

5-1935

Correspondence: Accountancy Condderned with Financial Facts

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Recommended Citation

Eppston, Harold A. (1935) "Correspondence: Accountancy Condderned with Financial Facts," *Journal of Accountancy*. Vol. 59 : Iss. 5 , Article 7.

Available at: <https://egrove.olemiss.edu/jofa/vol59/iss5/7>

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Correspondence

ACCOUNTANCY CONCERNED WITH FINANCIAL FACTS

Editor, THE JOURNAL OF ACCOUNTANCY:

SIR: Maurice E. Peloubet's review of Arthur Stone Dewing's *The Financial Policy of Corporation* deserves comment.

Mr. Peloubet touches on one point where economists and accountants often clash. Economists are always prating about "value"; they demand that accountants focus their attention on "values." But the theorist's concept of "value" is not only vague and nebulous but belongs to the uncertain realm of philosophy and is unfit for use in a "pragmatical science." There are as many theories of "value" as there are schools of economy; and as quickly as one theory is found untenable and its head cut off two new hydra-headed theories spring up to take its place.

Mr. Peloubet, as an accountant dealing with realities, points out that accountancy must deal with "financial" in contradistinction to "economic" facts. Accountancy presents these facts in "conventional units by conventional means." Since all the world is aware of these conventional units and conventional methods, nobody need be misled. The very fact that these conventions are thoroughly understood makes the financial reports of accountants available, so that they may be adjusted by any who have the folly or transcendent wisdom to do so, to reflect any theory of value or of money.

"Here are the figures, and here are the well-known methods of compilation," says the accountant, "and if you wish to adjust them for the new gold-content of the dollar, or the changing price-index numbers, or because of the influence of the tariff, or to account for changing sun-spots, go right ahead." Fortunate, indeed, are the "interpreters" that accountants agree so much as to conventions and do not "interpret" too much in advance of compilation!

And no matter how Einstein heads his rays of light he will rely on the fact, when he takes his daily walk, that a straight line is the shortest distance between two points.

Indeed, it is better sometimes that certain rules and guides be "fixed" rather than theoretically correct and true. That goes for many phases of life: the calendar, the foot-rule, the clock and in the whole field of law. The whole doctrine of English law is based on the recognition of this principle. That is the essence of the doctrine of "stare decisis." Even "language" is a convention.

Why should accountants introduce more uncertainties into their unexact science?

Yours truly,

HAROLD A. EPPSTON

Newark, New Jersey, January 7, 1935.