size. The average number of accountants employed in 1939 by firms whose partners were members of the Council was 17.5 per firm, whereas for members of the P&L Committee the corresponding figure was 37.5 per firm. In addition, the seven largest firms out of 54 firms that had at least one partner on Council in 1939 were also represented on the P&L Committee.

on 29th March 1943.<sup>16</sup> In the remainder of this section, we explain how the leaders of the ICAEW ensured that the reconstructed SCCLR included people sympathetic to the government's conversion to the need for a radical revision of company law and, thus, would be capable of enhancing the desired corporatist relationship with the state.

The characteristics of the P&L Committee, described above, were broadly replicated in the membership of the SCCLR<sup>17</sup> with only Cooper Brothers & Co., of the five largest accountancy firms in 1939, not represented. The SCCLR included the current President (Palmour), two past-Presidents (Freeman, 1925-26, and Carter, 1936-37) and four others who were to become Presidents of the ICAEW within ten years (Barton, 1944-45; Howitt, 1945-46; Kettle, 1949-50; and Robson, 1952-53). All except Carter were partners in London firms and all had close and regular contact with government departments through their wartime efforts. At least five (including Kettle), in a personal capacity or as representatives of the ICAEW, had been in administrative or advisory positions providing expert advice or participating in policy-making to the authorities listed in Table 1. The other three members of the new SCCLR (Freeman, Carter and Robson), plus Barton, had constituted a sub-committee of the General Purposes Committee of the Council to prepare the Memorandum on Excess Profits Tax (EPT) submitted to Sir Kingsley Wood in March 1942. They also attended, with Palmour, a meeting with the Chancellor and the Chairman of the Board of Inland Revenue, Sir Cornelius Gregg (1942-48), to discuss the memorandum [Ms. 28416/8, pp.85, 103].<sup>18</sup> Perhaps most significant of all is the fact that the new SCCLR included four (Barton, Howitt, Kettle and Robson) of the six members of

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<sup>16</sup> Membership is given in Appendix 5 as is their role in the preparation and publication of the first ten RoAPs.

<sup>17</sup> It is likely that the pool of Council members from which the SCCLR could be selected was restricted by two factors: the need for them to possess appropriate technical skills; and, in wartime conditions, to be readily available to attend meetings in London. The latter factor, in particular, might have biased the composition of the membership in favour of individuals with the characteristics described below.

<sup>18</sup> Among the membership of the SCCLR, Yeabsley, a partner in Hill, Vellacott & Co., appears, at first sight, to be the "odd man out", being on neither Council nor the P&L Committee and never serving as President of the ICAEW. Yeabsley's appointment to the SCCLR probably reflects the P&L Committee's desire to include someone having very close connections with the BoT, serving as an "adviser" to that government department [*The Accountant*, 15 August 1942, p.95; see also *The Accountant*, 29 June 1946, p.364].

the ICAEW mentioned by government officials as suitable accountants for appointment to the Cohen Committee (Appendix 5). A comparison of the original and newly constituted SCCLR is also instructive. Of the seven members of the original SCCLR, three (Carter, Barton and Howitt) joined the new committee and three others had by then resigned from Council and were therefore ineligible for appointment. The only member of the original SCCLR not to find a place in the new committee was, therefore, H. L. H. Hill, President 1931-32 and 1933-34, a known opponent of the statutory regulation of corporate financial reporting procedures.<sup>19</sup>

**TABLE 1**  
**Governmental Organizations Served by Council Members**  
**During World War II Prior to Their Appointment to the**  
**SCCLR**

<i>Member</i>	<i>Government authority</i>
Palmour	Ministry of Labour and National Service (through the Advisory Council of the National Register)
	Ministry of Labour and National Service (through the Accountancy Committee of the Central Register)
Barton	Ministry of Aircraft Production (through the Authorized Controller of General Aircraft Ltd.)
Howitt	Air Council
	Air Supply Board
	Air Training Corps (through the Board of Finance)
	NAAFI Council
	Building Materials Board
Kettle	Ministry of Works
	Treasury
	Ministry of Aircraft Production
Yeabsley	Central Price Regulation Committee
	BoT in relation to the fixing of prices under the various utility schemes

*Sources:* Howitt, 1966, pp.255-256; Garrett, 1961, pp.213-214, 221; Parker, 1980; Jones, 1981, pp.188, 191-192; Williams and Nicholls, 1981, pp.545-546; *Who's Who*, 1954, p.175; *The International Who's Who*, 1956, pp.424, 482, 1024.

<sup>19</sup>In his presidential address to the 51st annual general meeting of the ICAEW, Hill stated that "[t]he Institute has always opposed legislation which would prescribe in detail the precise form or content of accounts or the duties of auditors, and, for myself, I am in entire accord with this attitude" [*The Accountant*, 7 May 1932, p.628].

It is the duty of organizational collectives to enhance the position of their members within the market for specialist skilled labor as demonstrated by, for example, the co-ordination initiative starting in August 1942. The wartime conditions had contributed to a situation where the state had expressed (in December 1942) its determination to strengthen the law “to provide greater publicity” [BT58/356]. It is our understanding that, in March 1943, the ICAEW’s Council, through its influential P&L Committee, sought to protect, and possibly enhance, its members’ dominant position within the labor market by constructing a SCCLR comprised of members who were, on the one hand, aligned with the BoT’s initiative in reforming company law as “a real part of the war effort” [Hancock and Gowing, 1949, p.541] and, on the other hand, people with a record of public service likely to enhance their credibility with the responsible government department. The likely influence of the state over the P&L Committee’s selection of members of the new SCCLR, coupled with the appointment of Kettle to the Cohen Committee by the BoT, indicates that, on reconstitution of the SCCLR in March 1943, and thus well before the submission of the ICAEW memorandum to the Cohen Committee, on 25th February 1944, a corporatist structure is discernible in the relationship between the ICAEW and the BoT. As Schmitter [1979, p.13] observes, the alignment of the interests of a producer association with those of the state, through control or influence of the latter over the selection of its leaders, is an important indication of corporatism. It is this influence of the state, represented by the BoT, over the “articulation of demands” by the ICAEW that leads us to depart from Bircher [1991] in our assessment of the dominant factors affecting the development of CA48.

In light of the above, the draft memorandum, dated 25 October 1943, prepared by the SCCLR and submitted to the P&L Committee,<sup>20</sup> unsurprisingly proved sympathetic to the BoT’s initiative to reform company law. The message conveyed (by head eight of the synopsis of main observations) is in stark contrast to the submission to the Company Law Amendment Committee in the 1920s, and the stance taken following the revelations of the Royal Mail case in 1931:

The Institute is in favour of the *maximum practicable disclosure* of information in annual accounts but is op-

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<sup>20</sup>The P&L Committee then submitted the draft memorandum to the Council on 3rd November 1943.



posed to standardisation of form. It makes a number of recommendations with respect to the details which should be disclosed in Balance Sheets and expresses its views as to the disclosure of inner reserves. It considers that the time has now arrived *when statutory guidance should be given* as to the contents of profit and loss accounts and indicates the general principles which, in its opinion, should apply; it also submits a suggestion which might form the basis of a clause designed to prescribe the information which should be disclosed [Ms. 28432/19, *emphasis added*].

With these words, the Council of the ICAEW revealed its conversion to the notion that general statutory regulation should cover the substantial content of corporate published accounts.

Bircher and others have observed that the report of the Cohen Committee, submitted to the BoT in June 1945, was heavily influenced by the ICAEW memorandum:

Its [the ICAEW] memorandum of evidence was very detailed, comprehensive and clear, more so than any other submission. Its evidence amounted to an ambitious but authoritatively informed review of the potential of and need for company law reform. The experience of the ICAEW in issuing its Recommendations, which the BOT had expressly acknowledged as valuable, established the ICAEW as the only accounting body with direct experience of regulation. Even without Kettle's influence on the [Cohen] Committee, the ICAEW evidence would have exerted a powerful effect [Bircher, 1991, p. 260].

The influence of the ICAEW on the accounting provisions of the report of the Cohen Committee is of course there for all to see. Many explanatory and analytical sentences or paragraphs in the "Accounts" section were taken from the ICAEW memorandum. For instance, in paragraph 98, "Function of balance sheet", the report cited, verbatim, material contained in the ICAEW memorandum.<sup>21</sup> However, this study is not concerned with the fact that the Cohen Committee accepted the detailed

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<sup>21</sup> Specific recommendations, as well as explanatory material, can be traced to the ICAEW memorandum. For example, the proposed definition of fixed and current assets and almost all the recommended disclosure items originated in the ICAEW memorandum. Bircher [1991, p.263] adds that the direct influence of the ICAEW memorandum can also be found in the recommendations of the Cohen Committee on the disclosure of the foreign exchange conversion method and the pre-acquisition profits and losses of subsidiary companies.

accounting recommendations contained in the ICAEW's submission;<sup>22</sup> its purposes are to explain why the substance of the ICAEW submission favored the introduction of general statutory regulation, and to demonstrate how the content of its submission then controlled the content of RoAPs 6-10. We have shown that the composition of the SCCLR was a significant factor in building a corporatist structure with the state and undoubtedly contributed towards enhancing the acceptability of the ICAEW memorandum. Further, it is our view that Kettle's position as the only accountant on the Cohen Committee made acceptance of the ICAEW memorandum more secure. Indeed, the BoT's internal documents reveal that, in preparing the report of the Cohen Committee, Kettle played the leading role in drafting the accounting recommendations [BT58/374].

In the next section, we consider how support was engineered from the general body of members for this transformation in the ICAEW Council's fundamental attitude towards compulsory disclosure by legislation.

#### A HIERARCHICAL STRUCTURE

We have seen that Williamson [1989, p.75] asserts that a producer association, striving to achieve a corporatist relationship with the state, will be characterized by a bureaucratically hierarchical structure "under the dominant influence of the leadership rather than responsive to membership demands". The following features of the structural arrangements made by the Council of the ICAEW for the purpose of gathering comments on its draft proposals when formulating the memorandum for submission to the Cohen Committee are relevant in this context.

First, members were required to submit recommendations to the Council through a formal process involving their district societies. The limitation which this placed on the ability of individual members to make their views known suffered further

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<sup>22</sup>Their successful opposition to calls for the standardization of accounts, from for example *The Economist*, might well be interpreted as indicating the fact that the leaders of the ICAEW were actively seeking to "mold" the detail, rather than the overall aim, of the provisions of CA47 and CA48. We acknowledge this possibility and suggest that the behavior of the ICAEW, in seeking to mold the detail of new accounting regulations, should be understood through a corporatist concept – private interest government – whereby producer associations take on a quasi-public status of self-regulation, on behalf of the state, in order to protect themselves against direct state intervention [Streeck and Schmitter, 1985, pp.19-20].

restriction because, except for the London and District Society, there existed no automatic right to membership of a local society. The membership of district societies depended on the willingness of chartered accountants to pay an additional subscription and was generally quite low.<sup>23</sup> It is therefore uncertain whether the committees of the district societies truly represented the opinion of the general body of members.

Second, the lack of cross-sectional communication between district societies. Information submitted by each society was collected and collated by the Council, but the accumulated data were not remitted to the district societies. Submitted opinions were circulated only amongst members of the SCCLR [Ms. 28411/13, p.55]. Even individual members of the Council appear not to have been fully informed of the entire balance of opinions.

The Council circulated its draft memorandum to district societies for comment on 4th August 1943 [Ms. 28411/13, p.55]. Most historical records relating to this aspect of our study have been destroyed, and it is therefore impossible to be fully informed about how the contents of the memorandum were received. Certainly, there is no evidence of any serious challenge from the membership to the fundamental shift in favor of compulsory disclosure embodied in the ICAEW memorandum. Indeed, some district society committees, such as London and Liverpool, actively supported the recommendations made. The Liverpool Society specifically suggested that the ICAEW memorandum should incorporate RoAPs already published [Ms. 28432/19].

Nonetheless, some dissatisfaction smoldered at district level concerning certain proposals made, to which the above structural arrangements were effectively applied to delimit the opportunity for members to oppose the Council's decision. The committee of the Leicestershire and Northamptonshire Society, for example, complained to the Council that its recommendation on the abuse of majority rights in private companies had not surfaced in the ICAEW memorandum and inquired whether there would be any objection to it "communicating direct with the Chairman or Secretary to the Cohen Committee on that point?" [Ms. 28432/19]. The Council replied that it did not "see its way to make further representations" [Ms. 28420/3, p.238] and, significantly, added that the Council was of the "opinion that sepa-

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<sup>23</sup>It varied from 18.4% to 53.4% of the membership of individual societies and averaged 29% overall [Ms. 28432/19].

rate representations by any District Society would be inappropriate” [Ms. 28420/3, p.238]. A further letter from the Sheffield Society, dated 24 August 1944, requested the Council to withdraw its recommendation on Section 133 (1) (b) of CA29.<sup>24</sup> Rejecting this request, the Council replied that “it is perhaps not to be expected that suggestions which found favour with certain districts or members would appeal equally to other persons considering them” [Ms. 28420/3, p.242]. The ability of individual societies to press their case suffered from a lack of knowledge of the views of the others. Council ensured monopoly control over available information<sup>25</sup> – the second hierarchical feature noted above – and this effectively forced each district society to accept the choices that it made.

We can therefore conclude that this delimitation of “the opportunities for the members to oppose decisions taken by the leadership” [Williamson, 1989, p.208], by restricting the communication route and controlling the flow of information within the organization, contributed a key institutional trait central to the successful creation of a corporatist structure.

#### FORMATION AND OPERATION OF THE GASC

The ICAEW’s Taxation and Financial Relations (T&FR) Committee was formed on 11th June 1942. The job of drafting RoAPs for approval by Council was delegated to the General Advisory Sub-Committee (GASC) which was created during the first meeting of the T&FR Committee held on 22nd July 1942. The terms of reference established for the GASC included the requirement “to consider, inter-alia, general questions of accounting principles and procedure and any other matters of *mutual interest to practising and non-practising members*” [Ms. 28423, p.11, *emphasis added*]. We can therefore see that the GASC was created to improve liaison between practising and

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<sup>24</sup>Section 133 (1) (b) provided, in the case of private companies, an exception to the general rule that officers or employees should not serve as auditor. The ICAEW memorandum in this connection recommended that “the exception in the case of private companies as set out in Section 133 (1) (b) should be withdrawn as being wrong in principle. It also suggests that not only every officer but also every employee of a company should be ineligible for appointment as its auditor” [Ms. 28432/19].

<sup>25</sup>A formal mechanism for district societies to exchange information and ideas had been dismantled, as early as 1937, as the result of the Council’s decision to suspend the annual meeting between representatives of the Council and the committees of each district society [*The Accountant*, 30 October 1937, p.582].

non-practising members, while its most famous output, the series of RoAPs, was launched in response to the requests for guidance “constantly stressed especially by its industrial members” [Ms. 28432/19] such as F. R. M. de Paula and P. M. Rees, who held full-time posts in industry or commerce. Bircher [1991, p.239] rightly emphasizes the significance of “the generative ferment”, that existed within the drafting sub-committee of the GASC consisting of de Paula<sup>26</sup> and Rees, together with K. A. Layton-Bennett, in persuading the Council to issue RoAPs. This part of our study shows, however, that practitioners in highly influential positions on the P&L Committee and the Council – Barton, Howitt and Kettle - played a crucial role in achieving approval from the Council for RoAPs.

The GASC’s initial drafts of RoAPs 1 and 2 were received by the P&L Committee on 23rd November 1942 and then referred to its own drafting committee consisting of Barton, Howitt and Kettle [Ms. 28420/3, p.191]. Given the standing of these three practitioners within the ICAEW’s Council, it seems almost certain that they were in a position to decide the success or otherwise of the RoAP programme.<sup>27</sup> The minutes of a meeting of the Council held on 2nd December 1942 report the following decision: “the Memorandum prepared by the Taxation and Financial Relations Committee be approved as amended” [Ms. 28411/12, p.384]. RoAPs 1 and 2 were issued on 12th December 1942 and three further RoAPs, created in a similar manner, were published on 13th March 1943 [Ms. 28420/3, p.199; Ms. 28423, p.21]. *The Accountant* records that the first five RoAPs dealt with technically difficult and intricate matters “of the most fundamental importance while yet being amongst those which have occasioned the most varied discussions in the business and professional world” [*The Accountant*, 20 March 1943, p.145], specifically the treatment in accounts of taxation in general, and Excess Profits Tax in particular. A few months later, Rees pub-

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<sup>26</sup> de Paula chaired the T&FR Committee meetings from the spring of 1943 through to 1945. Kitchen and Parker [1980, p.111] point to the fact that “the subjects of the Recommendations (nos. VI to X) published between October 1943 and June 1945 followed exactly the list of subjects identified by de Paula in his 1933 Preface to *Principles of Auditing*”.

<sup>27</sup> The typical operational procedure of the T&FR Committee in drafting technical documents, particularly the drafting of RoAPs, is explained by Zeff [1972, pp.11-12]. The essence of the procedure saw the Council taking a great deal of trouble to maintain control over the drafting of technical documents by the T&FR Committee. In practice, such control was exercised through the P&L Committee [P&L Committee Minutes Book G, pp.96-97].

ly observed that these were “matters which were particularly urgent” [*The Accountant*, 7 August 1943, p.75].

The series of RoAPs then moved on to a new phase; the planned role of RoAPs, commencing with Recommendation 6, was expanded to deal with more general financial reporting issues. Bircher [1991, pp.238-241] acknowledges the qualitative change that occurred with the second five RoAPs issued, but he does not explain why this happened. Below, we address this issue and locate it within our corporatist analysis.

The minutes of a meeting of the GASC, held on 12th March 1943, state:

It was decided that the next subjects for consideration should be (a) Reserves, including Undisclosed Reserves, (b) Stock in Trade and (c) Depreciation; and that Reserves should be proceeded with at once. The Secretary was requested to invite the members of the Sub-Committee [GASC] and the Regional [T&FR] Committees to submit their suggestions by 30th March . . . It was decided to write to the Parliamentary and Law Committee . . . informing them that the Sub-Committee [GASC] proposes to deal in order with the points arising on looking at a published Balance Sheet and to ask if the Committee has any comments to make; in particular whether the Sub-Committee [GASC] shall put forward any draft recommendations on Subsidiary and Sub-subsidiary Companies [GASC Minutes Book A, p.7].

The P&L Committee, at a meeting held on 24th May 1943, approved “in principle the Programme and suggest that the “Form of Disclosure of the Results of Subsidiary Companies” should also be a matter for their consideration” [Ms. 28420/3, pp.208-209].

In developing this new direction for RoAPs, and preparing drafts for submission to the P&L Committee, two industrial members of the GASC, de Paula and Rees, again seem to have played an important role.<sup>28</sup> The P&L Committee’s approval of

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<sup>28</sup> de Paula, Rees and H. J. Page comprised the sub-committee appointed to draft RoAP 6, entitled “Reserves and Provisions” (issued 23 October 1943) (Appendix 5). Rees and de Paula also undertook to produce initial drafts of RoAP 7 (issued 12 February 1944) and RoAP 8 (issued 15 July 1944) [GASC Minutes Book A, pp.9, 11-12]. Rees further undertook to prepare preliminary and revised drafts of RoAP 9 (issued 12 January 1945) and RoAP 10 (issued 15 June 1945) [GASC Minutes Book A, pp.21-22, 25-26]. When the P&L Committee met to consider draft RoAP 6, on 18th October 1943, de Paula and Rees attended as representatives of the T&FR Committee [Ms. 28420/3, p.220].

the outputs from the new “Programme”, which proved forthcoming, was a necessary precondition for ensuring that the GASC’s initiative, in shifting the direction of RoAPs, would receive Council’s approval. Given their commitment to, and close involvement in, the creation of the first five RoAPs, we conclude that Barton, Howitt and Kettle continued to be influential supporters of the GASC’s initiative on the P&L Committee and, in due course, the Council.

The minutes of a meeting of the P&L Committee held on 29th March 1943 begin to shed light on the factors that led to the GASC’s initiative:

A letter dated the 16th March, 1943, from the Secretary of the Taxation and Financial Relations Committee was considered, asking whether the Sub-Committee set up in 1935 to consider amendments to the Companies Act [SCCLR] desire points brought to the attention of the Regional [T&FR] Committees to be referred to the Sub-Committee [SCCLR] [Ms. 28420/3, pp.205-206].

The coincidence of the timing between the decision to take RoAPs in a new direction (12th March 1943) and the offer of assistance to the SCCLR (16th March 1943) imply that the GASC resolved to initiate a change in the nature of RoAPs in response to the preparations being made at the BoT for a new inquiry into company law, that is, the formation of the Cohen Committee which had been in progress within the BoT since December 1942. There is no definitive evidence to support this hypothesis, but the chronology of events (Appendix 2) and the evidence uncovered by this study cause us to conclude that the qualitative change in RoAPs was prompted by the desire of the ICAEW to align itself with the priorities of the BoT in relation to the working of the Cohen Committee.

In accepting the offer of assistance from the GASC, the P&L Committee, as noted earlier, revived and reconstituted the SCCLR [Ms. 28420/3, p.206], with Barton, Howitt and Kettle, who we have argued were key supporters for the GASC’s initiative, amongst its membership (Appendix 5). These three, relatively younger practitioners<sup>29</sup> were likely to find radical change acceptable, as demonstrated by their earlier nomination, by gov-

<sup>29</sup>The age of each member of the reconstituted SCCLR, as at March 1943, was as follows: Palmour, 65; Barton, 60; Freeman, 68; Carter, 73; Howitt, 56; Kettle, 55; Robson, 46; Yeabsley, 44; Binder, 66 (average 59.2 years) (Appendix 5). The average age of the members of the P&L Committee, as at March 1943, was 64.3.



ernment officials, as suitable appointees to the Cohen Committee. The GASC's affiliation with the new SCCLR was strengthened by the co-option of Rees,<sup>30</sup> who had been elected Chairman of the GASC in April 1943, to the SCCLR in July 1943, and the appointment of Rowland, Secretary of the T&FR Committee, as Secretary of the SCCLR in June 1943 [Ms. 28420/3, pp.212, 216] (Appendix 5). RoAPs were now interlocked, through the affiliation between the new SCCLR and the GASC, with the ICAEW memorandum to be submitted to the Cohen Committee. Rees, together with Barton and Robson, then formed the sub-committee appointed to settle the content of the ICAEW memorandum which was presented to the Cohen Committee by Howitt and Robson. The structure and relationships between the BoT, the Cohen Committee, the Council of the ICAEW, the P&L Committee, the T&FR Committee, the GASC, the SCCLR, RoAPs and the ICAEW memorandum are summarized in Exhibit 1.

There is sufficient explicit evidence to support our contention that the new programme of RoAPs was dominated by concerns amongst the ICAEW leadership over its acceptability to the state. At a meeting of the GASC held on 19th August 1943, before any of the five more wide-ranging RoAPs (6-10) were issued, Rees "explained the importance of avoiding any conflict between the Recommendations and evidence to be tendered by the Institute to the official Committee on Company Law Amendment" [Ms. 28423, p.38]. This comment, consistent with further evidence presented below, indicates that the composition of RoAPs 6-10 was purposely designed to accord with the content of the ICAEW memorandum.

The intertwining of RoAPs with the ICAEW memorandum led to the P&L Committee intensifying its control over the GASC's drafting activities. In particular, the P&L Committee was cautious about proceeding with the publication of further RoAPs on the grounds that it could result in possible conflict with the conclusions that might be reached by the recently appointed Cohen Committee [Ms. 28420/3, p.212].<sup>31</sup> The Council

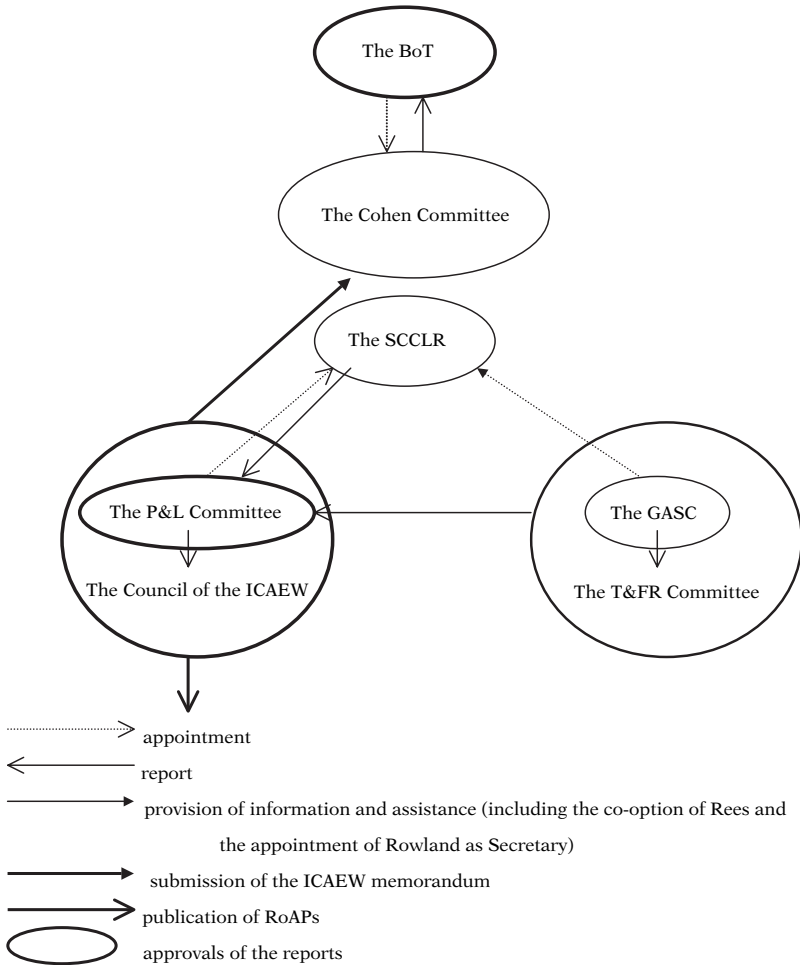
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<sup>30</sup>Rees appears to have been particularly influential in drafting the content of the first ten RoAPs. At the P&L Committee meeting, held on 28th May 1945, a "vote of thanks was passed to Mr. P. M. Rees for his work in connection with the whole series of recommendations" [Ms. 28420/3, p.247].

<sup>31</sup>The leaders of the ICAEW showed less caution, and foresight, 30 years later (May 1974) in issuing Provisional Statement of Standard Accounting Practice 7, entitled "Current Purchasing Power Accounting", despite the government's prior appointment of a Committee of Enquiry (January 1974) [Tweedie and Whittington, 1984, pp.81-82]. The Sandilands Committee's

**EXHIBIT 1**

**Structure and Relationships among the BoT, the Cohen Committee, the Council of the ICAEW, the P&L Committee, the T&FR Committee, the GASC, the SCCLR, RoAPs and the ICAEW Memorandum**



strident criticism of CPP did much to undermine the reputation of the Accounting Standards Committee.

instructed Palmour to approach the BoT in order to seek the views of its President and those of the Chairman of the Cohen Committee on the publication of RoAPs [Ms. 28411/13, pp.54-55]. The reply from Hodgson, and how it was interpreted by the P&L Committee, is summarized in the following extract from the Committee's minutes:

[Hodgson] expressed his satisfaction that the Institute had approached the Board of Trade on the matter, and stated that the Departmental view on the matter is that the balance of advantage is strongly against any suspension of the beneficial service which the work of the Institute is providing for the business and professional communities. The [P&L] Committee decided to continue publication [Ms. 28420/3, p.218].<sup>32</sup>

The decision of the Council to seek the sanction of the BoT for further publication of RoAPs clearly shows that the Council actively intended to align its action, in publishing the second five RoAPs, with the BoT's initiative to reform company law. Given the highly positive response from Hodgson, the Council could now be reasonably confident that the conclusions of the Cohen Committee would be consistent with its own pronouncements.

## CONCLUSION

Researchers into developments within the accountancy profession have drawn on the corporatist model as an insightful mechanism for analyzing the dialectical relationship with the state.

Cooper et al [1989, p.254] have argued that:

In return for the monopolisation of audit services and the advantages of self regulation, the accounting profession is expected to both act in the interests of the state and control the membership of the profession to act in those interests.

They continue:

the accounting profession, in the form of its central organisations such as the Councils of the six major accounting institutes, the Consultative Committee of Ac-

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<sup>32</sup> Members of the Council (Barton, S. R. Cooper, Howitt and Robson) then met representatives of the T&FR Committee to discuss the publication of RoAP 6 and further RoAPs [Ms. 28420/3, p.216].

counting Bodies (CCAB) and its sub-committees (notably the Accounting Standards Committee), take considerable care to try to identify (and influence) the interests of the state. This takes the form of state representation on the Accounting Standards Committee, formal and informal discussions with the civil service in relevant departments and regulatory bodies, the movement of personnel into and out of the respective organisations and of course the general socialisation process prevalent in British Society.

The analytical framework of the corporatist model has been shown by other writers to provide a useful basis for understanding relationships between the accounting profession and the state. Walker and Shackleton's [1995, p.474] study of initiatives designed to achieve state recognition of a unified accountancy profession between 1930-57, and particularly during the 1940s, rehearses the outcomes that can be expected from the successful pursuit of corporatist arrangements with the state:

Governing institutions enter into interdependent and co-operative relationships with government, have functional responsibilities bestowed upon them, are rewarded with preferential access to policy makers, and thereby become an integral part of the extended state.

In this paper we have followed Walker and Shackleton [1995] in applying corporatist analysis to understand events occurring in wartime conditions,<sup>33</sup> with the state at that time making arrangements to fulfill its part of the "implied contract between Government and people" [Hancock and Gowing, 1949, p.541]. During the process of setting up the Cohen Committee, prominent references were made by state bureaucrats to the need "to provide better safeguards for the investor, the shareholder and the public interest, and greater publicity in regard to the formation and affairs of a limited liability company", while particular mention was made of the need to protect the interests of the "small investor, whose numbers are now legion". Fully aware of the BoT's determination to enhance significantly the level of statutory disclosure in the accounts of limited liability companies, the ICAEW's P&L Committee appointed a committee (the reconstituted SCCLR) responsible for drafting the memorandum for submission to Cohen comprising individuals

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<sup>33</sup>For their analysis, Walker and Shackleton [1995] draw more heavily on the British variety of corporatism, "corporate bias".

who had (i) previously cooperated successfully with state officials on a range of issues and (ii) been identified by government officials as suitable accountants for appointment to the Cohen Committee.

We find evidence of further action taken by the ICAEW's leadership to organize affairs and control the actions of members so as to align its interests and outputs with state priorities. In particular:

1. the district societies were marginalized through the Council's rejection of unwelcome proposals, by maintaining monopoly control over available information and by refusing them the opportunity of making independent submissions to Cohen;
2. the affiliation between the SCCLR and the GASC ensured that RoAPs 6-10 were consistent with the content of the submission to Cohen;
3. the Council, through the P&L Committee, maintained a firm grip on the work of the GASC, where industrial accountants were prominent, through the drafting responsibilities of three *practitioners*, Barton, Howitt and Kettle, who were also members of the SCCLR;
4. Howitt and Robson were the two members of the ICAEW who gave evidence before Cohen; and
5. Kettle<sup>34</sup> was selected by the state to serve as the accounting profession's representative on the Cohen Committee and, together with Robson, subsequently served as the BoT's "advisers in the drafting and during the passage of the Companies Bill".

Pointing to the dominant influence of the ICAEW memorandum over the accounting content of the Cohen Committee's Report and thus CA48, Bircher [1991, p.293] asserts that "[t]he form and content of CA48 owes much to the ICAEW's development of its reform programme and the exercise of its influence to mould the legislation in the form of its own programme". He continues:

The ICAEW's actions were to be very influential and the CA48 provisions cannot be appreciated without an understanding of the centrality of the ICAEW role. Yet those actions also have to be related to their generative

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<sup>34</sup> Kettle authored a series of articles published in *The Accountant* [25 October 1947, pp.258-259; 1 November 1947, pp.274-275; 8 November 1947, pp.294-295; 15 November 1947, pp.306-307; 22 November 1947, pp.323-324, 335] entitled "The accounts and audit provisions of the Companies Act".

context. The relationship between action and generative context however is a contingent one, for the response of the ICAEW to the contextual changes was at least potentially different. There was no unavoidable contextual imperative for the ICAEW to act as it did and the CA48 therefore represents the consequences of the interplay between the actions that created it and the contingent generative structure of those actions [Bircher, 1991, p.297].

The centrality of the ICAEW's role in reforming company law is not disputed, while the "generative ferment" created by de Paula and Rees in the drafting sub-committee of the GASC is undoubtedly part of the story. However, we differ from Bircher in terms of recognizing the influence of the state, represented by the BoT, over the "articulation of demands" [Schmitter, 1979, p.13; Williamson 1989, p.207] by the leaders of the ICAEW. Bircher concludes that the ICAEW succeeded in molding "the legislation in the form of *its own programme*" (*emphasis added*), whereas we have argued that the ICAEW's programme was directly influenced by, and designed to respond to, the BoT's initiative.

The Council of the ICAEW had of course recognized the possibility of company law reform in the 1930s, but reached the conclusion that voluntary improvement was the preferred way forward. Even when it became convinced of the need to issue RoAPs, these documents were initially perceived as fulfilling no more than an advisory role. This changed when the Council mounted, in parallel, the co-ordination initiative and became aware of the BoT's determination to achieve radical new company legislation. It is fair to say that the ICAEW was the leading professional accounting association at this time – certainly in terms of size, responsibility for company audits, and degree of involvement in state matters – and it was keen to protect and enhance this dominant position. It therefore sought to create an agenda for reform that would meet with state approval, one that was consistent with the more generalist RoAPs that it now proceeded to issue and for which, following correspondence with Hodgson at the BoT, it could be reasonably confident of obtaining support.

It is true that the creation of a particular form of corporatist structure is dependent upon specific historical circumstances, but once producer associations become part of a corporatist structure their behavior is generally constrained by the emergence of a relationship within which the interests of the state

inevitably prevail. In contrast to Bircher's interpretation that there was no "unavoidable contextual imperative" for the ICAEW to act as it did in developing its reform programme and exercising its influence, the conclusion of this study is that the ICAEW, when drafting both its memorandum for submission to the Cohen Committee and the second five RoAPs, functioned within a structure where the interests of the BoT inevitably prevailed.

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## APPENDIX 1

### Titles and Publication of RoAPs

<i>RoAP No.</i>	<i>Publication</i>	<i>Titles</i>
1	12/12/1942	Tax Reserve Certificates
2	12/12/1942	War Damage Contributions, Premiums and Claims
3	13/03/1943	The Treatment of Taxation in Accounts
4	13/03/1943	The Treatment in Accounts of Income Tax deductible from Dividends payable and Annual Charges
5	13/03/1943	The Inclusion in Accounts of Proposed Profit Appropriations
6	23/10/1943	Reserves and Provisions
7	12/02/1944	Disclosure of the Financial Position and Results of Subsidiary Companies in the Accounts of Holding Companies
8	15/07/1944	Form of Balance Sheet and Profit and Loss Account
9	12/01/1945	Depreciation of Fixed Assets
10	15/06/1945	The Valuation of Stock-in-Trade
11	19/07/1946	Excess Profits Tax Post-war Refunds
12	14/01/1949	Rising Price Levels in relation to Accounts
13	11/03/1949	Accountants' Reports for Prospectuses: fixed assets and depreciation
14	12/08/1949	The Form and Contents of Accounts of Estates of Deceased Persons and Similar Trusts
15	30/05/1952	Accounting in relation to Changes in the Purchasing Power of Money
16	13/11/1953	Accountants' Reports for Prospectuses: adjustments and other matters
17	18/10/1957	Events occurring after the Balance Sheet Date
18	10/1958	Presentation of Balance Sheet and Profit and Loss Account
19	10/1958	Treatment of Income Tax in Accounts of Companies
20	13/11/1958	Treatment of Investments in the Balance Sheets of Trading Companies
21	29/02/1960	Retirement Benefits
22	16/11/1960	Treatment of Stock-in-Trade and Work in Progress in Financial Accounts
23	02/1965	Hire-purchase, Credit Sale and Rental Transactions
24	03/1967	Accounting Treatment of Investment Grants
25	02/1968	Accounting Treatment of Major Changes in the Sterling Parity of Overseas Currencies
26	05/1968	The Land Commission Act 1967: accounting implications
27	07/1968	Treatment of Taxation in Accounts of Companies
28	08/1968	Accounts of Investment Trust Companies
29	11/1969	Trust Accounts

*Source:* ICAEW [1961].

## APPENDIX 2

### Chronology of Key Events

<i>Event</i>	<i>Date</i>
Appointment of the original SCCLR by the P&L Committee	23 January 1935
Submission to the P&L Committee by the SCCLR of its report	25 July 1938
Outbreak of World War II	1 September 1939
Formation of the T&FR Committee	11 June 1942
The first meeting of the Co-ordinating Committee	7 August 1942
Formation of the GASC by the T&FR Committee	20 August 1942
Representatives of ICAEW meet with Jowitt to discuss post-war reconstruction	24 September 1942
Palmour's introduction of the alleged statement by Jowitt that "the Accountancy bodies should get together"	5 October 1942
The start of the drafting work of the Co-ordinating Committee to establish the Public Accountants' Bill	24 October 1942
Publication of RoAPs 1 and 2 by the Council	12 December 1942
Hodgson's submission to Dalton of his original idea to reform company law	22 December 1942
fforde's nomination of suitable accountant members on the Cohen Committee	4 February 1943
Dalton's determination to reform company law	15 February 1943
GASC's resolution to develop a new direction for RoAPs 6-10	12 March 1943
Publication of RoAPs 3-5 by the Council	13 March 1943
GASC's communication to the P&L Committee to offer assistance to the SCCLR	16 March 1943
Reconstitution of the SCCLR by the P&L Committee and acceptance of the offer of assistance by the GASC	29 March 1943
GASC's communication to the P&L Committee on the new direction for RoAPs 6-10	14 April 1943
Kingsley Wood's recommendation of Kettle to serve on the Cohen Committee	15 April 1943
P&L Committee's approval of the new direction for RoAPs 6-10	24 May 1943
Appointment of the Cohen Committee	26 June 1943
P&L Committee's recommendation to postpone the publication of RoAP 6	30 June 1943
Council's decision to approach the BoT for their view on further publication of RoAPs by the ICAEW	4 August 1943
Hodgson's reply to the approach made by the ICAEW	7 September 1943
Publication of RoAP 6 by the Council	23 October 1943
Submission of the draft memorandum by the SCCLR to the P&L Committee	25 October 1943
Submission of the draft memorandum by the P&L Committee to the Council	3 November 1943
Publication of RoAP 7 by the Council	12 February 1944
Submission of the ICAEW Memorandum by the Council to the Cohen Committee	25 February 1944
Publication of RoAP 8 by the Council	15 July 1944
Publication of RoAP 9 by the Council	12 January 1945
Publication of RoAP 10 by the Council	15 June 1945
Submission to the BoT by the Cohen Committee of its report	June 1945
Introduction of Companies Bill, 1946 to Parliament	June 1947
Enactment of CA47	6 August 1947
Consolidation of CA48	30 June 1948

### APPENDIX 3

#### Relevant Government Officials and Their Position

<i>Name</i>	<i>Position</i>
Hugh Dalton	President of the BoT (1942-45)
Sir Arnold Overton	Permanent Secretary of the BoT
Sir Edward Hodgson	Second Secretary of the BoT
J. G. Henderson	Principal of the Companies Department of the BoT
Sir William Jowitt	Minister for Reconstruction (1942-44)
Sir Kingsley Wood	Chancellor of the Exchequer (1940-43)
Arthur F. B. Forde	Deputy Director of Contracts at the Ministry of Supply
Sir Cornelius Gregg	Chairman of the Board of Inland Revenue (1942-48)

Source: Ms. 28423; BT58/356; Bircher [1991].

### APPENDIX 4

#### Membership of the P&L Committee as of 29th March 1943

<i>Name</i>	<i>Firms</i>	<i>Location</i>
C. J. G. Palmour (President)	Whinney, Smith & Whinney and Whinney, Smethurst & Co.	London
H. M. Barton (Vice-President)	Barton, Mayhew & Co.	London
W. S. Carrington	Whinney, Smith & Whinney and Whinney, Smethurst & Co.	London
R. N. Carter (1936-37)*	Carter, Chaloner & Kearns, W. Charlesworth & Co. and Carter, Chaloner & Meggison	Manchester
L. W. Farrow	Sissons, Bersey, Gain, Vincent & Co.	London
C. E. Fletcher	Cooper Brothers & Co.	London
G. R. Freeman (1925-26)*	Gane, Jackson, Jefferys & Freeman	London
H. L. H. Hill (1931-32 and 1933-34)*	Hill, Vellacott & Co. and Hill, Vellacott & Bailey	London
Sir Harold Howitt	Peat, Marwick, Mitchell & Co.	London
Russell Kettle	Deloitte, Plender, Griffiths & Co.	London
Harold M. Moore	Edward Moore & Sons	London
Herbert J. Page	Hudson Smith, Briggs & Co., Kemp, Chatteris, Nichols, Sendell & Co. and Fisher, Randle, Kemp, Sendell & Co.	London
The Lord Plender (1910-12 and 1929-30)*	Deloitte, Plender, Griffiths & Co.	London
T. Walton	Walton, Watts & Co.	Manchester
Sir Nicholas Waterhouse (1928-29)*	Price Waterhouse & Co.	London

\* after the name indicates that members concerned were past Presidents and years in parentheses indicate the years of presidency.

Source: Ms. 28420/3.

**APPENDIX 5**  
**Members of the Reconstituted SCCLR and Their Role in Preparation and Publication of the First Ten RoAPs**

<i>Membership of the reconstituted SCCLR, March 1943 (age in parenthesis)</i>	<i>Status of each member within the reconstituted SCCLR</i>	<i>Principal Members (including Secretary) of the GASC of the T&amp;FR Committee (dates in parenthesis)</i>	<i>Role in preparation and publication of the first five RoAPs (1-5)</i>	<i>Role in preparation and publication of the second five RoAPs (6-10)</i>
C. J. G. Palmour# (65) (President)	ex-officio member, as President			
H. M. Barton*# (60) (Vice-President)	ex-officio member, as Vice-President (also, member of original SCCLR)	Chairman (July, 1942-Mar, 1943) of the T&FR Committee	Member of the P&L Committee responsible for drafting RoAPs 1-5	Member of the P&L Committee responsible for RoAPs 6-10 (and drafting Cohen Committee Memorandum)
G. R. Freeman# (68) (Chairman of the P&L Committee)	ex-officio member, as Chairman of the P&L Committee		Member of the P&L Committee responsible for drafting RoAPs 3-5	
R. N. Carter# (73)	member of original SCCLR			
Sir Harold Howitt*# (56)	member of original SCCLR		Member of the P&L Committee responsible for drafting RoAPs 1-5	Member of the P&L Committee responsible for RoAPs 6-10 (and drafting Cohen Committee Memorandum)
Russell Kettle*# (55)	newly appointed member in March 1943		Member of the P&L Committee responsible for drafting RoAPs 1-5	
T. B. Robson* (46)	newly appointed member in March 1943 (not a member of the P&L Committee, but so from July 1943)			Member of the P&L Committee responsible for RoAPs 6-10 (and drafting Cohen Committee Memorandum)



**APPENDIX 5 (continued)**

<i>Membership of the reconstituted SCCLR, March 1943 (age in parenthesis)</i>	<i>Status of each member within the reconstituted SCCLR</i>	<i>Principal Members (including Secretary) of the GASC of the T&amp;FR Committee (dates in parenthesis)</i>	<i>Role in preparation and publication of the first five RoAPs (1-5)</i>	<i>Role in preparation and publication of the second five RoAPs (6-10)</i>
R. E. Yeabsley (44)	newly appointed member in March 1943 (neither a member of the Council nor of the P&L Committee)			
B.H. Binder (66)	member appointed to replace Kettle when the latter was appointed to the Cohen Committee (not a member of the P&L Committee)			
S.W. Rowland (Secretary) (c.55)	appointed Secretary of the reconstituted SCCLR in June 1943	Secretary of the T&FR Committee	Participated in drafting RoAPs 1-5 when Secretary of the T&FR Committee	Participated in drafting RoAPs 6-10 when Secretary of the T&FR Committee
P.M. Rees (59)	co-opted member from the GASC in July 1943	Vice-Chairman (Aug.1942-Mar.1943) and Chairman (Apr.1943 -) of the GASC	Participated in drafting RoAPs 1-5 when Vice-Chairman of the GASC	Participated in drafting RoAPs 6-10 when Chairman of the GASC
		F. R. M. de Paula (60), as Vice-Chairman (July.1942-Oct.1943) and Chairman (Nov.1943 -) of the T&FR Committee  K. A. Layton-Bennett (53), as Chairman (Apr.1943-Oct.1943) of the T&FR Committee and Chairman (Aug.1942-Mar.1943) of the GASC	Participated in drafting RoAPs 1-5 when Vice-Chairman of the T&FR Committee	Participated in drafting RoAPs 6-8 when Vice-Chairman of the T&FR Committee

\* after the name indicates that members concerned were recommended, as suitable, for appointment to the Cohen Committee.  
 # after the name indicates that members concerned were members of the P&L Committee as at March 1943.  
 Source: Ms. 28420/3; Ms. 28423; GASC Minutes Book A; BT58/356.